

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

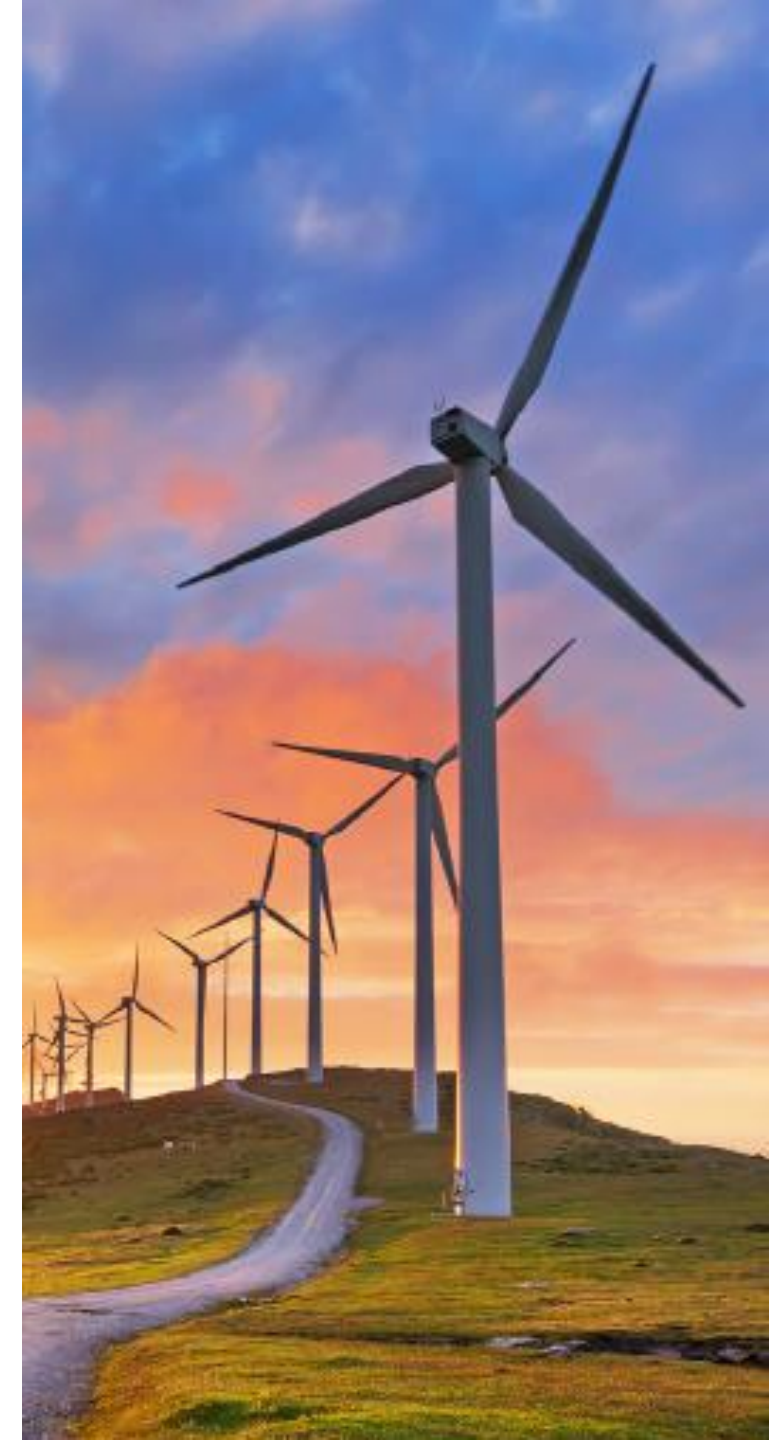
Many companies are procuring electricity from renewable sources to reduce carbon emissions in their sustainability strategy

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

1

On-site and near-site generation

Purchasing from an on-site or near-site project with a behind-the-meter corporate PPA

Investing directly in an on-site or near-site renewable power asset

2

Off-site generation

Purchasing from an off-site project with a corporate PPA

Investing directly in an off-site renewable power asset

3

Purchasing renewable certificates

4

Procuring green tariffs

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 pre-agreed price for a pre-agreed period of time.

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



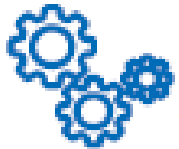
RISK MITIGATION

- 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

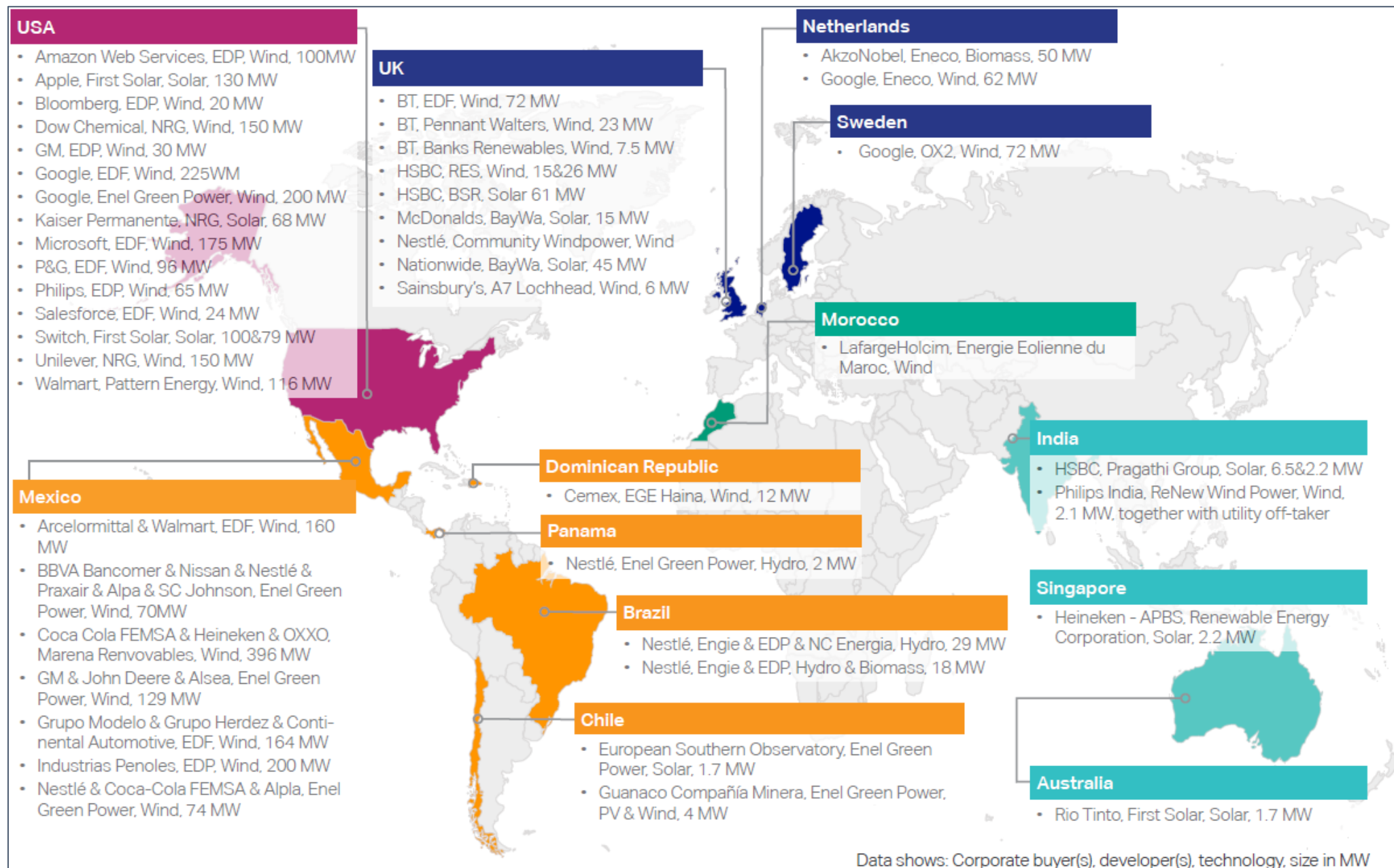
- Increases pool of potential off-takers and creates additional demand
- Through establishing partnerships, ease the expansion into geographically new markets and reduces development costs



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



Conclusion

- ✓ Renewable PPAs can be a quick win for aligning companies with 2^o 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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