Australia solar power moscow

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The war in Ukraine has acted as a brutal wake-up call for governments to act and reduce their dependence on Russian fossil fuels. Many have pledged to hasten project timelines for renewables, but there are mixed reports about impacts on investor confidence and projects under development in Ukraine"s neighboring countries. Marija Maisch reports.

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As the invasion of Ukraine continues, governments across Europe are seeking to sever ties to Russian energy. New renewables capacity is needed now more than ever.

A survey run by US renewables transaction infrastructure provider LevelTen showed that more than 30% of developers in Europe are doubling down on efforts in countries in which they are already present, while less than 9% are scaling back investment in light of the Russia-Ukraine war. However, proximity to the conflict acts as a deterrent for some.

"What we"re seeing is that some developers are a bit shy to do investments in the countries bordering Ukraine and Russia," says Frederico Carita, developer services manager at LevelTen. "But some developers are saying business as usual - this depends on the risk profile of the company and the country itself." The key is if developers are new to a region or not.

According to LevelTen, the war has sent European PPA prices sky-high. The Polish market was a particularly interesting one to watch due to its auction scheme, which allows developers to bid by volume and leave exposure to very high merchant and/or PPA prices. The latest auction in December allocated 870 MW of solar and the new year was off to a good start.

"Now, the photovoltaic sector in Poland is facing new challenges," says Ewa Mageira, the president of the Polish Photovoltaic Association. "We are getting signals that suggest problems with timely implementation of projects. Many Ukrainians employed in the PV sector are returning to their homeland to take up arms."

According to Mageira many auction winners are likely to miss the deadline for the first generation of energy from new installations. Fortunately, amendments are being negotiated to allow for an extension from 24 to 33 months, putting solar on par with wind installations. Renewables will see a boost from Russian sanctions, yet both Poland and Hungary are looking for ways to increase domestic coal-based power production.

Hungary has broken rank with the EU and rejected energy sanctions against Moscow. Good news, however, came in March that the nation"s energy regulator was seeking to procure around 864 GWh of renewables.

However, according to Hungarian renewable energy specialist Ferenc Kis, the response was tepid with only 20 projects submitted, down from over 200 bids in 2020 and 2021 and fivefold oversubscribed capacities. The trend of ever-decreasing prices was reversed.

"There are numerous reasons behind this, and I would be hesitant to relate them to the Ukrainian war," Kis says. Instead, he points to this being the first auction in Hungary to require a battery storage component with a capacity at 10% of the planned power production unit. "At the same time, a more regulated and likely more transparent bid-bond scheme was introduced by the DSOs, and the first announcements of MW-scale corporate PPA contracts have signaled that the next chapter of the solar market is starting."

In Hungary, the first merchant plant was recently commissioned by Netherlands-based Photon Energy. The developer already has plans for new merchant projects in its key European markets - Romania, Hungary, and Poland, and despite the war, business is proceeding.