Tightening credit environment hitting merchant PPAs

Banks financing renewables are increasingly seeking revenue certainty from power purchase agreements (PPAs) or state incentives, worsening their terms for merchant projects, experts told Montel

"To provide financing, the bank wants clarity on the plant's revenues, so basically prices and counterparties," Matteo Donati, managing partner of renewables developer ReFeel, told Montel.

In Italy, that clarity could be provided by a PPA or an incentive scheme such as Fer X, Italy's state-backed renewables auction scheme, the Energy Release mechanism or the former Conto Energia, he added.

"Without these instruments, the bank might still provide financing, but on worse terms and on a very low share of the capex value," he said.

Merchant exposure usually reduced the debt available and required more equity, said Antonio Sileo, director of the energy innovation observatory at think tank I-Com.

Yet a signed PPA was still not a universal condition for investment, he added. "The PPA... is only one of the ways to achieve it," he said, referring to the predictable revenue that project finance required.

Italy's Fer X energy incentive scheme, for example, offered 20-year, two-way contracts for difference (CfDs) as an alternative, he added.

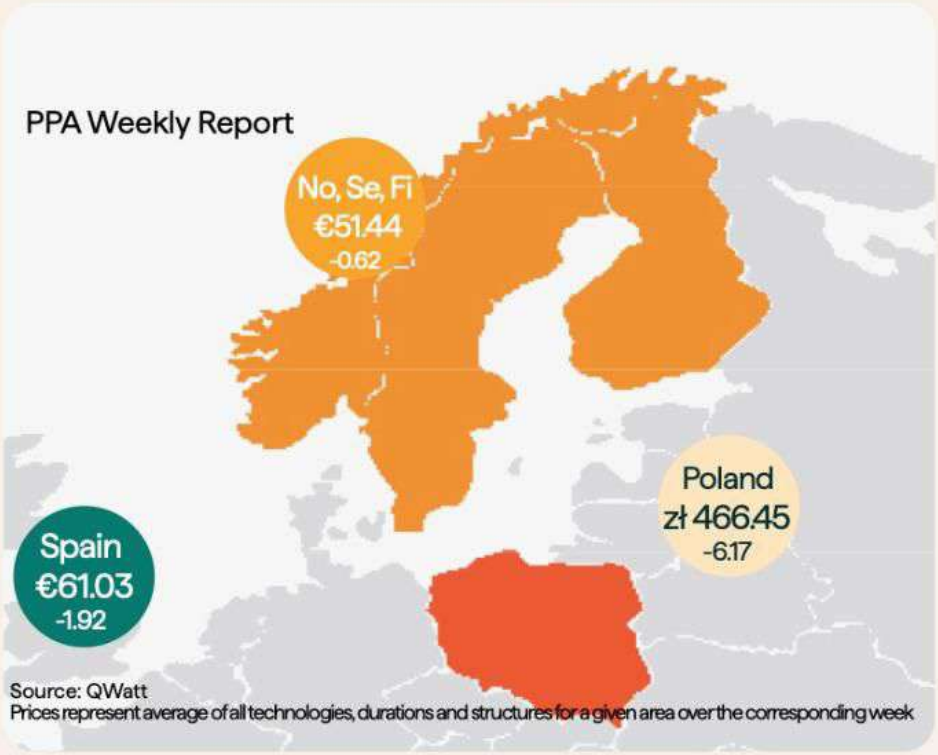
Some of the more stringent attitudes can be tied to the more complex revenue outlook, experts said.

Zero-price hours in Italy rose 230% in the first nine months of 2026, according to Sileo. The first negative day-ahead prices appeared on 14 October in the South, Calabria and Sicily zones, he added.

Solar's capture rate, the share of baseload prices it is able to average, fell to 85.3% in summer 2026, he said. "This reinforces the need to protect revenues."

"At least in Italy, incentives are still playing an important role," said Paolo Pacciarini, at Swedish consultancy AFRY. Even so, a PPA did not resolve negative-price risk in every case, as much depended on how contracts settled during negative-price hours, he added

"If the project is pure merchant... you cannot get project financing in almost every market," said Orkhan Ahmadli, director of global renewable energy for Europe, the Middle East and Africa at US energy management firm World Kinect.



Source: QWatt
Prices represent average of all technologies, durations and structures for a given area over the corresponding week

Negative prices and geopolitical volatility meant lenders would not back projects above about EUR 50m without a PPA or similar security, he added.

This set a floor under PPA prices. If lenders were comfortable with EUR 40/MWh, for example, a seller could not agree EUR 39/MWh "because if you do, you will not get project financing from lenders", other experts said.

Developers were also adding batteries to solar plants, which would cut negative-price hours and flatten the daily price curve, he added.

"For me it is important to close financing, procurement and offtake more or less at the same time," said Michael Swol, CIO of independent power producer R.Power. *AT*

