



State of the Corporate PPA Market 2022- Summary

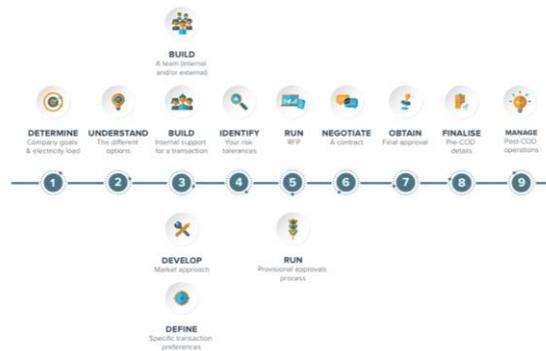
October 2022

About the Business Renewable Centre Australia



Since 2018, the BRC-A has provided independent guidance and support for decarbonising Australian business operations through renewable energy procurement, especially via Corporate Power Purchase Agreements (PPAs). A not-for-profit initiative, BRC-A provides an online marketplace platform, resources and training and industry networking support. We have 220+ corporate member companies.

BRC-A was established with funding support from **ARENA** and the **Victorian, NSW and Queensland Governments**. We are a collaboration of Climate-KIC Australia, the Institute for Sustainable Futures (University of Technology) and WWF-Australia.



Interactive Buyer Roadmap

- PRIMERS AND GUIDES**
- Renewable Retail PPA Guide
- Energy Management Principles Primer
- Deal Team Guide
- Accounting Primer
- Aggregation Primer
- Combining Demand Management & PPAs Primer
- Deal Structure Primer
- Economic Analysis Primer
- Finance Primer
- Internal Support Guide
- Risk Allocation Primer
- Social Licence Primer for PPA Buyers

Guides & templates



Projects marketplace



Training & coaching

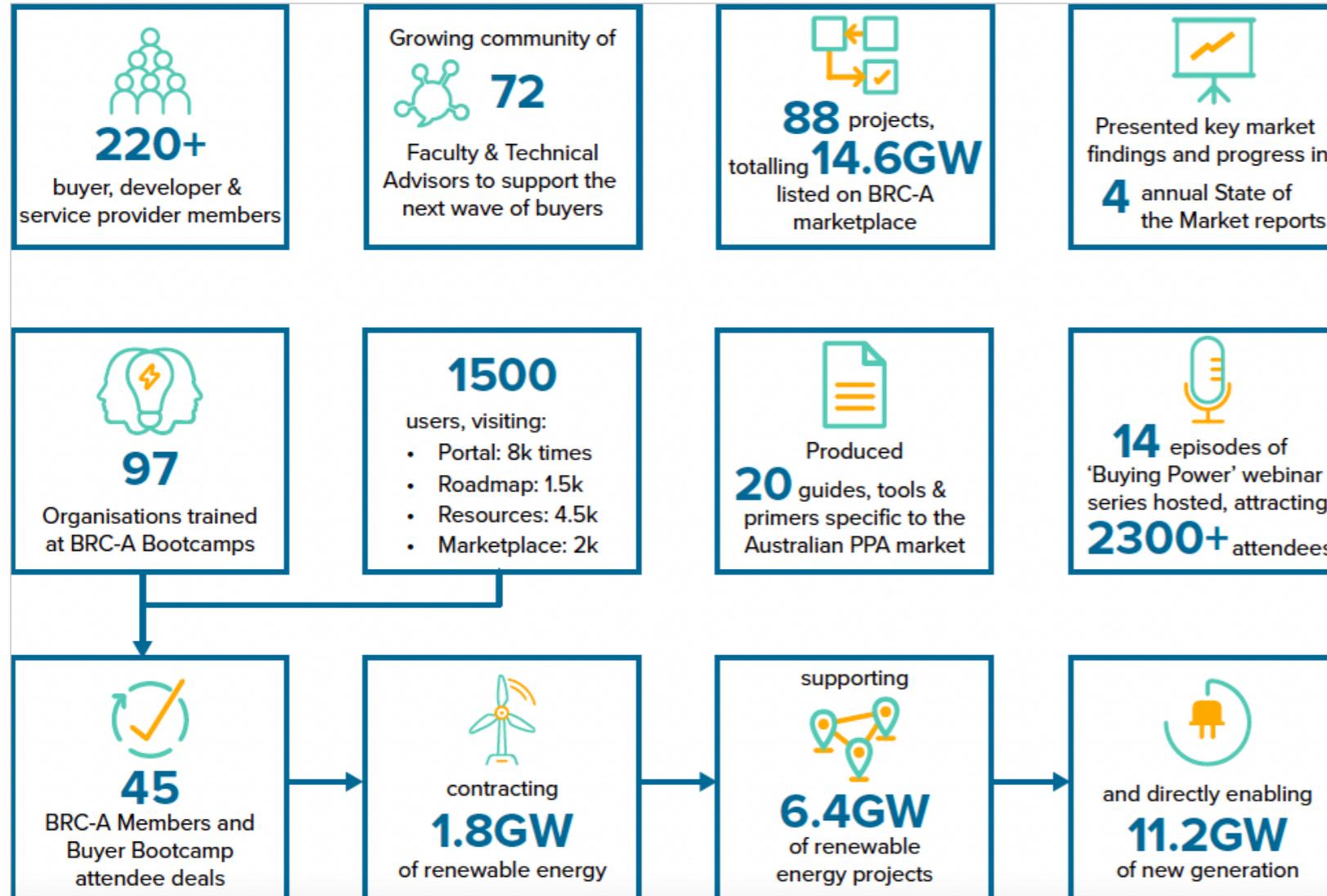


Consultant lists

To find out more visit: <https://businessrenewables.org.au>



Our impact since launch in 2018



- BRC-A was created to accelerate business uptake of renewable energy and to address known and emerging barriers to corporate renewable energy procurement, especially via PPAs.
 - By their very nature, PPAs can be complex and evolve with the energy market, and we work with industry to reduce this complexity and improve access to education and resources.
- We are Australia's peak body for corporate renewable PPA procurement.

State of the PPA Market Report



Since 2019 BRC-A has produced an annual 'State of the Market' report based on:

- An industry survey – the views and perspectives of buyers, service providers and developers.
- BRC-A PPA database: overview of market trends and statistics.
- Stakeholder input.

The objectives of the State of the Market report are:

- Profile the Australian Corporate PPA market.
- Highlight key issues and perspectives amongst PPA buyers.
- Identify key and emerging trends shaping PPA market.

Note: This slide pack contains just a sample of information from our State of the Corporate PPA Market Report 2022. To download the full report, visit our website www.businessrenewables.org.au.

Australian Corporate PPA Market in 2022



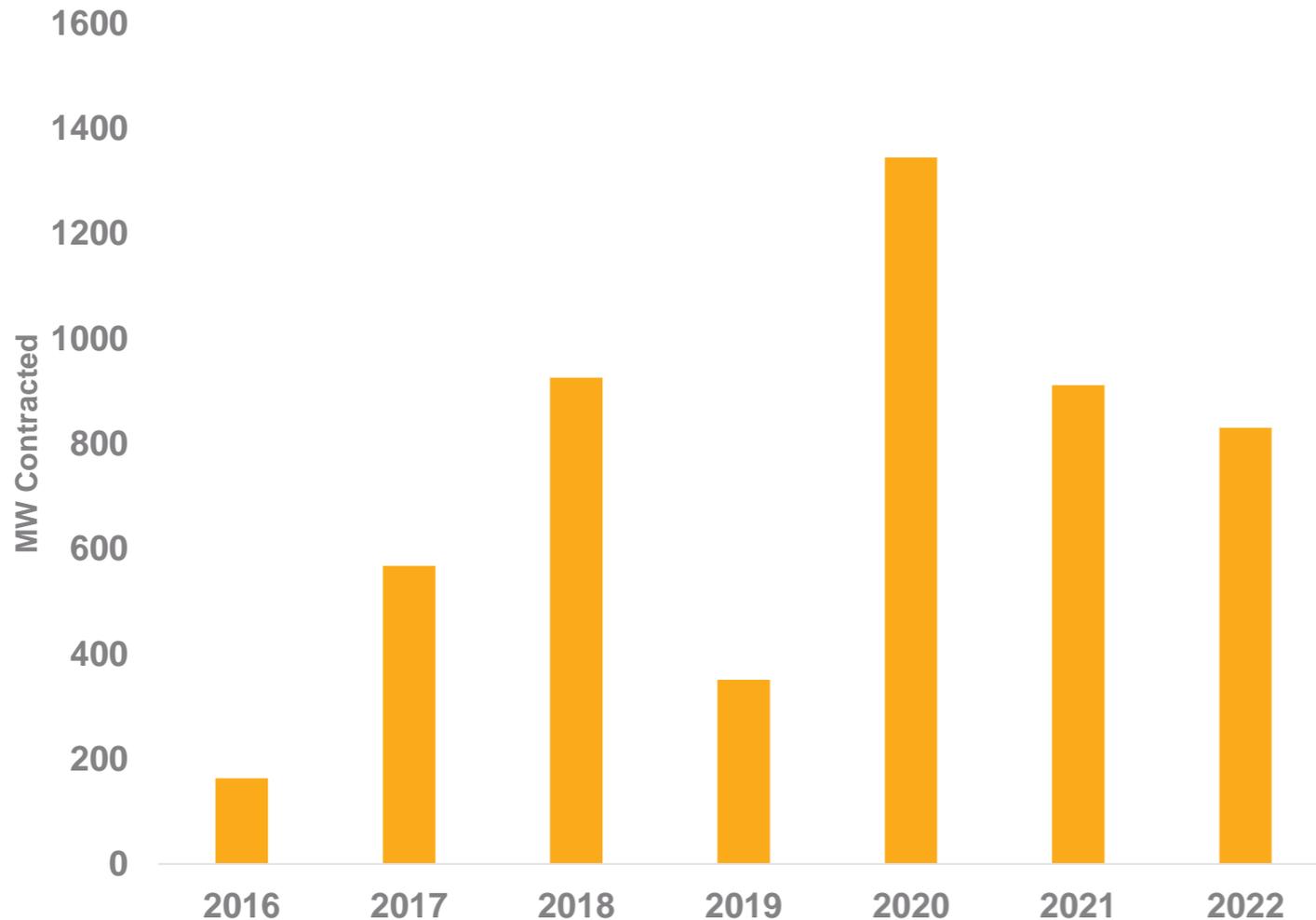
Market features

- A **strong year** amidst extraordinary market turmoil (830MW).
- Deals with a series of high-profile corporates, buyer groups & service sector buyers with smaller loads.
- The return of **wholesale PPAs** - retail PPAs appeared to be emerging as the dominant deal type but factors such as high firming costs have underpinned return.
- PPAs with **corporate and state-owned entities continue to dominate market.**
- Market with **diversified buyer sizes** now well-established.

Drivers & trends

- **Net Zero & ESG commitments** are the primary driver for PPA buyers (even amidst market volatility).
- **High-price environment & volatility:** mixed impacts – both short-term demand surge & uncertainty/ paralysis. Impacts on PPA market if high-prices persist?
- **Slowdown in supply** of new projects reducing options for buyers.
- Implications of **scale-up in REZs?**
- **Emerging trends** (e.g. 24/7, storage, demand flexibility).

Another good year for Corporate PPAs ...

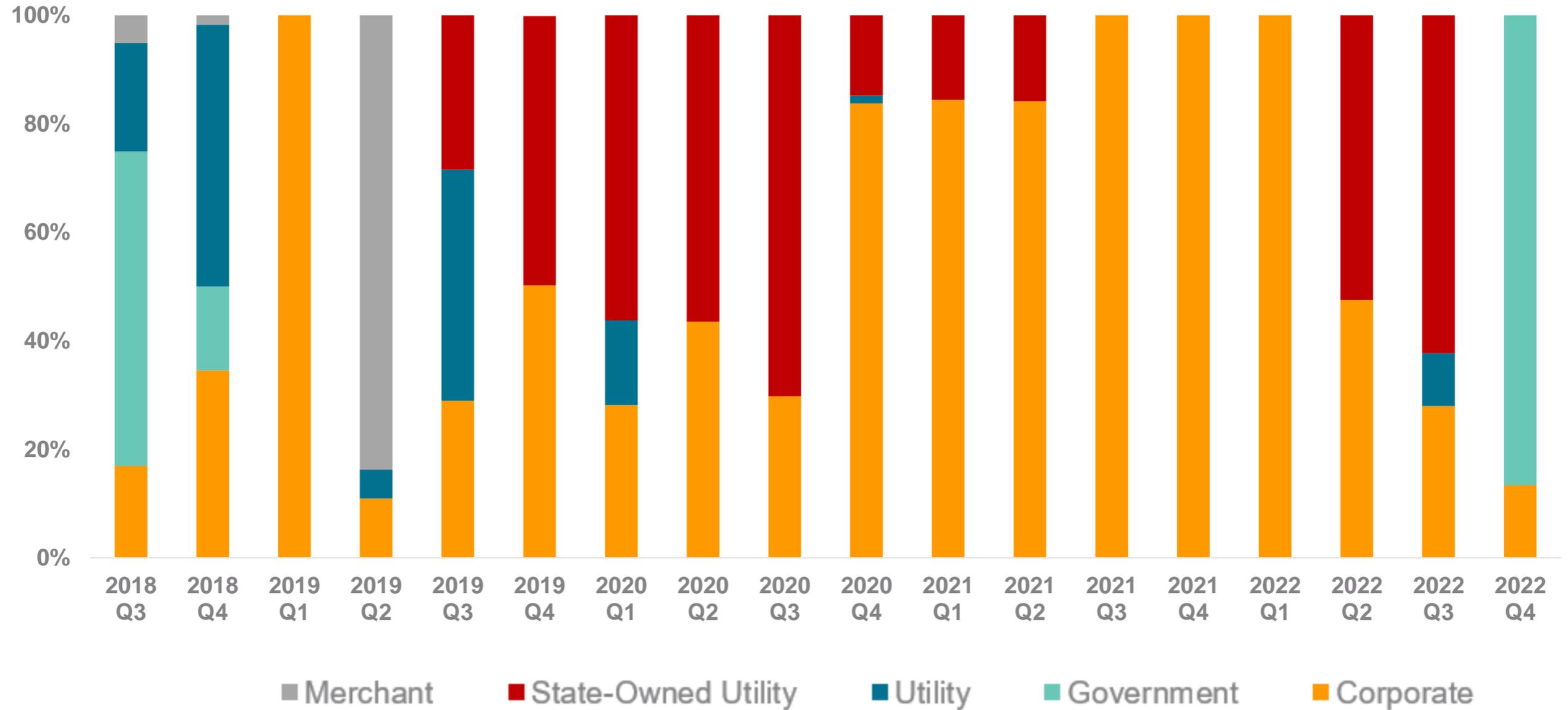


Source: 'MW of Corporate PPAs over time', BRC-A Database, Oct 2022.

Note: the figures for 2022 are being updated for recent PPAs and will increase once they are fully accounted.

- Deal volumes were comparable to 2021 - 22 PPAs at ~830 MW.
- Range of deals with high-profile corporates:
 - Apple (500 GWh).
 - Telstra (350 GWh).
 - BHP (315 GWh).
 - Wesfarmers (146 GWh).
 - Woolworths (100 GWh).
 - Westfield (71 GWh).
 - Westpac (33 GWh).
- Multiple group deals, especially amongst councils (Southern Sydney ROC, Central West ROC, Hunter/Central Coast).
- Smaller service sector buyers (BUPA, HSF lawyers).

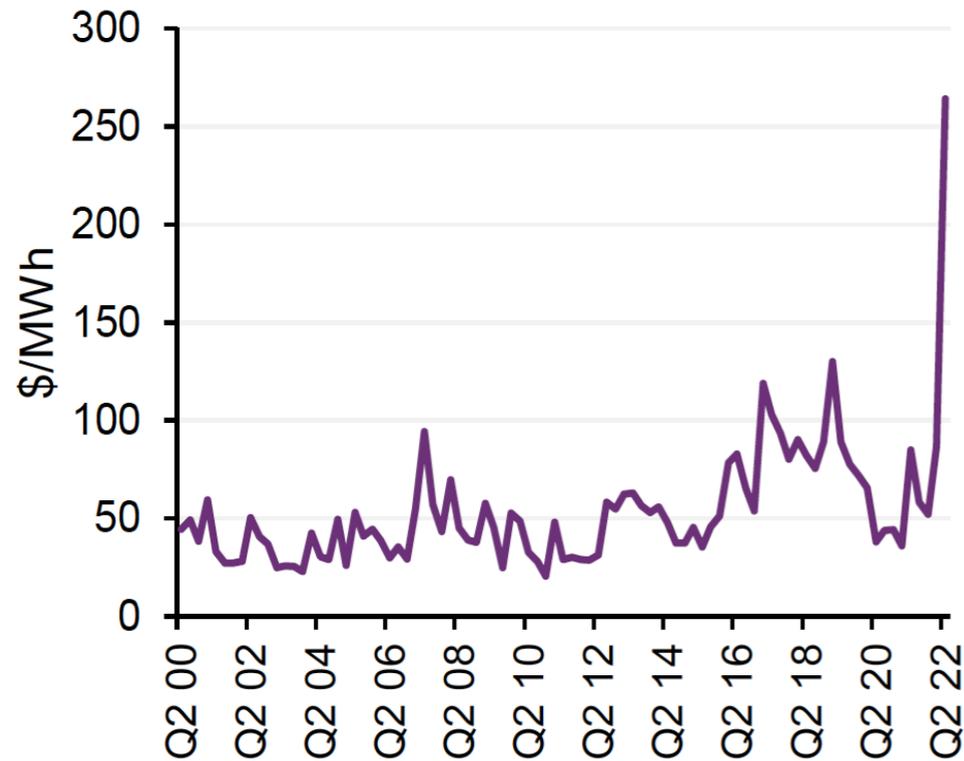
Corporate & State-Owned Retailer PPAs are still driving renewables market



The great electricity price spike of 2022

Figure 8 Highest quarterly average spot price since market commencement

NEM quarterly average wholesale electricity spot price



Source: 'Highest quarterly average spot price since market commencement', [AEMO](#), July 2022.

SPOT CLOSING PRICE HISTORY

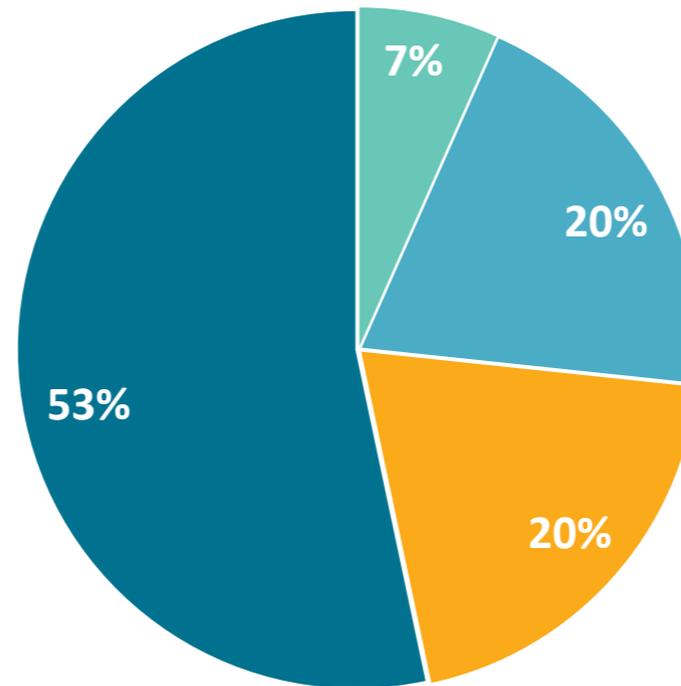


Source: 'Spot Closing Price History', [Mercari LGC Closing Rates](#), October 2022.

Impact of market volatility on PPAs mixed

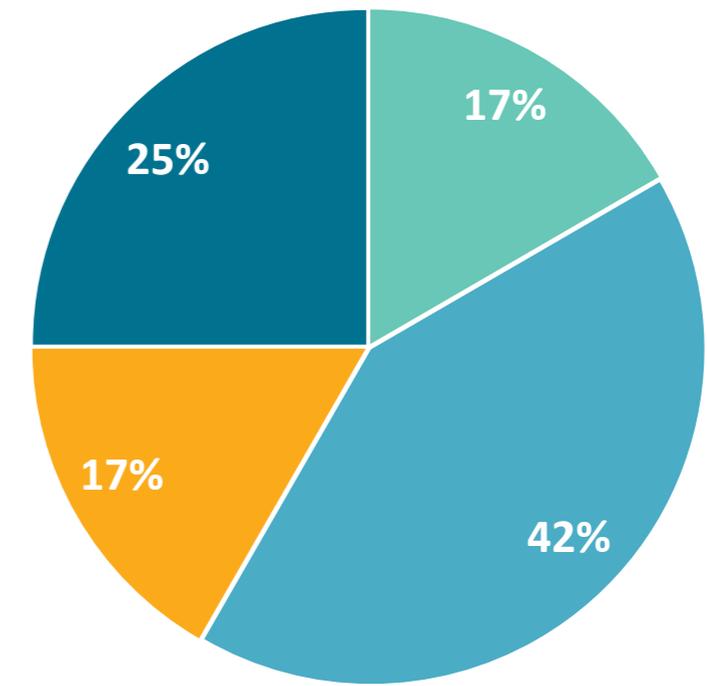
- Most buyers involved in PPAs considered there was ‘no impact’ – others evenly split.
- Diversity of views amongst advisers – but positive impact the largest response.
- Diversity in the survey reflects anecdotal feedback:
 - Some advisers reported a rush by buyers to sign PPAs with operating projects (leading to rising prices).
 - Other buyers asked if ‘buying at the peak’ was wise and the crisis was overwhelming.
- Impact may be greater in medium-term:
 - Crisis has illustrated the risks of volatility and put to rest notion low prices were here to stay.
 - Most forecasts project elevated prices for next 2 years.

Buyers



■ Unsure ■ Positive impact
■ Negative impact ■ No impact

Service Providers



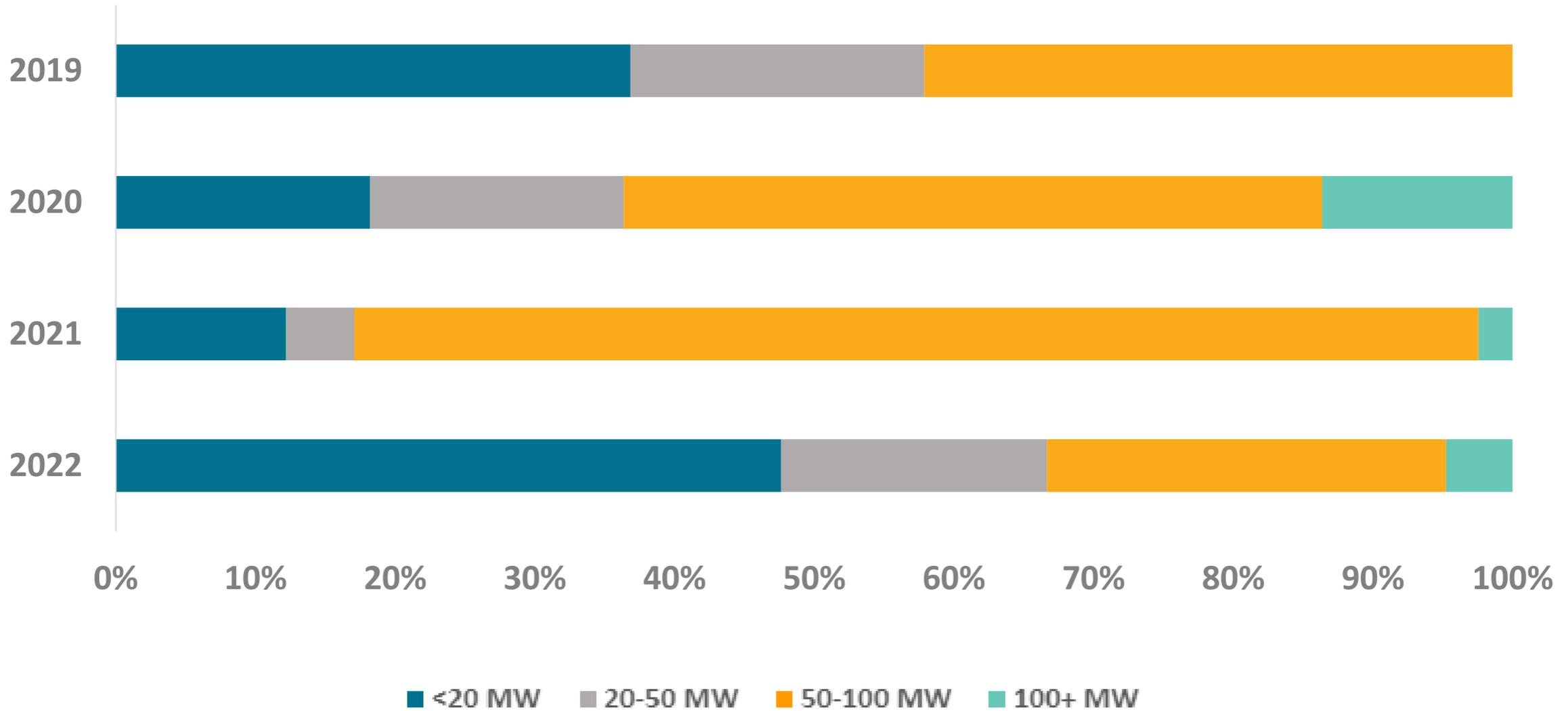
■ Unsure ■ Positive impact
■ Negative impact ■ No impact

Sustainability targets continue to be the primary driver for PPA buyers



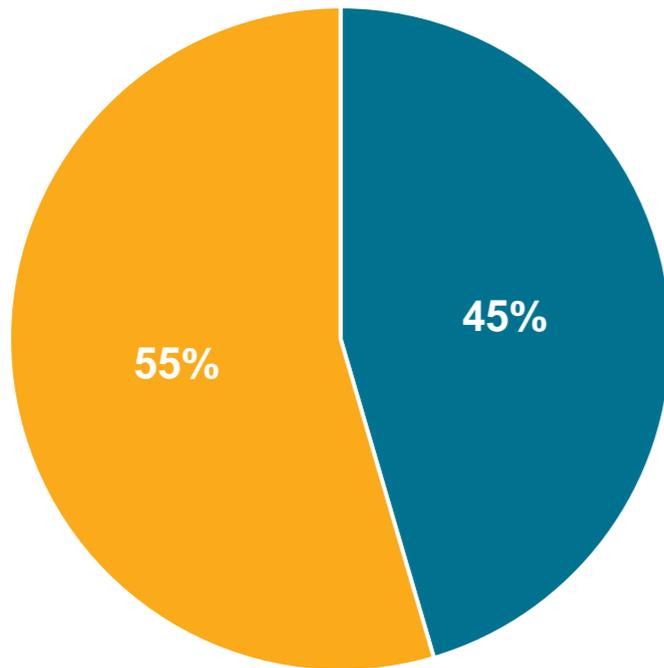
- In the early years, Australian corporate PPA market growth was driven by buyers seeking relief from electricity price shocks.
- However, in recent years the primary drivers for buyers have consistently been greenhouse targets, CSR goals and reputation.
- No evidence of growth in buyers nominating prices as the primary driver – may show up in next survey.

The PPA market is diversified across buyer sizes



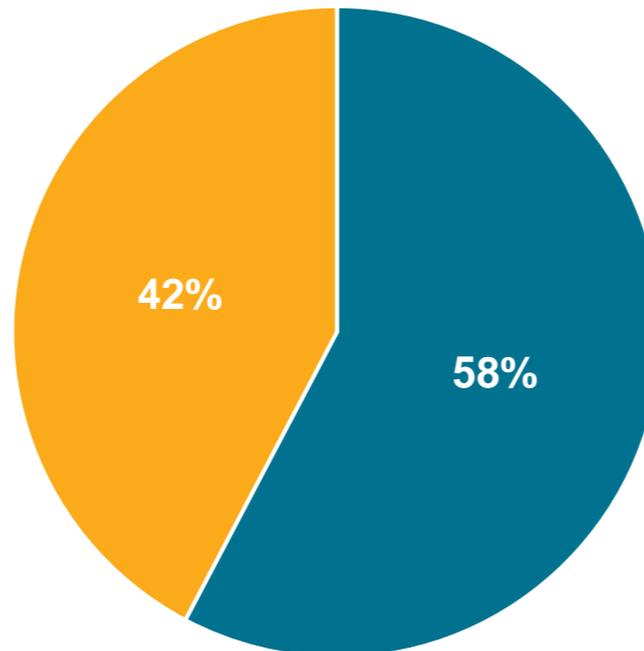
The return of Wholesale PPAs?

Deals (%)



■ Wholesale ■ Retail

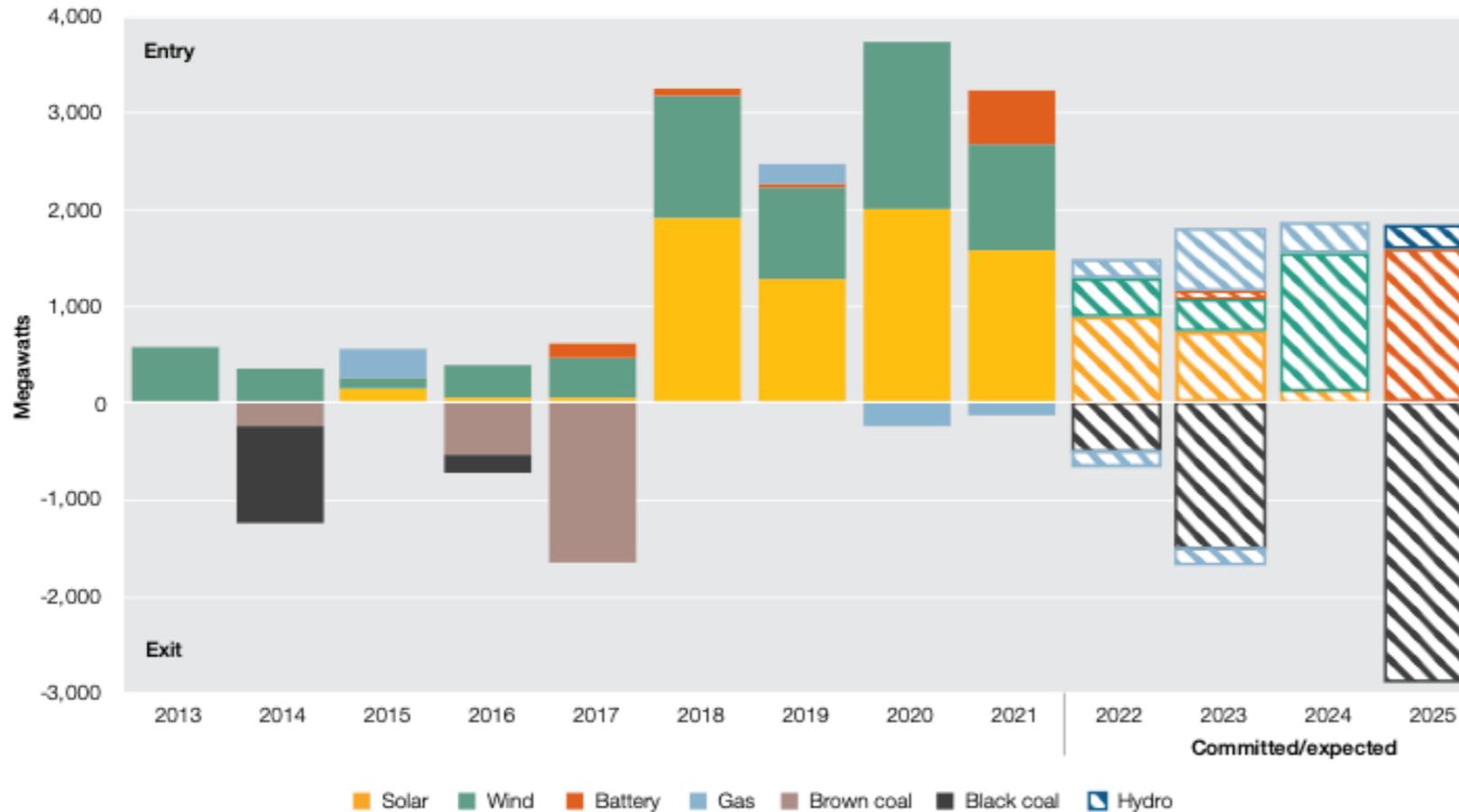
Contract Volumes (%)



■ Wholesale ■ Retail

- Last year, there was a notable shift to retail PPAs – even amongst larger buyers that had preferred wholesale PPAs in earlier years.
- It appeared wholesale PPAs might become a much smaller market segment as retail PPAs were favored due to lower administrative burden and improved pricing.
- However, wholesale PPAs have returned this year – which may reflect higher cost of retail firming. Volatility also had major impact on smaller retailers.
- Implication appears to be that the Australian market will continue to with a mix of wholesale and retail PPAs.

Slowdown in renewable energy investment



Note: Capacity includes scheduled and semi-scheduled generation, but not rooftop solar capacity. Actual and expected investment and closures from 1 January 2022 are shown as shaded components. These include Liddell and Osborne power stations in 2023 and Eraring power station in 2025.

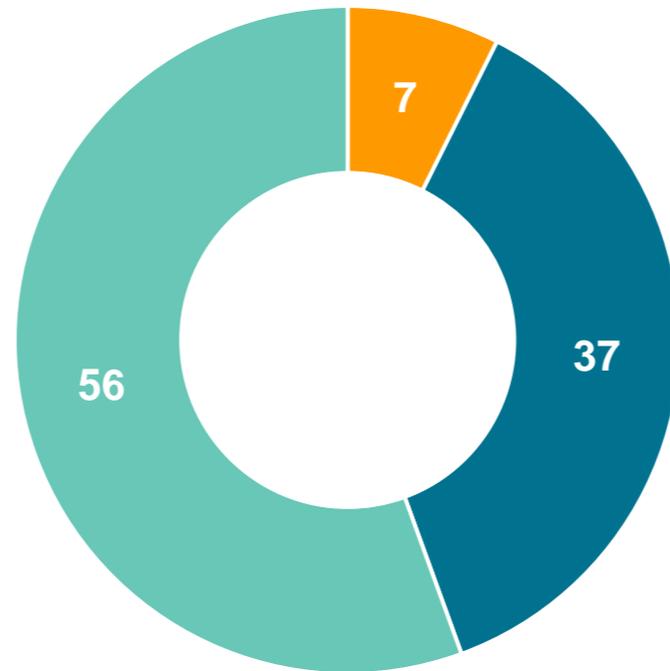
Source: 'New generation investment and plant withdrawal', [AER](#), 2022.

- Installation rates for solar and wind farms lower this year.
- Smaller volumes of committed/ expected projects reflects slowdown in projects reaching financial close & PPAs - especially for wind.
- REZ developments will increase scale of new projects but there is a supply slowdown that is impacting on PPA and LGC market.
- Ambitious targets and programs scaling-up but high risk of delays and price increases due to supply-chain constraints, labour shortages etc.

Low share of PPAs with new projects in 2022

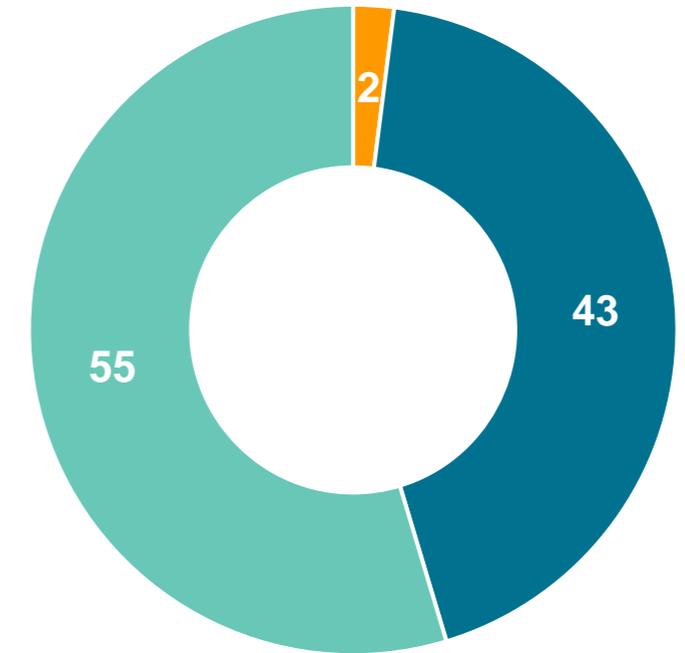
- PPAs with new projects have been majority or near-majority in past years.
- Growth in retailer models on-selling from operational projects.
- However, mostly appears to reflect cyclical factors:
 - Supply slowdown in new projects (e.g. network constraints).
 - High-risk environment for PPA buyers.
 - Value-proposition for new/wholesale PPAs improves in high-price environment.

Number of Corporate PPAs (%)



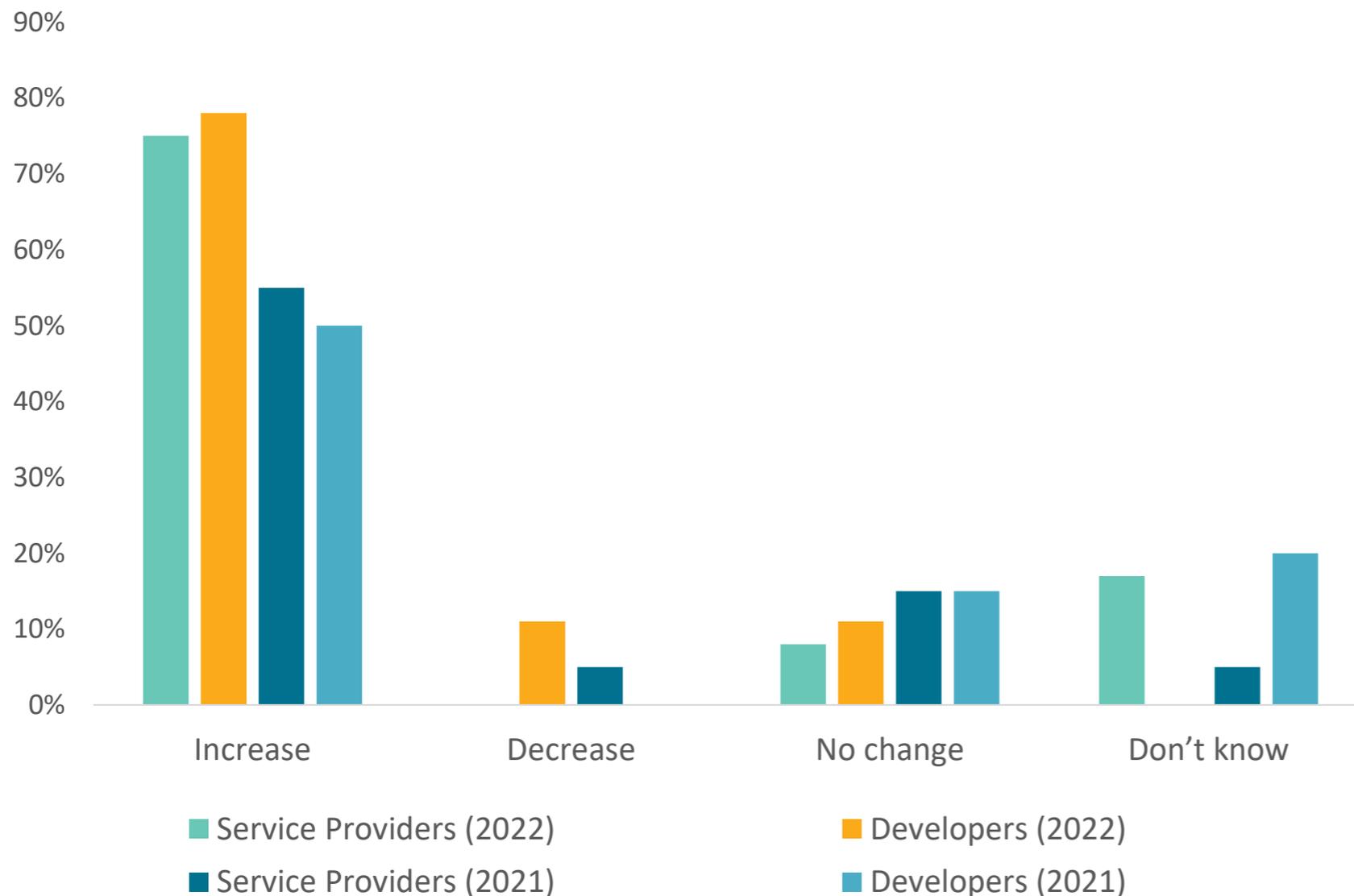
■ New ■ Committed ■ Operating

Capacity contracted (%)



■ New ■ Committed ■ Operating

REZs expected to have a positive impact on Corporate PPAs



- There have been questions as to whether REZs, government auctions and return of retailers to market might 'crowd out' Corporate PPAs.
- Growing confidence amongst market that REZs will have a positive impact on Corporate PPAs.
- Is the future a mixed market with an on-going role for PPAs?
 - State-owned retailers (Qld, Vic) & Government PPAs (e.g. NSW LTESA's, VRET).
- Growth in retailers buying for their own portfolios.
- Wholesale PPAs & retailers on-selling PPAs and supply agreements to mid-sized buyers.

Summary

- 2022 was a strong year for Corporate PPAs in the context of extraordinary volatility – healthy diversity of deals with major corporates, buyer sizes and sectors.
- Alignment of financial, risk and environmental drivers amidst volatile market likely to underpin on-going demand for Corporate PPAs – they appear here to stay as the renewable energy sector scales-up and accelerates again.
- PPA market also challenging: high LGC prices, project and LGC supply scarcity create difficult environment for the growing body of organisations with upcoming net zero targets in 2025.
- Wholesale PPAs have re-emerged in context of market volatility and higher firming costs.
- Demand flexibility is increasingly important in volatile market – the emergence of 24/7 PPAs?
- Growing interest in aggregations as large organisations with smaller loads and net zero targets enter market.
- Policy change on the horizon? GreenPower review, what replaces the RET in 2030?

How can I gain find out more?

General Inquiry

Contact BRC-A info@businessrenewables.org.au

Website <http://www.businessrenewables.org.au/>

Chris Briggs, Technical Director
chris.briggs@uts.edu.au

Jonathan Prendergast, Technical Director
jonathan.prendergast@uts.edu.au

Jackie McKeon, Program Director
jackie@businessrenewables.org.au

Alex Nassar, Project Officer
alex@businessrenewables.org.au