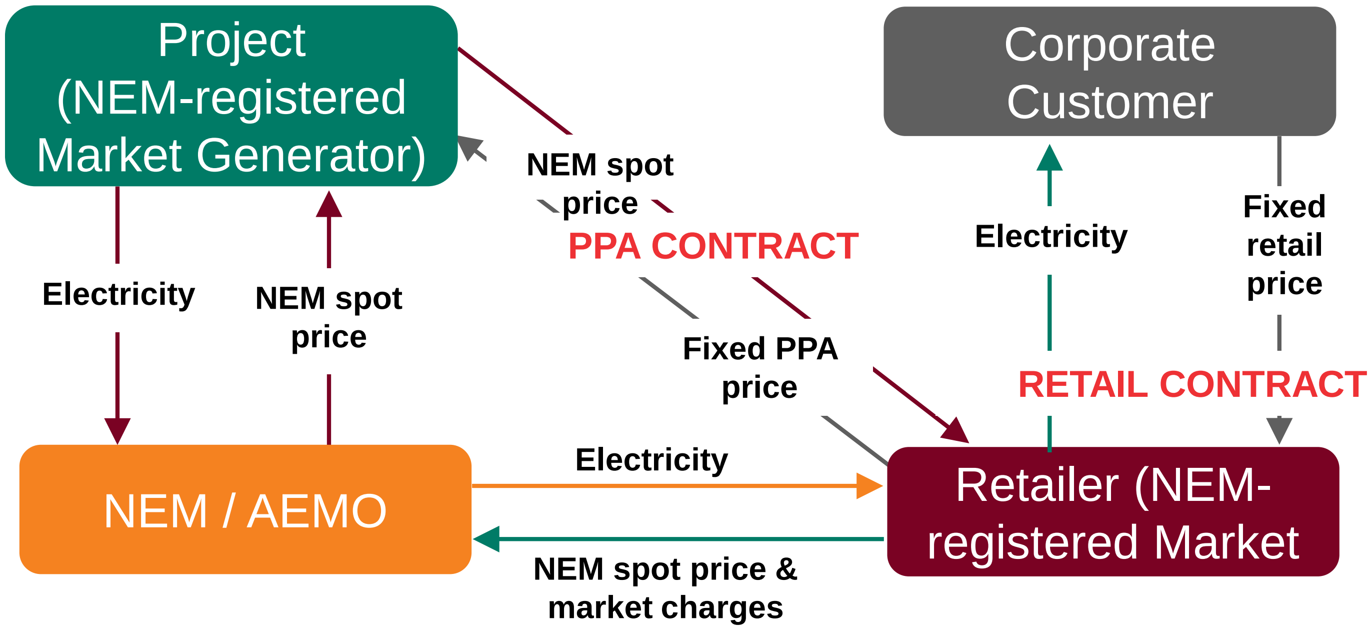
Corporate PPAs | Aylin Cunsolo & Zoe Hilson

Renewable Energy Buyers Forum

What is a corporate PPA?

A power purchase agreement (PPA) is a contract between a buyer and generator to purchase (whether actually or notionally) electricity at a pre-agreed price for a pre-agreed period of time:



A "corporate PPA" refers to PPAs where the offtaker is a company (companies that have entered corporate PPAs include Amazon, Apple, Bloomberg, Google and Microsoft).

Why a Corporate PPA?

- **Control over rising energy costs:** hedge all or part (e.g. 10%) of their exposure to electricity and renewable energy certificate price volatility.

- **Lock in transparent and lower prices** in respect of that electricity for a longer term (7+ years) and procure LGCs to offset a retailer's inflated estimate of LGC liability costs referable to the customer's load.

- **Achieve renewable energy costs:** reduce carbon emissions and contribute to the construction of new renewable energy projects. Eg, the RE100, made up of many of the world's most influential companies have all committed to 100% renewable energy, e.g. Google, MARS, Microsoft, Nestle.

- **Improve brand:** build a legitimate green profile and achieve corporate social responsibility goals through the corporate's contribution to the renewable energy industry.

Corporate PPAs – a Project's perspective

- **Secure Revenue:** Mitigate the electricity and LGC price risk of a project with secure and diversified revenue streams.
- **Bankability:** Unlock finance and promote bankability due to predictable and long-term income streams.
- **New offtake market:** Corporate customers are an additional potential source of PPAs for a project. This is particularly important for renewable energy projects as it is becoming increasingly difficult to secure PPAs with retailers.

Market experience

- **Market Trends:** Corporate PPAs are well known is some parts of the world, e.g. the US, but still relatively novel in Australia.

- **Current/ recent tenders:**

  - **ABInBev / Carlton United Breweries -** 80GWh p.a. for renewable generators, PPA term until 2030/ 2035.

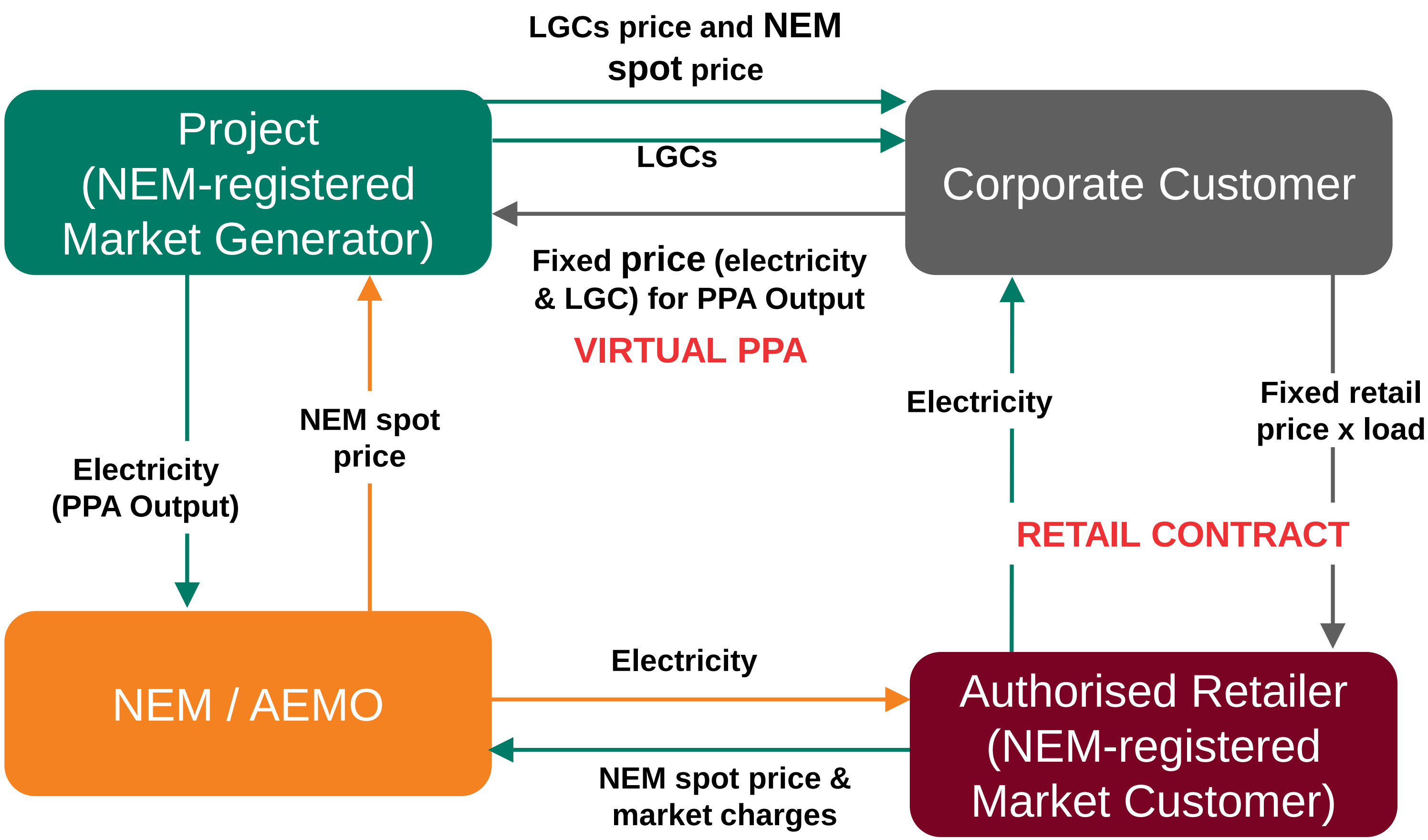
  - **Coles:** Up to 250GWh p.a., 7-13 year PPAs for renewable generators.

  - **Telstra:** 70MW, 8 year PPA (electricity and LGC) awarded to RES for Emerald Solar Project.

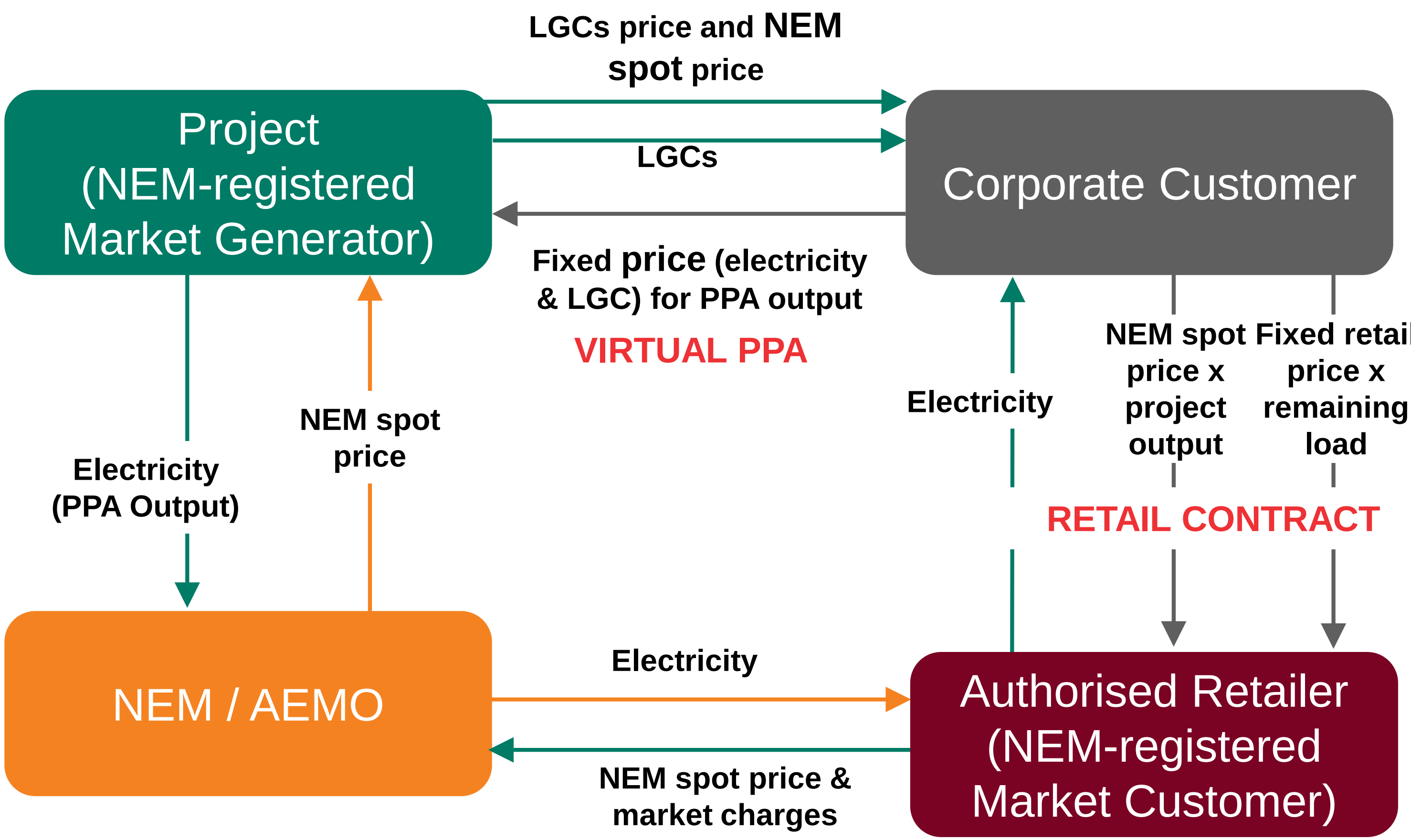
  - **Kleenheat:** 30MW, awarded to WestGen Pty Ltd for the Byford Solar Project (WA). 10 year PPA (electricity and LGCs).

- **Universities** are active in this space. Monash University, University of Sydney and University of Technology have each run Corporate PPA tenders.

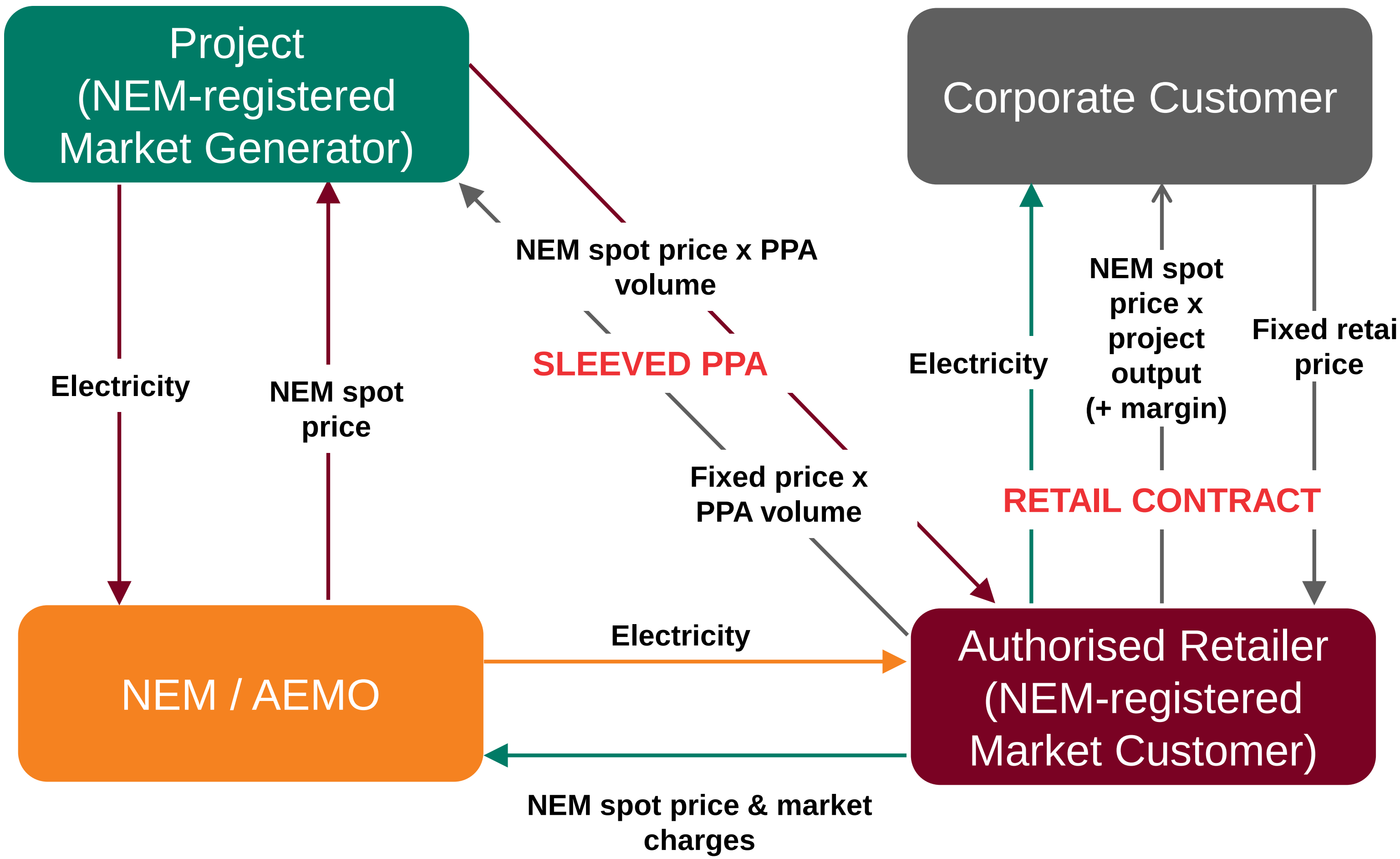
Structure 1 | Virtual PPA (financial hedge)



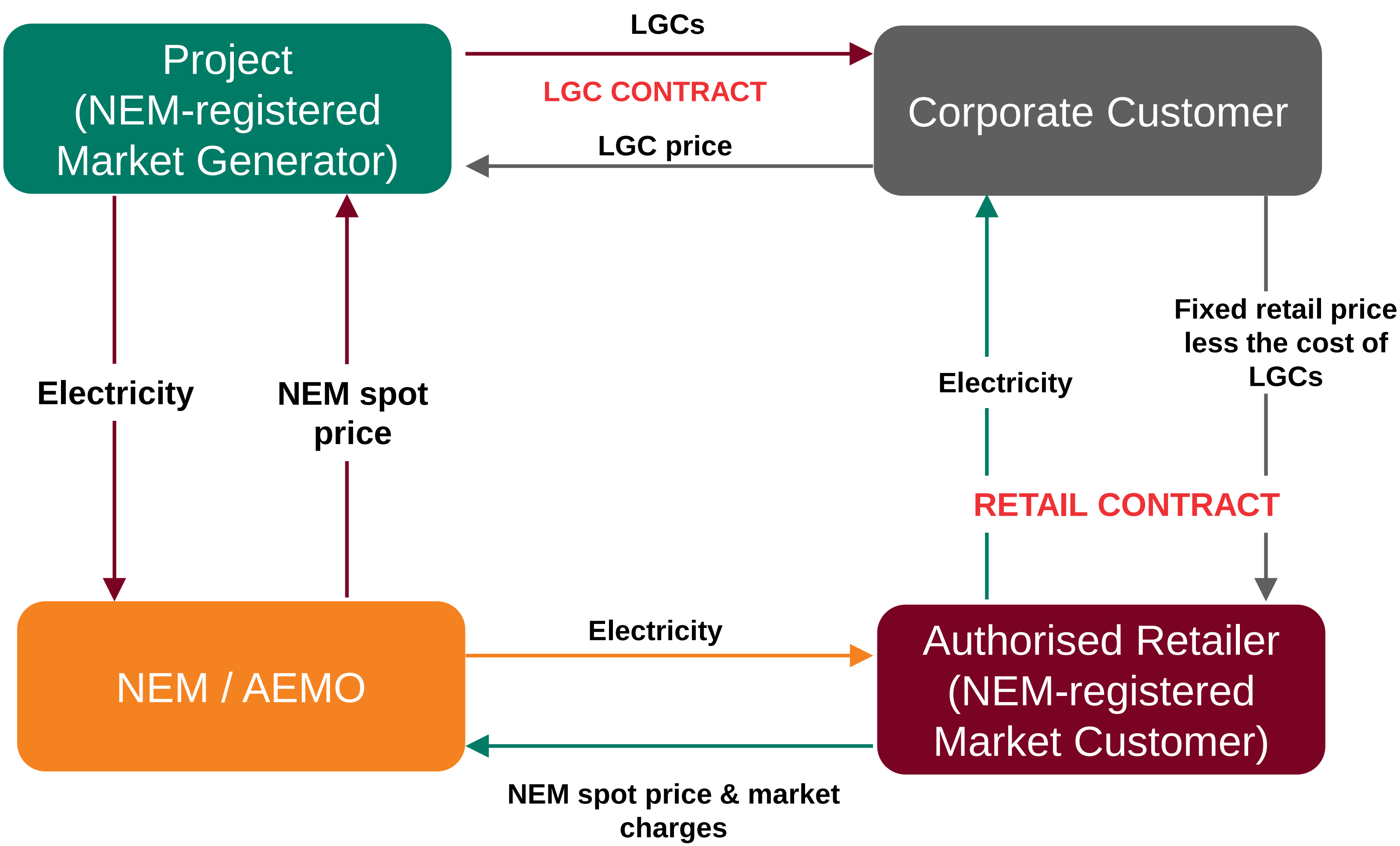
Structure 2(a) | Sleeved PPA



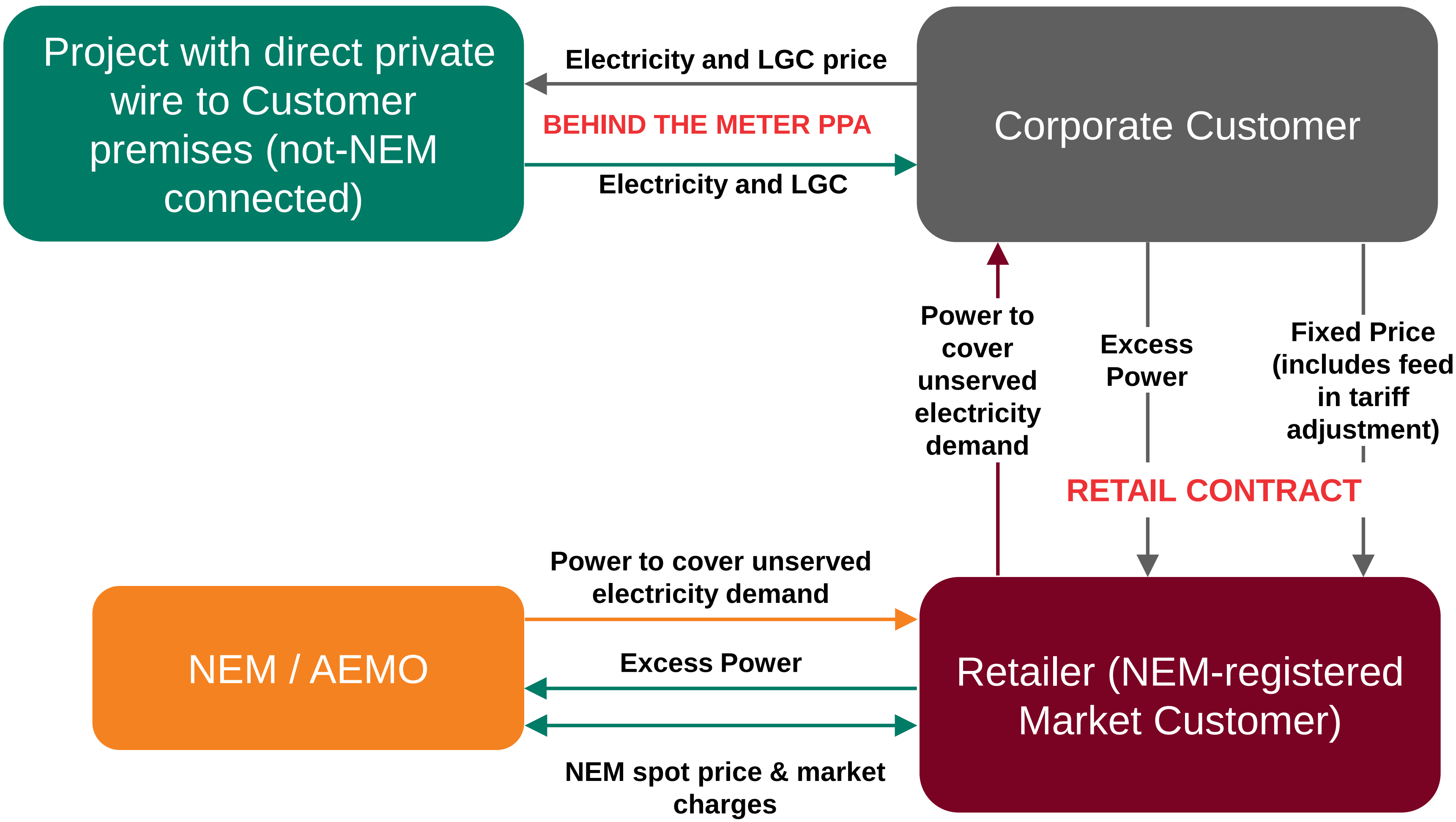
Structure 2(b) | Sleeved PPA



Structure 3 | Purchasing renewable certificates



Structure 4 | Behind-the-meter generation



Alternative Corporate PPA models

	Corporate hedge all or part exposure to electricity?	Corporate hedge exposure to LGC volatility?	Corporate achieve better electricity & LGC pricing due to longer term?	Corporate to build green profile?	Developers mitigate electricity & LGC price risk?	Promote bankability of project?	Comment
Structure 1 (Virtual PPA)	Yes – part (taking spot price risk)	Yes - part	Yes	Yes	Yes	Banks consider credit risk of corporate	Sophisticated customer
Structure 2(a) (Sleeved PPA)	Yes - part	Yes - part	Yes	Yes	Yes	Banks consider credit risk of corporate	Sophisticated customer
Structure 2(b) (Sleeved PPA)	Yes - part	Yes- part	Yes	Yes	Yes	Yes	Requires involved retailer.
Structure 3 (Buying LGCs)	NO	Yes	Only LGCs	Yes	Only in respect LGCs	Only in part	
Structure 4 (Behind the meter generation)	Yes - part	Yes - part	Yes - part	Yes (to extent output meets demand)	Yes	Yes	