

What does 2024 hold for European Renewables?

Agenda Summary: Financing European Renewables Summit, Madrid, May 2024

1. A new era of renewables is coming as the first batch of renewable projects are reaching their maturity. What will become of the subsidised projects? Will short-term PPAs be the new trend for the final years of these projects? What is the demand for repurposing? Spain and Germany are likely to be the front-runners, hosting more advanced wind markets.
2. It is evident that hydrogen is necessary for the future of the energy transition. The challenges surrounding bankability, technological expertise, and well-established regulation will be critical for its realisation. In the meantime, biogas is gradually gaining attention given its compatibility with LNG and ability to be bankable now rather than later.
3. After the recent PPA slowdown, market sentiment suggests a resurgence. PPA issues in Spain were associated with regulatory uncertainty, though not as much as in other European markets. Sponsors aim to capitalise on current pricing levels by closing PPAs sooner, before pricing for energy drops again.
4. Spain's dilemma of reaching 90 GWs by the 2025 deadline raises questions about the market's ability to handle such an upsurge. Stakeholders will need to have access to the grid, a robust supply chain, and environmental permits sorted to be able to deliver. The fate of the pipeline, auction schedule, and pricing remains uncertain.
5. The recent Spanish elections are expected to have a limited impact on the Iberian energy sector, with the exception of the country's auction schedule. On a broader EU Level, pricing for renewables remains volatile due to gas prices and geopolitical tensions.
6. Investing in battery storage in Southern Europe remains a challenge due to the lack of a regulatory regime, combined with the French grid bottleneck, and the risk of asset cannibalisation.
7. France seems to be paving the way for floating offshore wind projects, closely followed by Norway within the next 2-3 years. Offshore wind is generally experiencing a slowdown across Europe, with no significant greenfield project on the horizon.
8. The role of Scandinavian ECAs and multilaterals like EIB is growing as new technologies emerging from the energy transition gain momentum. Players are seeking to minimise risk amid uncertainties. Word on the street is that EIB might assume ECAs' traditional role of guaranteeing PPAs.
9. Geopolitics are not only affecting energy prices but also Europe's renewable energy supply chains. Several major developers have had to cancel their projects recently due to the current high inflation, high interest rate, and difficult supply chain bottlenecks. Will cheaper competitors outside of Europe take advantage?

