

# CORPORATES NOW A MAJOR PLAYER IN CLEAN ENERGY MARKETS

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A record number of companies have switched some or all of their power supply to renewable energy over the past year.

New research from Bloomberg New Energy Finance (BNEF) shows that corporations around the world bought 13,400 MW of renewable power in 2018, not just a new record but double the capacity purchased in 2017 and an indication of just how quickly the market is growing.<sup>1</sup>

## DRIVERS OF RAPID GROWTH

A decade ago, in 2008, the market was almost non-existent, with just 200 MW of corporate purchases, but Jonas Rooze, head of corporate sustainability for BNEF, said: “Corporations have signed contracts to purchase over 32GW of clean power since 2008, an amount comparable to the generation capacity of the Netherlands, with 86% of this activity coming since 2015 and more than 40% in 2018 alone.”<sup>2</sup>

The sector has grown so rapidly that corporate purchases are now a significant part of the market — Wood Mackenzie Power & Renewables reports that the business sector procured almost a quarter of all capacity in the U.S. last year, which puts it alongside utilities as one of the major sources of demand.<sup>3</sup>

There is a range of reasons that companies are making the switch, including demand from consumers and companies throughout the value chain, the desire to reduce carbon emissions — either simply to be a good corporate citizen or to meet specific sustainability targets — and the continuing fall in the price of renewable energy technologies. The market is set to continue to grow in 2019.

“We expect the low-carbon transition to advance steadily this year, fuelled by remorseless reductions in the costs of solar and wind electricity and of lithium-ion batteries,” said Angus McCrone, chief editor of BNEF, “and also by a widening realization on the part of investors and corporations that there is this ‘sustainability thing’ and, for reasons of self-interest, they just need to do it.”<sup>4</sup>

## ATTRACTIVE INITIATIVES

A growing number of businesses have signed on to initiatives such as RE100 and the Science Based Targets initiative, which call for companies to procure some or all of their electricity from renewable sources, which is one driver of the market.<sup>5,6</sup>

But companies are also signing up to renewable energy deals because clean energy power purchase agreements (PPAs) can help to offset the volatility of fossil fuel prices and are often as cheap as other sources of energy.

As in previous years, the U.S. dominated the market with more than 60% of deals, but the 8,500 MW of capacity purchased was dominated by Facebook, which procured more than 2,600 MW of renewables, more than 3 times the next biggest buyer, AT&T.

## TECHNOLOGY FIRMS EMBRACE DEALS

Technology firms continue to dominate the market, with Facebook, Google and Amazon responsible for more than a third of deals so far. They have led the way not only because they want to be seen as sustainable but because they use huge amounts of energy in their data centers — these facilities use 20% to 87% more electricity per square foot than comparable buildings, according to Wood Mackenzie.<sup>7</sup>

## OTHER SEGMENTS BEGINNING TO ENGAGE

However, the market is broadening and a greater variety of companies are getting involved.

There was even a deal from an oil and gas company — ExxonMobil became the first oil major to sign a clean energy power purchase agreement for its own operations, purchasing 575 MW of solar and wind in Texas. Walmart was also among the top five purchasers, while other deals involved sectors ranging from automotive (GM) to movie studios (MGM) to agricultural commodities (Cargill).<sup>8</sup>

Another trend that was notable this year was that it is not just huge corporations getting involved. Until recently, mid-market companies that wanted to green their power supplies had limited options because their electricity demand was not high enough to justify signing on to a PPA buying directly from a renewable energy generator.

### THE POWER OF AGGREGATION

But recently, a group of five companies came together to use their combined energy demand to negotiate a deal. Media groups Bloomberg and Cox Enterprises, fashion group Gap, and cloud software firms Workday and Salesforce signed a deal to buy power from a 100 MW North Carolina solar farm in the first deal of its kind, with “companies aggregating similar, relatively small amounts of renewable energy demand to collaboratively enter into a virtual power purchase agreement (VPPA), collectively acting as the anchor tenant for a large offsite renewable energy project.”<sup>9</sup>

The deal “lays the groundwork for other corporates to procure renewable energy cooperatively, maximizing value and reducing risk,” the group said. “The aggregation model has heralded in a new generation of corporate clean energy buyers. These companies no longer need to tackle the complexities of clean energy procurement alone.

They can share risks associated with credit and energy market volatility with their peers,” said Kyle Harrison, a corporate sustainability analyst for BNEF.<sup>10</sup>

### THREE WAYS TO BUY CLEAN ENERGY

There are various ways to buy clean energy — you can sign a contract directly with a renewable energy generator to buy the power they generate or sign a “virtual” PPA, where you buy the power, but it is delivered to the local grid and your power needs are delivered by the local utility. Or you can contract a project developer to install solar panels or wind turbines on-site and bypass the grid altogether. In all these cases, it is important to also have a contract with a utility supplier to cover those periods when the wind is not blowing or the sun isn’t shining.<sup>11</sup>

### ENERGY PRODUCERS VALUE THE CORPORATE MARKET

The corporate market is important for renewable energy producers because it helps to diversify their customer base, provides revenue certainty and long-term demand at a time when subsidy schemes are being wound down, and opens up new markets. It also helps to persuade policymakers to support the development of the clean energy market with more favorable regulations.

“The record number of companies successfully pursuing renewable energy sends a clear signal that environmental sustainability is a serious priority for business leaders across the economy,” said Jules Kortenhorst, CEO of clean energy advocates, the Rocky Mountain Institute. “These companies aren’t going to wait for public policy on climate issues to catch up — they are taking the initiative to accelerate toward a prosperous, low-carbon economy.”<sup>12</sup>



### READY TO HELP

PNC supports the transition to a low-carbon economy by helping clients finance energy-efficient and renewable energy projects. We are also committed to developing sustainable, high-performing buildings and are constantly seeking ways to enhance operational efficiency. For more ideas, insight and solutions about sustainability, contact your PNC Relationship Manager or visit [pnc.com/ideas](https://pnc.com/ideas).

1 “Corporate Clean Energy Buying Surged to New Record in 2018” by Veronika Henze, Bloomberg NEF, January 28, 2019. Available at: [about.bnef.com/blog/corporate-clean-energy-buying-surged-new-record-2018/](https://about.bnef.com/blog/corporate-clean-energy-buying-surged-new-record-2018/)

2 Ibid.

3 “Technology giants top list in bumper year for corporate procurement” by Wood Mackenzie, 2018. Available at: [woodmac.com/news/editorial/us-renewables-technology-giants-top-of-the-list-in-a-bumper-year-for-corporate-procurement/](https://woodmac.com/news/editorial/us-renewables-technology-giants-top-of-the-list-in-a-bumper-year-for-corporate-procurement/)

4 “Transition in Energy, Transport — 10 Predictions for 2019” by Angus McCrone, Bloomberg NEF, January 16, 2019. Available at: [about.bnef.com/blog/transition-energy-transport-10-predictions-2019/](https://about.bnef.com/blog/transition-energy-transport-10-predictions-2019/)

5 RE 100. Available at: [there100.org/](https://there100.org/)

6 Science Based Targets. Available at: [sciencebasedtargets.org/](https://sciencebasedtargets.org/)

7 “Technology giants top list in bumper year for corporate procurement” by Wood Mackenzie, 2018. Available at: [woodmac.com/news/editorial/us-renewables-technology-giants-top-of-the-list-in-a-bumper-year-for-corporate-procurement/](https://woodmac.com/news/editorial/us-renewables-technology-giants-top-of-the-list-in-a-bumper-year-for-corporate-procurement/)

8 “Corporate Renewable Deals” by Business Renewables Center, 2018. Available at: [businessrenewables.org/corporate-transactions/](https://businessrenewables.org/corporate-transactions/)

9 “Bloomberg, Cox Enterprises, Gap Inc., Salesforce and Workday Close All-New Renewable Energy Aggregation Deal” by Bloomberg, January 17, 2019. Available at: [bloomberg.com/company/announcements/bloomberg-cox-enterprises-gap-inc-salesforce-workday-close-new-renewable-energy-aggregation-deal/](https://bloomberg.com/company/announcements/bloomberg-cox-enterprises-gap-inc-salesforce-workday-close-new-renewable-energy-aggregation-deal/)

10 “Corporate Clean Energy Buying Surged to New Record in 2018” by Veronika Henze, Bloomberg NEF, January 28, 2019. Available at: [about.bnef.com/blog/corporate-clean-energy-buying-surged-new-record-2018/](https://about.bnef.com/blog/corporate-clean-energy-buying-surged-new-record-2018/)

11 “What are PPAs” by Global Renewable Hub. Available at: [globalrenewablehub.com/renewable-buyers-guide/ppas](https://globalrenewablehub.com/renewable-buyers-guide/ppas)

12 “Corporate Renewable Energy Procurement Continues to Break Records in 2018” by Rocky Mountain Institute, December 18, 2018. Available at: [rmi.org/press-release/corporate-renewable-energy-procurement-continues-to-break-records-in-2018/](https://rmi.org/press-release/corporate-renewable-energy-procurement-continues-to-break-records-in-2018/)

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