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Corporate Renewable Energy Procurement: Industry Insights

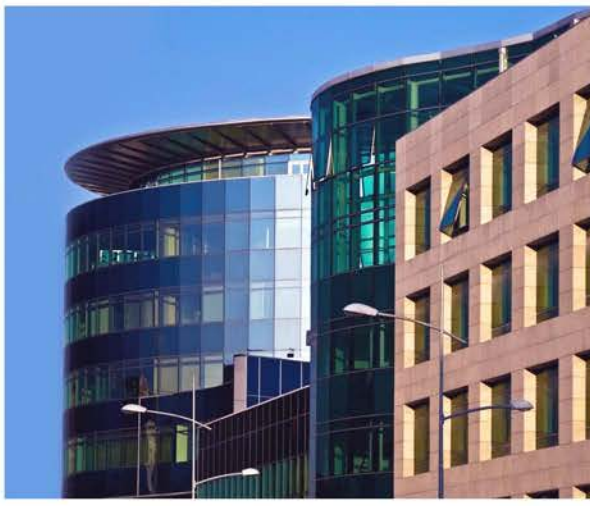
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Corporate Renewable Energy Procurement

Industry Insights

ACORE
American Council On Renewable Energy

June 2016

Corporate Renewable Energy Procurement: Industry Insights

June 2016



AMERICAN COUNCIL ON RENEWABLE ENERGY

ACORE is a national non-profit organization dedicated to advancing the renewable energy sector through market development, policy changes, and financial innovation. With a savvy staff of experts, fifteen years of experience promoting renewable energy and hundreds of member companies, non-profits, and other organizations from across the spectrum of renewable energy technologies, consumers, and investors, ACORE is uniquely well-positioned to strategically promote the policies and financial structures essential to renewable energy growth. Additional information is available at: www.acore.org

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Leveraging ACORE's 15 years of leadership on renewable energy policy, finance, and market development, the Corporate Procurement Working Group taps the organization's extensive network of leading renewable financiers, developers, power generators, and corporate consumers of renewable energy to facilitate the procurement and integration of renewable energy into the power generation portfolios of leading American companies. Additional information is available at: www.acore.org/programs/member-initiatives/power-generation/corporate-procurement-working-group

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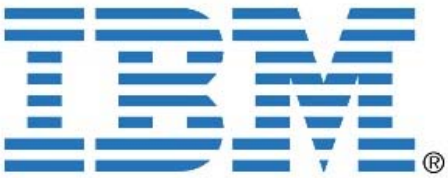
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EXECUTIVE SUMMARY

The growing purchase of renewable energy by corporate end users is fundamentally remaking the model for electric power sales in the U.S. This report offers industry insights relating to corporations' procurement of renewable energy to simplify renewable procurement processes and provide realistic options for corporate players across the economy. It is organized into the following sections:

- **Market Overview:** Why corporates are procuring renewable energy and how this trend is affecting U.S. electricity markets and the renewable energy industry.
- **Contracting Insights:** Insights about different renewable energy procurement options available to companies, including power purchase agreements (PPAs) and renewable energy credits (RECs).
- **Policy and Legal Considerations:** Key federal and state policy issues and legal considerations corporates should consider when designing and implementing strategies.
- **Guidance on Financing:** Financing structures for renewable energy procurement and how to create financeable PPAs.
- **Integration and Storage:** Ancillary service technology solutions to abate costs and enhance resiliency and reliability of corporate electricity supply.

The report is intended to be a resource for companies as they design and implement sustainability and renewable energy strategies, for renewable energy companies and investors that are working with corporations to realize these strategies, and for other interested parties. We hope that you find it useful.

A group of prominent renewable energy developers, utilities, brokers, professional service firms, and other companies authored the fifteen articles in this report. It should be noted that corporations are using renewable energy via a number of diverse applications, and this report does not attempt to offer a comprehensive overview of every renewable energy technology or procurement option available.

The views and opinions expressed in this report are those of the authors and do not necessarily reflect the views of ACORE.

MARKET OVERVIEW

CORPORATE PROCUREMENT AND NEW FRONTIERS: SUSTAINABILITY AND ENERGY REGULATION

Elizabeth Sluder & Bob Fleishman
Morrison & Foerster LLP

Protection of the environment and promotion of sustainability are critical issues for the business community. As more of America's leading corporations procure power from renewable energy sources, they are discovering that it is good for the environment and for business. This article explores some of the best unkept secrets regarding renewable energy procurement, and provides helpful tips for corporate consumers navigating federal and state energy regulation in renewable energy markets.

What You Should Know

As demand for renewable energy continues to rise, project costs and power prices continue to fall; as a result, renewable energy has become mainstream. Power purchasers now actively pursue opportunities to buy power from renewable energy facilities to lower costs, diversify their portfolios and, in some states, satisfy legal requirements to procure a certain percentage of their energy load from sustainable sources, commonly referred to as renewable portfolio standards (RPS).

Historically, utilities have shouldered the burden of the RPS requirements. To satisfy these legal requirements, the utilities' demand for energy output from renewable energy projects increased. As utilities (and, later, corporate power purchasers) drove up the demand for utility-scale renewable energy power plants, the price of power derived from those plants (particularly wind and solar) has decreased in recent years due to lower construction costs and technology improvements. In some parts of the United States, the purchased cost of such power is now comparable to, or less than, power produced by other conventional energy sources.[1]

Policy considerations are also on the radar of corporate America. On a global level, on April 22, 2016, 175 countries signed the Paris Agreement, which requires signatories to institute domestic programs to reduce greenhouse emissions, regularly report on the status of such programs and measure how much such programs have reduced emissions.[2] In the United States, the Clean Power Plan (CPP)[3] would require each state to propose how it will cut emissions from generation. Major power consumers

[1]Lazard Ltd., Lazard's Levelized Cost of Energy Analysis — Version 9.0 (2015), https://www.lazard.com/media/2390/lazards-levelized-cost-of-energy-analysis-90.pdf.
[2] U.N. News Centre, '*Today is an Historic Day' says Ban as 175 Countries Sign Paris Climate Accord*, United Nations: Sustainable Development Goals, 17 Goals to Transform Our World (Apr. 22, 2016), http://www.un.org/sustainabledevelopment/blog/2016/04/today-is-an-historic-day-says-ban-as-175-countries-sign-paris-climate-accord/.
[3] *Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units*, 80 Fed. Reg. 64,662 (Oct. 23, 2015) (to be codified at 40 C.F.R. pt. 60) , https://www.gpo.gov/fdsys/pkg/FR-2015-10-23/pdf/2015-22842.pdf.

Also available as part of the eCourse
[Corporate and Industrial Purchase Contracts in Green Energy]

First appeared as part of the conference materials for the
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