# Corporate PPAs: Options to increase cost visibility

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Organizations are increasingly looking to reduce their environmental footprint and energy costs

Making the case for renewables at corporate level

Reducing energy consumption is often the most obvious way to reduce impact on the environment

It cannot be at the expense of maintaining continuous business operation

Many companies are procuring electricity from renewable sources to reduce carbon emissions in their sustainability strategy

The role of renewable energy is elevated to a strategic and commercial priority

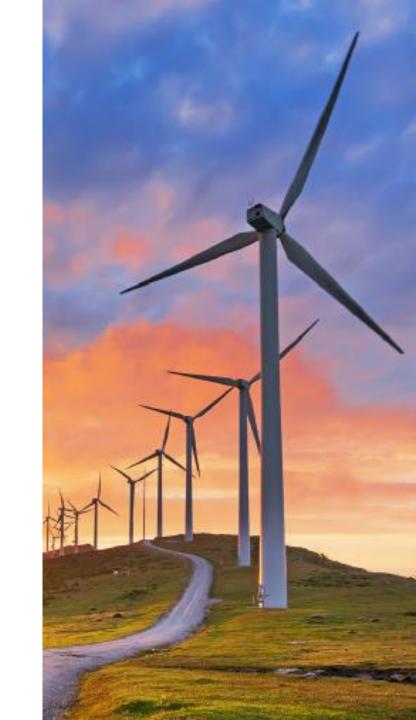


# Drivers for developing a renewable energy strategy

Energy and resource optimization has risen up company management agendas as they seek to:

- Meet publicly announced sustainability commitments and enhance reputation and branding;
- Increase efficient use of energy resources and reduce energy costs;
- Improve cost predictability through ability to fix prices for all or a proportion of exposure;
- Gain a competitive edge through innovative and low-carbon products and processes;
- Avoid long term carbon and environmental penalties by complying with current and future regulatory requirements.





# Implementing a renewable electricity strategy

On-site and near-site generation Purchasing from an on-site or near-site project with a behind-Investing directly in an on-site or near-site renewable power the-meter corporate PPA asset Off-site generation Purchasing from an off-site project with a corporate PPA Investing directly in an off-site renewable power asset Purchasing renewable certificates Procuring green tariffs 4



# What is a Power Purchase Agreement?

A PPA is a contract between the buyer ("off-taker") and the power producer (developer, investor, Independent Power Producer (IPP)) to purchase electricity at a <u>pre-agreed price</u> for <u>a pre-agreed period of time</u>.

The contract contains the commercial terms of the electricity sale: contract length, volume, point of delivery, delivery date/times, price and product.

A "corporate PPA" refers to a PPA where the off-taker is specifically a company buying electricity (rather than a utility, government, local authority). Today many companies represent an attractive alternative off-taker.

- The electricity sold under a PPA can be from existing renewable energy supply or a new build project.
- The length of Corporate PPAs varies from a few months to 10-15 years (often when in relation to a new project requiring project finance).



# The business case for corporate buyers



# **ECONOMICS**

- Allows to lock in a fixed electricity price (at below-market rates)
- Provides visibility over future electricity costs and hedging against price volatility



### **SUSTAINABILITY**

- Progresses towards renewable energy or GHG emissions targets
- Aligns with SDG 12 'Ensuring sustainable production patterns'



### **BRAND AND LEADERSHIP**

Increases recognition for renewable electricity achievements



### **LEVERAGE**

Allow a business to remove focus from non-core areas and develop new partnerships with reliable and experienced counterparts

# The business case for developers



# **RISK MITIGATION**

- Can unlock a lower cost of capital through guaranteed off-take(s)
- Diversify revenue stream and risk of payment default



# **BANKABILITY**

- A stable and long-term income stream allows for easier bankability with financial institutions
- Allows contracting with a high credit counterparty (in general)



### **BUSINESS DEVELOPMENT**

- Increases pool of potential off-takers and creates additional demand
- Through establishing partnerships, ease the expansion into geographically new markets and reduces development costs



### **BRAND**

- Transactions with like-minded corporate buyers can have tangible effect on stocks
- Active involvement in development of a sustainable energy system



# Examples of Corporate Renewable PPAs around the globe

### Netherlands USA Amazon Web Services, EDP, Wind, 100MW · AkzoNobel, Eneco, Biomass, 50 MW UK · Google, Eneco, Wind, 62 MW Apple, First Solar, Solar, 130 MW · Bloomberg, EDP, Wind, 20 MW BT, EDF, Wind, 72 MW Sweden · BT. Pennant Walters. Wind. 23 MW Dow Chemical, NRG, Wind, 150 MW GM. EDP. Wind. 30 MW BT. Banks Renewables, Wind, 7.5 MW Google, OX2, Wind, 72 MW HSBC, RES, Wind, 15&26 MW Google, EDF, Wind, 225WM HSBC BSR Solar 61 MW Google, Enel Green Power, Wind, 200 MW · McDonalds, BayWa, Solar, 15 MW · Kaiser Permanente, NRG, Solar, 68 MW · Nestlé, Community Windpower, Wind Microsoft, EDF, Wind, 175 MW P&G, EDF, Wind, 96 MW · Nationwide, BayWa, Solar, 45 MW · Sainsbury's, A7 Lochhead, Wind, 6 MW Philips, EDP, Wind, 65 MW Salesforce, EDF, Wind, 24 MW Morocco Switch, First Solar, Solar, 100&79 MW · LafargeHolcim, Energie Eolienne du · Unilever, NRG, Wind, 150 MW Maroc, Wind Walmart, Pattern Energy, Wind, 116 MW India Dominican Republic HSBC, Pragathi Group, Solar, 6.5&2.2 MW Philips India, ReNew Wind Power, Wind, Mexico Cemex. EGE Haina, Wind, 12 MW 2.1 MW, together with utility off-taker · Arcelormittal & Walmart, EDF, Wind, 160 Panama Nestlé, Enel Green Power, Hydro, 2 MW BBVA Bancomer & Nissan & Nestlé & Singapore Praxair & Alpa & SC Johnson, Enel Green Power, Wind, 70MW - Brazil · Heineken - APBS, Renewable Energy Coca Cola FEMSA & Heineken & OXXO. Corporation, Solar, 2.2 MW Nestlé, Engie & EDP & NC Energia, Hydro, 29 MW Marena Renvovables, Wind, 396 MW Nestlé, Engie & EDP, Hydro & Biomass, 18 MW GM & John Deere & Alsea, Enel Green Power Wind 129 MW Chile · Grupo Modelo & Grupo Herdez & Continental Automotive, EDF, Wind, 164 MW · European Southern Observatory, Enel Green Industrias Penoles, EDP, Wind, 200 MW Power, Solar, 1.7 MW Australia · Nestlé & Coca-Cola FEMSA & Alpla, Enel · Guanaco Compañía Minera, Enel Green Power, Green Power, Wind, 74 MW · Rio Tinto, First Solar, Solar, 1.7 MW PV & Wind, 4 MW Data shows: Corporate buyer(s), developer(s), technology, size in MW



# Conclusion

- ✓ Renewable PPAs can be a quick win for aligning companies with 2º trajectory and the SDGs 7 & 12 & 13.
- ✓ They provides benefits: cost visibility & green image.
- ✓ Assuming an enabling policy environment, we expect to see more Corporate Renewable PPAs in Europe





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