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From Cost Support to Risk Hedging: Do Contracts for DifferenceSustain Renewable Deployment in Europe?

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Extended Abstract

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Abstract Summary

The paper examines the role of renewable electricity policy support after onshore wind and utility-scale solar photovoltaics reach market parity with conventional generation, a stage at which market revenues should in principle cover generation costs without subsidies.

Since full decarbonisation requires continued large-scale deployment of mature renewable technologies, the study investigates whether policy support remains necessary in this post-parity phase and how its design changes.

The analysis proceeds in two stages. First, we identify when European countries reached market parity, and we document which support policies remained in place afterward. Second, we assess the impact of post-parity policy choices on renewable deployment, focusing on the introduction of Contracts for Difference (CfDs) compared to alternative instruments.

The results show that policy support is not phased out after parity; instead, countries shift toward tenders, and especially CfDs, reflecting the growing importance of revenue stability and risk reduction for investors, and the role of risk-hedging instruments on stronger renewable capacity growth in the mature stage of the energy transition.

Presenting Author Biography

Ioannis Milioritsas is a Doctorate Researcher at the Chair for Sustainability Transition Policy at the Friedrich-Alexander Univesrity, Erlangen-Nuremberg. He holds a BSc in Economics from the Athens University of Economics and Business (AUEB) in Athens, Greece and a MSc

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He has also worked as an Econometrician in Energy Aspects, a London-headquartered energy research company.

His primary research focus revolves around the application of quantitative and econometric methods to assess the efficacy of energy transition policies aimed at steering society towards a sustainable, zero-carbon future.