



Renewables in a time of rapid change

In Conversation with: Bryan Cave Leighton Paisner (BCLP)

Global law firm Bryan Cave Leighton Paisner LLP (BCLP) has been helping accelerate the renewable energy transition for more than a decade, supporting energy buyers, retailers, generators and financiers across a complex and rapidly-evolving value chain.

The firm provides counsel to a spectrum of industry participants, with particular focus on the development, financing, sale and purchase of renewables assets and related commercial contracts.

Clients include project sponsors and financiers, contractors, and government agencies. BCLP also represents producers using a range of clean energy generation technologies, including on and offshore wind, solar, geothermal, biomass, waste-to-energy, anaerobic digestion, hydro, and tidal.

Recognised four times as an industry leader in legal innovation, more than 40 per cent of the Fortune 500 rely on BCLP to support their business goals and protect their interests.

It's that spirit of innovation and leadership that brought Zeigo and BCLP together.

The two companies are building a unique set of online legal resources, including a project-specific Memorandum of Understanding (MoU), which uses automation technology to support corporate energy buyers through the Corporate PPA contractual process.

With their global footprint and breadth of renewables experience, BCLP occupies a unique vantage point. Zeigo asked for their view of the current state of the clean energy marketplace, the challenges faced by corporate energy buyers in 2020, and where the opportunities are in a period of rapid – even extreme – change.

We put the following questions to [Simon Buchler](#), Senior Associate at BCLP London.

Zeigo: What are the biggest challenges corporate energy buyers face when procuring clean energy?



Simon Buchler: It's important to understand why corporates increasingly want renewables in their energy mix. While there are several drivers, the most significant is the growing emphasis on corporate social responsibility.

Investors and shareholders see opportunities for differentiation and gaining competitive advantage by addressing customer demand for their companies to meet certain social, moral and ethical standards.

But even with clean energy firmly on the boardroom agenda, adding more of it to the procurement mix isn't always straightforward.

Navigating the regulatory landscape can be difficult. For example, understanding the support mechanisms available within the particular jurisdiction, what taxation applies, and adjustments to the network-related elements of energy pricing. All of these are either in flux or change according to the country, region or generation technology.

Then you have to manage intermittent supply. Technologies such as wind and solar are notoriously weather-dependent and provide an intermittent supply of energy as a result. Without balancing measures such as battery storage, this intermittent supply can be difficult to marry-up with demand.

Finally, clean energy can be more expensive than conventional energy in some jurisdictions, particularly where the latter is heavily subsidised, or where smaller organisations lack the buying power to secure good deals from renewable suppliers.

Zeigo: How can power purchase agreements make those challenges easier to manage?

Simon Buchler: PPAs offer clear benefits to corporate buyers and developers. The value of a PPA to a corporate buyer will very much depend on each company's objectives. Some will be looking to enter into clean energy PPAs as part of their CSR initiatives, while others may be more concerned about the economic benefits.

But in general, energy buyers use PPAs to reduce costs or secure longer-term cost certainty – which can then offset any fixed long-term debt or financial liabilities. PPAs can also help a corporate buyer achieve greater control over sourcing clean energy without having to incur significant additional risk.

For developers, [PPAs have three key benefits:](#)



First, they provide a *clear route to market*, especially as utility PPAs are less available these days.

Second, PPAs provide a *predictable revenue stream*, backed up by strong covenants that reduce their project's risk profile.

Third, PPAs make it *easier for developers to secure third party finance* on more beneficial terms as long-term revenue streams help projects be seen as bankable.

It's worth noting too that PPAs can have a wider market impact. They stimulate competition in supply contract negotiations by offering corporates an alternative to procuring all of their clean energy from one supplier or broker. Buyers gain more options, even entering into off-grid private wire arrangements to avoid or reduce network costs.

Zeigo: Can PPAs also reduce the risks of renewables procurement?

Simon Buchler: When our corporate clients enter into PPAs, one of the main risks that they aim to mitigate is uncertainty.

When PPAs are structured as long-term arrangements, they guarantee corporates the volume of clean energy that they need at a competitive price. They can create an effective hedge against price volatility and provide corporates with greater certainty that they will be able to meet their long term financial liabilities.

There is also a growing opportunity for corporates to use PPAs as a flexible clean energy source. [Zeigo's platform](#), for example, is perfect for organisations looking to gain the certainty of long-term fixed pricing alongside the flexibility of entering into multiple contracts for smaller volumes of power. That mix of freedom and transparency will help the corporate PPA market mature.

Zeigo: Which countries will see the most growth in PPA uptake this year?

Simon Buchler: While our predictions for 2020 have now become almost entirely COVID-19 dependent, we expect to see continued dominance of corporate PPAs in the US which, together with the Nordics, accounts for 80% of corporate PPAs globally.



The Nordics, in particular, is a real growth area for clean energy corporate PPAs. The Swedish Wind Energy Association stated that wind power investments in Sweden had been built at a record pace. As such, Sweden is on track to reach its 2030 target of 18 TWh renewable energy by 2021.

Bloomberg NEF's first-half of [2020 Corporate Energy Market Outlook](#) report identified that nearly half of the energy market activity came from Sweden, Norway, Finland and Denmark.

Western Europe is also looking strong, with France having the second-largest wind power potential in Europe and its onshore wind market recognised as one of the most active and attractive markets on the continent.

In the UK, Corporate PPAs are expected to grow due to the general scaling back of subsidies, particularly in wind and solar PV. This has been helped by the growing prevalence of synthetic arrangements and alternate purchasing models such as the mini-utility or consortium approach, and the fact that Corporate PPAs have been starting to out-perform the wholesale market in terms of energy price.

Zeigo: Are there policy or regulatory changes on the horizon that could impact how European PPAs will be negotiated this year?

Simon Buchler: If we were having this discussion three months ago, I would have been reasonably certain that regulatory changes across Europe would have stimulated the growth of renewable energy projects and the number of corporate PPAs being negotiated.

2020 was pipped to be a strong year. We had just come out of a Brexit-shaped policy vacuum in 2019, and several European governments were set to make clean energy a high priority. EU member states were under a mandate to implement the EU's RED II 32% renewable energy target into national legislation by the end of June.

The UK government announced plans to increase offshore wind capacity to 40GW by 2030 and confirmed that it would be lifting the restrictions on planning and subsidies for new onshore wind farms in the UK. The forthcoming Energy White Paper was expected to provide clarity on the UK Government's approach to corporate PPAs and how this would form part of the UK's commitment to be net-zero by 2050.

In Italy, the government was expected to provide tax relief to corporates buying green energy and to help with security packages to encourage the uptake of corporate PPAs and drive growth in the market.



The COVID-19 pandemic has created uncertainty as to the level of engagement governments will now have on these and other clean energy policies.

Despite that, we must ensure that any short-term solutions adopted to fight the pandemic and its economic impact do not conflict with measures to address the planet's environmental crisis.

We still need to achieve the medium- and long-term development and climate objectives set out in initiatives such as the UN 2030 Agenda and the Paris Agreement. PPAs will be a crucial mechanism in this process and should form part of any resilient recovery plan.

Four steps to building a profitable PPA

While the timescales for clean energy procurement can vary according to the size and duration of the deal, BCLP has identified four steps in the process that commercial energy buyers should take into consideration.

1. The first step for a corporate is to **hold discussions with a licensed supplier**. This is because it will often be necessary to involve the licensed supplier in back-to-back PPA negotiations alongside the generator. This is especially true for physical “sleeved” PPAs.
2. The corporate should then look to **commence negotiations with the generator** based around any terms or arrangements agreed with the licensed supplier. Zeigo’s platform automatically generates a short-form memorandum of understanding (MOU) which documents the key commercial and legal terms upon which the full PPA will be based.
3. Following this, the corporate and the generator will need to **negotiate the full PPA and related documentation**. This step will often require some external legal support in the structuring and negotiation process.
4. Finally, if the relevant project is not yet operational, the developer may need to **satisfy certain conditions before the PPA arrangement takes effect** and commercial supply begins.

These include:

- a. Obtaining all necessary registrations and licenses
- b. Arranging the required network connections
- c. Project approval for commercial output by a certain date.



Zeigo: What does success look like?

Simon Buchler: Success for us is knowing that when designing, drafting and negotiating corporate PPAs, our client's objectives and expectations are being met and, importantly, within budget.

However, it doesn't stop there. A PPA that works well today may not be optimised for the conditions that exist next year. It's vital to future-proof PPAs and ensure that any long-term arrangements are robust enough to weather upcoming regulatory and market changes.

Zeigo: Digital transformation continues to be a game-changer across industries. What impact do you think it will have on clean energy procurement?

Simon Buchler: There's no question that technologies like [automation and AI](#) will have a huge impact on the commercial PPA market, particularly where smaller, shorter-term, more commoditised trades are on the table.

It will always be the case that larger or more complex deals will require bespoke advice, but PPAs are standardised industry documents that inherently lend themselves to AI solutions.

Putting those technologies to work in clean energy procurement can make the process of creating and negotiating PPAs more efficient, leading to lower transaction costs, faster deployment of trades, and greater consistency.

The memorandum of understanding (MOU) service we've designed with Zeigo is an excellent example of how this can play out in practice.

When we first sat down with Juan Pablo to discuss Zeigo's platform, we looked to identify ways to streamline existing processes. It was clear that once corporates and generators were connected, there was an opportunity to help them with the contracting requirements and the process for entering into a full PPA.

The [MOU we've designed together](#) contains all the key commercial and legal terms to be agreed between the parties in respect to a particular project. Automation technology generates a draft MOU once a corporate buyer is paired to a specific project using Zeigo's online platform. It contains all the core non-negotiable project details and gives both parties an opportunity to negotiate some of the other key commercial and legal terms before creating a final version.



It's a great use of technology that enables both parties to understand the key terms of their power purchase arrangement without having to engage external lawyers.

Buyers get a short-form document quickly that they can use to get sign off from their respective boards. At the same time, developers gain a document to take to lenders and help secure provisional third-party financing.

Note to Editors

About Bryan Cave Leighton Paisner LLP – www.bclplaw.com

With over 1,400 lawyers in 31 offices across North America, Europe, the Middle East and Asia, Bryan Cave Leighton Paisner LLP is a fully integrated global law firm that provides clients with connected legal advice, wherever and whenever they need it. The firm is known for its relationship-driven, collaborative culture, diverse legal experience and industry-shaping innovation and offers clients one of the most active M&A, real estate, financial services, litigation and corporate risk practices in the world.

About Zeigo – www.zeigo.energy

Set up in 2018, Zeigo is an energy technology business that has developed a high-tech platform that connects corporate energy buyers (private and public sector) with renewable energy generators and suppliers, to cut through the complexities of clean power procurement and help energy buyers source renewables from around the world.

In April 2020, Zeigo announced a successful £800,000 seed funding round. Investors included Caygan Capital, the Green Angel Syndicate, a London syndicate investing in the Green Economy, ClearlySo - Europe's leading impact investment bank, the Syndicate Room - a UK online equity investment platform and Earlymarket - a family office with an investment arm dedicated to early-stage technology start-ups.

In December 2019, Zeigo was named Renewable Technology of the Year by Business Green. Its business partners include Aurora Energy, Cornwall Insight, DLA Piper and global tech law firm Bryan Cave Leighton Paisner, and its early customers include CBRE and Gatwick Airport.

Contact

Joanna Lowry, Marketing & Communications Manager, Zeigo

T: 07444 585 771

E: joanna@zeigo.energy