

# GlobalRenewableHub RenewableBuyersGuide



## Sustainability choices

To achieve your sustainability objectives as a business, there may be many different pathways to achieving your goals and it is vital that you make the right choices. Here, we explore the options available when buying renewable power.

A growing number of companies are looking to source some or all of their electricity from renewable sources.

Once you have decided to source clean power from renewable power, there are a number of options available to you. The three main routes are Power Purchase Agreements (PPAs), Green Certificates and Green Tariffs. The routes available to you will depend on the region and market you are based in.

### Verifiable and traceable green power

Like many other parts of the supply chain, the origin of electricity supplies can be very difficult to define and separate out. Until recently, this was never much of a problem; companies' main concern was to ensure that they had a secure power supply, rather than worrying about where it came from.

But as the drive towards a decarbonized economy continues, more and more businesses are looking to procure clean energy to reduce their environmental impact and to help them to comply with some of the many initiatives that deal with this area.

These include voluntary schemes such as the Science-Based Targets, CDP and RE100, as well as national, regional and local targets for renewable power.

Many companies want to play their part in cutting emissions, for sound business reasons such as reducing price volatility and fixing energy prices, but also to demonstrate to investors, customers, employees and other stakeholders that they are 'doing the right thing'.

For these businesses, it is crucial that they can see, and show others, the origin of the clean energy that they buy and that it does not disappear into an opaque portfolio of poorly defined 'green' assets that may or may not be generated by the power provider.

## Sustainability choices continued...

### Routes in brief

With a **PPA**, you buy electricity directly from a company's renewable power projects. It is the primary way to arrange a contract directly with a renewable project to procure both electricity and the green attributes of the power together. You can fix the price for the energy you use for the long term, reducing price volatility while greening your power supplies.

The Corporate Renewable Energy Buyers group has created six principles for sourcing renewable power, focusing on choice, transparency and cost.

The Principles state that PPAs are “effective and affordable financing tools” that are critical for businesses to meet their renewable power goals.

Businesses can buy **Green Certificates**, representing the green attributes of renewable power generation. Green Certificates directly represent renewable power generation but are separate to energy supply; power may be sourced from a general utility provider or on the wholesale market.

**Green Tariffs** are a green electricity tariff offered to customers by a local utility. The utility may be generating this power itself, buying from other suppliers or buying green certificates to cover the commitments to its Green Tariff customers, while generating no green power at all.

## Power Purchase Agreements

PPAs have grown in popularity in recent years, with the size and frequency of deals growing rapidly over the past decade

According to analysts Bloomberg New Energy Finance, in 2017 corporations signed a record volume of PPAs for green energy – a total of 5.4 GW of clean energy contracts were signed by 43 corporations in 10 different countries, up from 4.3 GW in 2016.

That rate of growth looks set to continue. In the U.S., the Rocky Mountain Institute's Business Renewables Center aims to help businesses procure 60 GW of renewable energy by 2030.

While purchases to date have been dominated by large corporations, many of them in the technology sector, demand for clean energy PPAs is set to diversify, as large companies start to demand sustainability measures throughout their supply chains.

Through a PPA, corporate buyers engage directly with renewable project developers to increase the sustainability of their power supplies and demonstrate to their stakeholders that they take environmental responsibilities seriously.

If you choose a PPA, you will buy electricity directly from a renewable energy project. There are a number of benefits of doing this. You can fix the price for the energy you use for the long term, which will eliminate the price volatility that is associated with fossil fuels and hedge against future price rises, as well as greening your power supplies. In some cases, these contracts provide power that is cheaper than the current cost of electricity on the open market. PPAs can apply to clean energy capacity built onsite or offsite.

PPAs provide a high level of transparency and visibility for your electricity supplies that is not available from other options. They also provide price stability, both for clean energy project developers and you as the offtaker, giving you the satisfaction – and the certainty – of knowing whether or not your investment is increasing total renewable capacity. Some companies will want to structure a deal so that it demonstrates additionality: that the deal itself is the reason that the project is being built and that the buyer is actively helping to create new capacity.

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## What the other routes offer

**Green Certificates** verify that electricity has been generated from renewable sources. They allow businesses to support renewable power generation through their energy sourcing, but not directly. Buying Green Certificates can contribute towards sustainability targets. However, if the certificates are not linked to a PPA, it is more difficult to trace and verify the source of the power – and to know whether it is contributing to new renewable capacity. This ability to verify where electricity is coming from is vital if companies' sustainability claims are to have any credibility.

**Green Tariffs** are a green electricity tariff offered by a local utility. The utility may be generating this power itself, buying from other suppliers or buying green certificates to cover the commitments to its Green Tariff customers, while not directly generating any green energy.

## Discover which route to renewable could be right for you

See below for more information about each route.

	PPA	Green Certificates	Green Tariffs
Do you want to match your electricity requirements with actual renewable generation?	✓	✓	✓
Do you want full traceability for the clean electricity you buy?	✓	✓	✗
Do you want to fix your energy costs?	✓	✗	✗
Do you want to create new renewable power capacity?	✓	✓	✗
Do you want to match your real-time energy demand with renewable power?	✓	✗	✗