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POWERING COMPETITIVENESS

For many companies, electricity is no longer simply an operating cost. Volatile prices, geopolitical uncertainty, and pressure to decarbonize have turned energy procurement into a strategic question. Corporate Power Purchase Agreements (PPAs) could provide Slovak businesses with another tool to manage that challenge.

FROM OPERATING COST TO STRATEGY

Europe's energy landscape has changed fundamentally in recent years. Electricity price volatility, geopolitical uncertainty, and increasingly ambitious decarbonization targets have led many companies to rethink how they procure energy.

This is particularly relevant for Slovakia. As a manufacturing-driven economy, access to competitively priced and predictable electricity is closely linked to the country's ability to attract investment and maintain industrial competitiveness.

One tool already widely used across Europe is the corporate Power Purchase Agreement (PPA).

A PPA is a long-term agreement, typically spanning 10 to 15 years, between an electricity producer and a corporate customer. For businesses, the main benefit is greater visibility over future energy costs. For renewable energy producers, long-term contracts provide predictable revenue streams that help finance and build new generation capacity.

The result is a mutually beneficial arrangement: businesses gain price certainty, while developers secure the investment certainty needed to expand renewable energy production without relying on subsidies.

THREE DIFFERENT APPROACHES

Corporate PPAs generally fall into three categories.

The most straightforward is an on-site PPA, where a renewable installation, usually solar, is built directly at a company's premises. The developer finances, builds, owns, and operates the system, while the customer purchases the electricity generated on-site.

A physical off-site PPA involves a renewable facility located elsewhere. Electricity is delivered through the grid, typically with an electricity supplier acting as an intermediary. This allows companies to access renewable generation even when on-site installations are not feasible.

The third option is a virtual PPA. In this arrangement, electricity is not physically supplied under the agreement. The company continues buying power from its regular supplier while entering into a separate financial contract with a renewable producer that helps hedge against market price fluctuations.

Each model has distinct commercial, accounting, and risk implications, making the optimal choice dependent on the needs of the individual business.

SLOVAKIA'S ON-SITE PARADOX

Despite their growing popularity elsewhere, PPAs remain relatively unfamiliar to many Slovak companies. Interest is strongest among multinational businesses already experienced with PPAs in Western Europe.

On-site projects are particularly attractive in Slovakia. Industrial and

commercial companies increasingly want solar installations to cover part of their electricity consumption but often prefer not to invest their own capital or manage permitting, construction, and operations.

An on-site PPA appears to offer an ideal solution. However, Slovakia's current regulatory framework makes this structure difficult to implement directly. Under existing rules governing consumption and delivery points, a renewable producer cannot simply own an installation at a customer's premises and sell electricity directly under a standard on-site PPA.

As a result, companies have adopted alternative structures. One common solution is a technology lease, in which the customer leases the installation and gradually repays the developer's investment. While workable, this approach can create accounting complications and require additional approvals, particularly within multinational groups.

To address this issue, renewable energy industry representatives have submitted a legislative proposal to the Ministry of Economy aimed at enabling direct on-site PPAs. The change would not introduce a new business model; it would simply allow Slovak businesses to use a structure already common across Europe.

BEYOND THE FACTORY GATE

Off-site PPAs are also beginning to emerge in Slovakia.

Virtual PPAs can provide an effective hedge against electricity price volatility while allowing companies to maintain their existing supply arrangements. However, because these agreements may qualify as financial instruments, their accounting treatment requires careful consideration.

For some businesses, physical PPAs may offer a more intuitive solution. Renewable electricity is supplied through an energy retailer, which also covers electricity needs when the renewable source is not generating.

Although these agreements involve coordination between multiple parties, they demonstrate that PPAs are highly adaptable. Structures can be tailored to a company's consumption profile, risk appetite, and commercial objectives.

COMPETITIVENESS, NOT ONLY CLIMATE

Across Europe, corporate PPAs have become an important mechanism connecting corporate demand for predictable renewable electricity with private investment in new generation capacity.

Slovakia already has many of the ingredients necessary for this market to grow. Corporate demand for clean energy is increasing, renewable technologies are becoming more cost-competitive, and investors are seeking stable, long-term opportunities.

What remains under development is the framework connecting these interests. Clear regulation, greater market awareness, and more standardized contractual approaches could significantly reduce complexity and make PPAs accessible to a broader range of companies.

This matters for reasons extending well beyond decarbonization. While the green transition is often discussed through the lens of climate targets, energy policy is increasingly also a question of industrial competitiveness and economic resilience.

For businesses, predictable electricity costs can reduce exposure to market shocks and improve long-term planning. For renewable energy developers, long-term corporate demand can unlock investment in new generation. For Slovakia, greater domestic electricity production can strengthen both resilience and competitiveness.

Corporate PPAs will not solve every energy challenge facing Slovak industry. But they offer a practical way to align the interests of businesses seeking greater certainty with investors prepared to finance new renewable capacity. Slovakia does not need to invent this model. The opportunity is to create the conditions that allow businesses to adopt solutions already proven elsewhere in Europe.