

Bird & Bird & WindEurope

Offshore Wind PPAs : Optimisation of offtake

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What are Corporate PPAs?

Introduction

Corporate PPAs

What are Corporate PPAs

- Supply agreement directly between a generator and a corporate consumer
- Long term, typically 10 - 20 years
- Pre-agreed or Fixed price structure
- Not necessarily a physical connection between the corporate customer and the renewable installation
- Different structures may be used to implement the required solution
- Aggregation models
 - Opportunity for corporate consumers to share risks with other consumers

Corporate PPAs

Drivers

Corporate

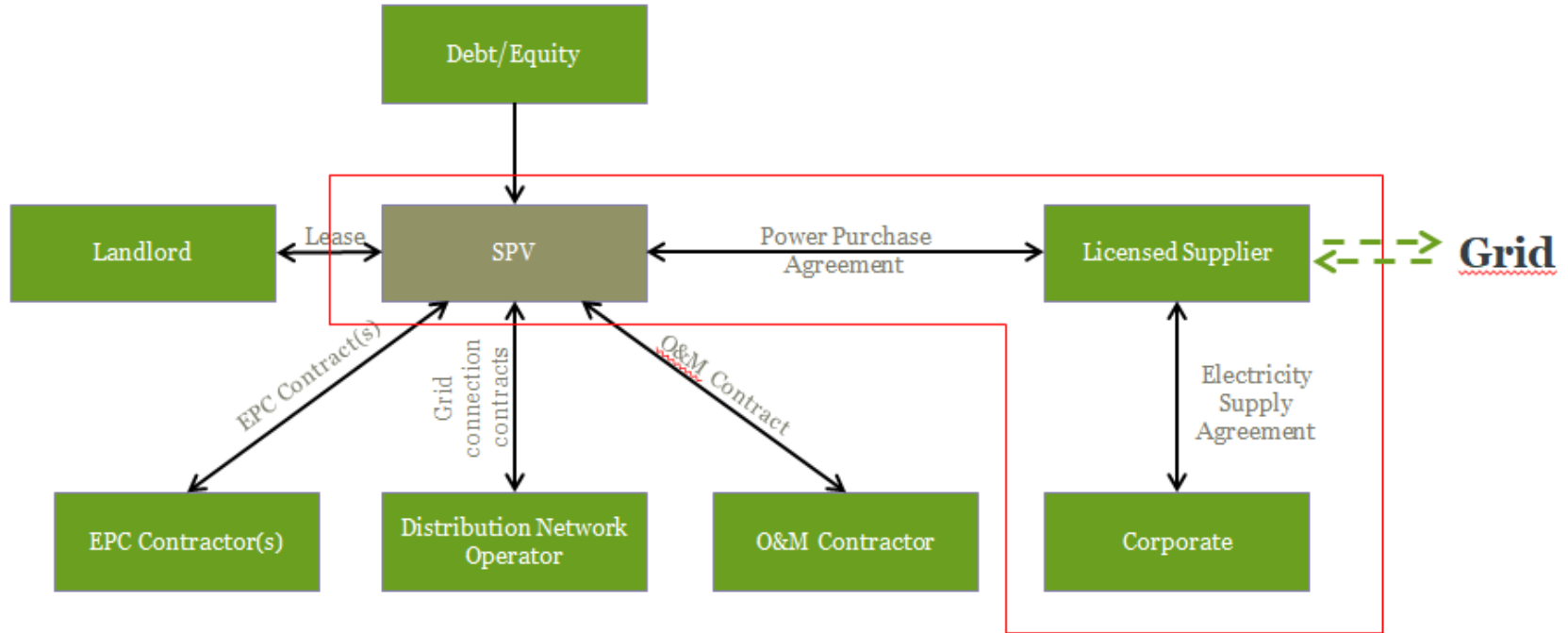
- Price security
 - Price hedging for 10+ years
 - Right to adjust in case of significant changes
- Create price predictability
- Lowering costs of products in the long term
- Branding
 - Internal sustainability goals
 - External RE100
- Diversification of energy sources – security of supply
- No asset management/know-how

Generator

- Price security
 - Price hedging for 10+ years
 - Revenue security in subsidy free environment
- Predictability
 - Guaranteed offtake
 - Project pipeline predictability
- Reducing financing costs
- Securing project finance

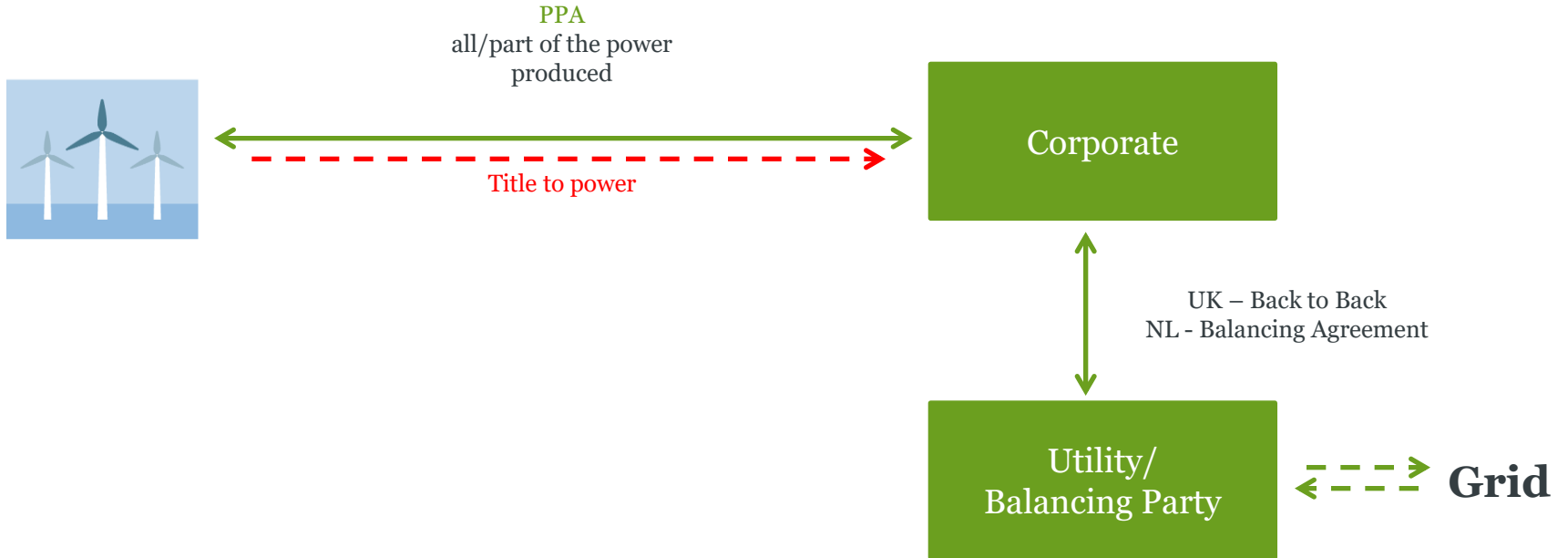
Corporate PPA Structures

Traditional Project Structure



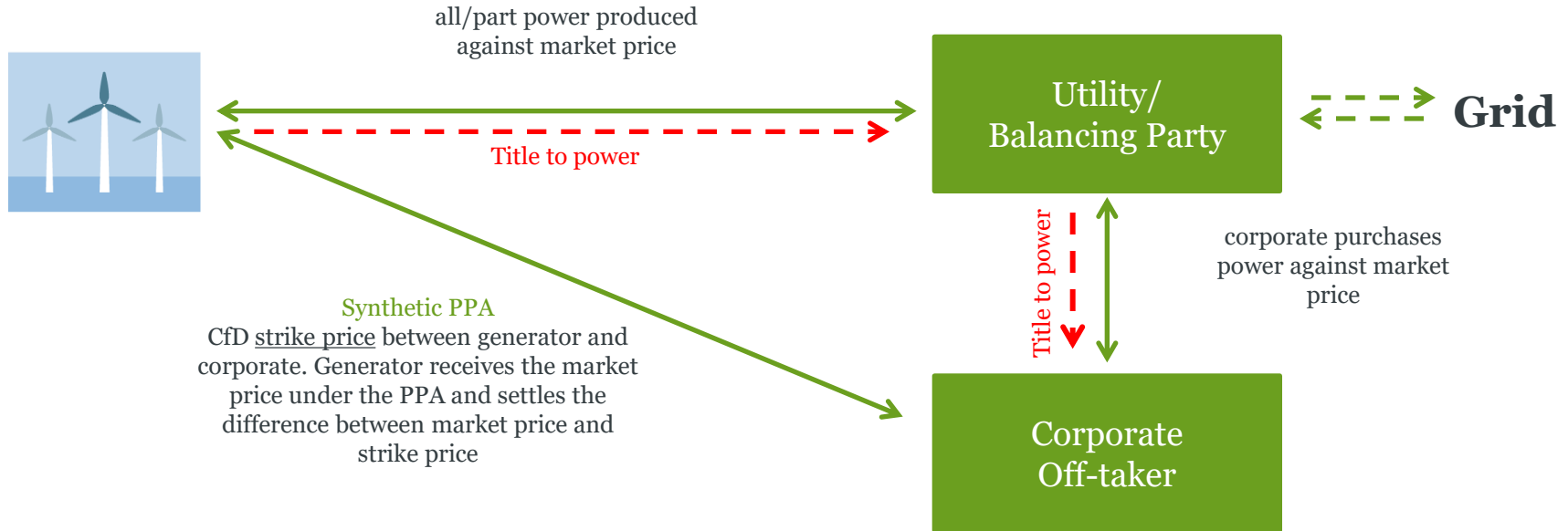
Possible structures

Sleeved PPA



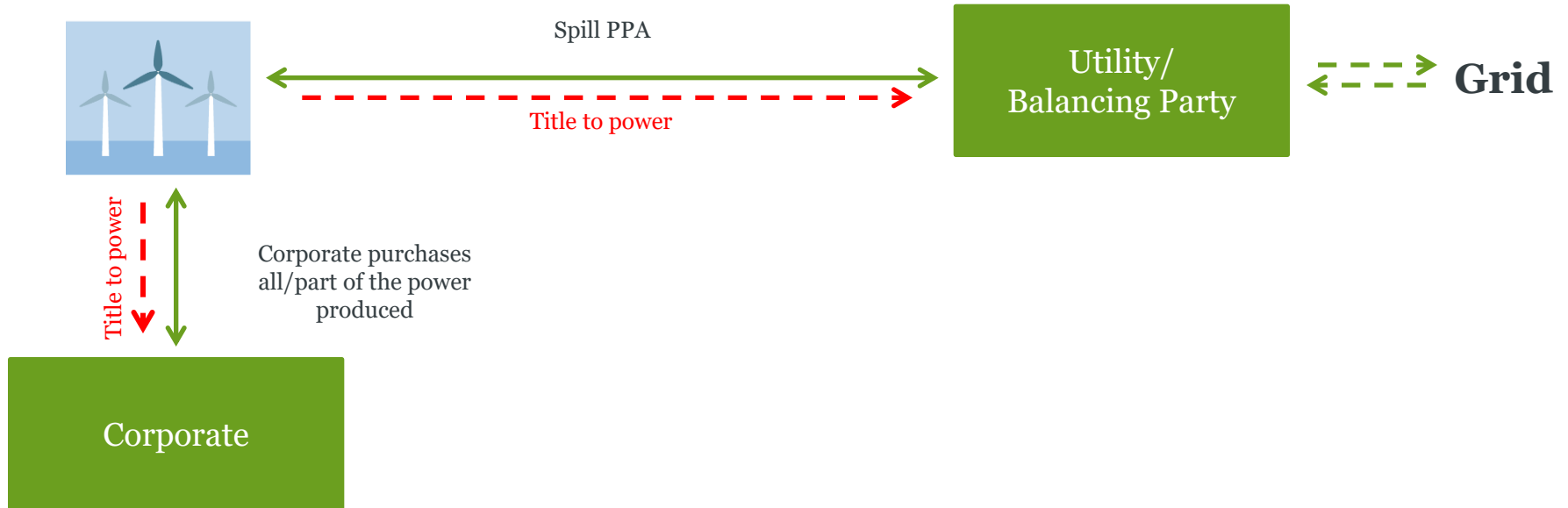
Possible Structures

Synthetic PPA



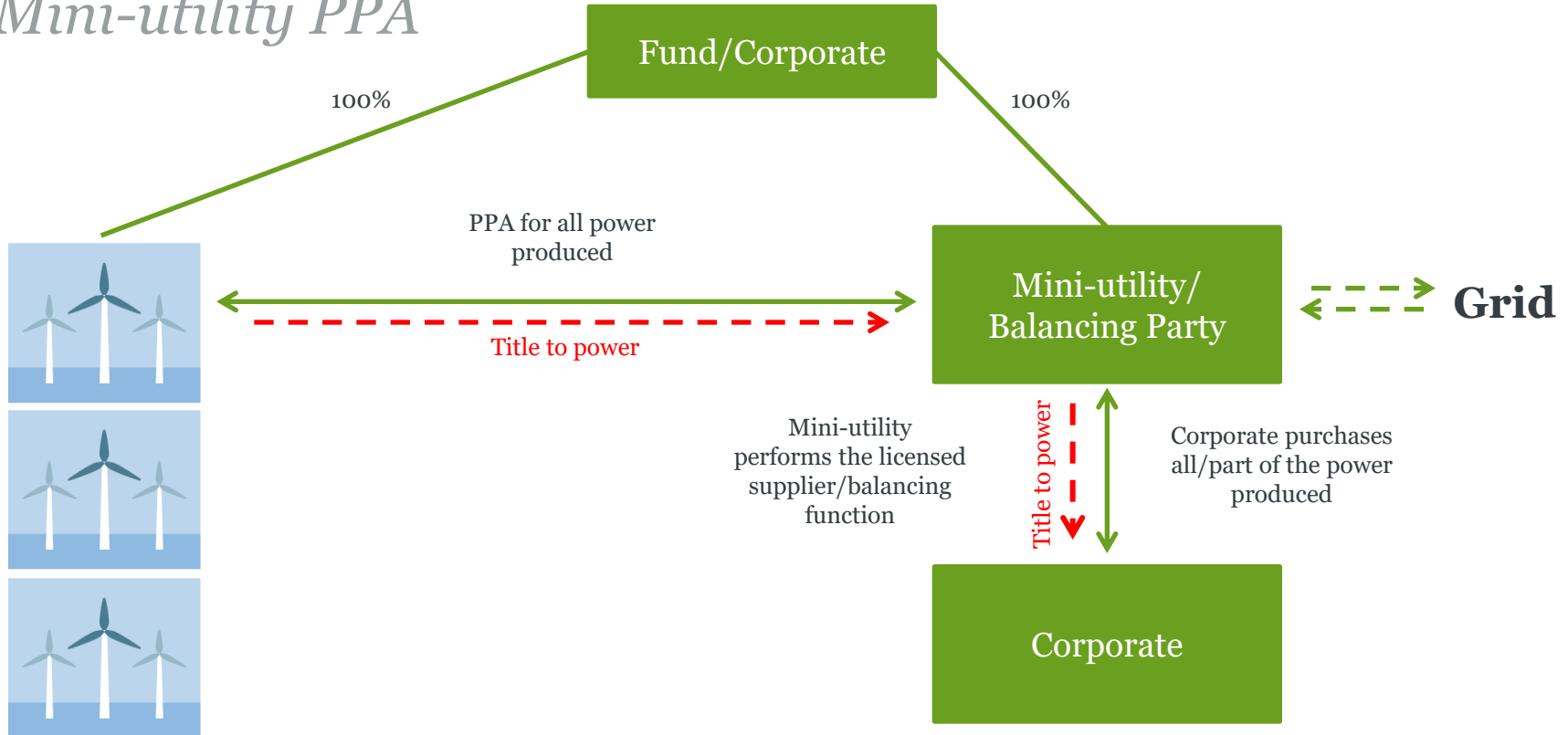
Possible structures

On-site PPA



Possible structures

Mini-utility PPA



Aggregation

Club structures

Aggregation

Club structures opening up the market

- **Anchor Tenant**

Offtake of a small portion of a project

One (or more large) buyers have already contracted a PPA

US – Apple, Akamai, Etsy, and Swiss RE

- **Reseller contracting**

- Large buyer contracts a single PPA and resells it in smaller quantities to secondary buyers

- **Aggregation**

Several buyers jointly contract equal parts of the output of a single project

Netherlands – Google, Philips, AkzoNobel and DSM

Corporate PPAs

Joint Tenancy

- **Anchor Tenant**

Entity that purchases larger part of project (utility or corporate)

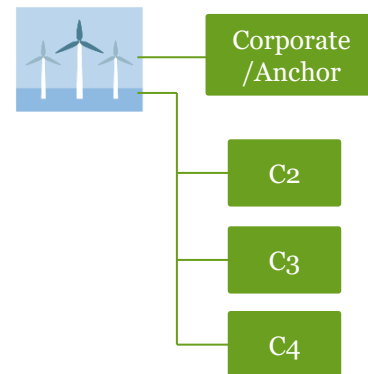
Support the debt service of the project

- **(smaller) Corporate**

Contract the smaller part of a project under single PPA

(more) Flexibility on

- ✓ Creditworthiness for smaller buyer
- ✓ Terms of the PPA
- ✓ However less in the driver's seat



Corporate PPAs

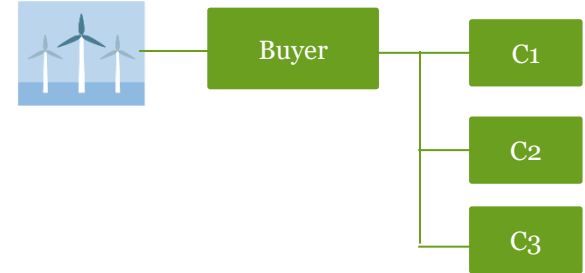
Reseller contracting

- **One large-scale buyer**

Purchases the whole of the offtake of the project

Re-sells it in tranches to the market

Model used by utilities / traders



- **Market**

Depending on the market, there may be licensing requirements for re-sale

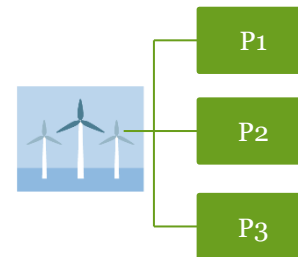
- ✓ corporate cannot determine/select project
- ✓ corporate cannot decide on the PPA terms / governed by Seller PPA
- ✓ corporate sustainable goals are likely not achieved

Corporate PPAs

Aggregation

- **Partner selection**

- ✓ strong commitment towards energy transition (RE100)
- ✓ shared values and vision
- ✓ strong brands



- **Governance**

- ✓ can be a cumbersome process, however creates sustainable model for multiple use

- **Entry/exit arrangements and conflict resolution**

- ✓ appropriate exit mechanism to deal with offtake under PPA
- ✓ manageable conflict resolution

Offshore wind

Offshore wind

Recent examples offshore PPAs

- July 2018 600 MW Kriegers Flak (Danmark)
Vattenfall PPA → Novo Nordisk / Novozymes
- November 2018 860 MW Triton Knoll (UK)
Ørsted signed a 15 year PPA
- February 2019 950 MW Moray East (Scotland)
Centrica signed a 15 year PPA
- 219 MW Northwester (Belgium)
RWE signed long term PPA
- 573 MW Racebank (UK)
Northumbrian Water Ltd signed 10 year PPA

Offshore wind

Developments

- Zero-subsidy projects
 - Germany
 - Netherlands
 - (Danmark)
- Cost competitiveness
- Lower capital costs
- Larger turbines, larger projects
- Increased interest of corporate buyers

→ Aggregation models!

Thank you & Bird & Bird

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