

America's corporate clean energy trailblazers



Commercial solar | Through its Corporate Clean Energy Universe, market researcher Clean Edge is tracking the 37 US corporations leading the way on low-carbon and renewable energy adoption. Its managing director, Ron Pernick, tells Ben Willis of his hopes that a second wave of smaller companies will follow their lead as new green energy business models hit the mainstream

The corporations in your latest index are showing a clear commitment to renewable energy, and especially solar. What are the key drivers behind this?

First and foremost, there is an economic driver here. Power purchase agreement (PPA) prices are coming down. To me this economic story of the defining cost has a great deal to do with corporate uptake. The other thing that is driving this is energy stability pricing – so a long-term hedge. Most of these are five, 10, 20 year agreements. So they're locking in pricing for a very long period of time.

What are the renewables of choice for companies looking to embrace clean energy?

If you're going to do on site, solar is your choice. So companies that are looking to place clean energy on rooftops are going to go primarily with solar. And I think that follows the general industry, where five to 10 years ago wind was where a lot of the electrons were coming from, and solar was a small portion. And now solar is contributing an increasingly significant portion of total clean energy deployment. I think we'll definitely see that in the corporate realm as well. And especially if they want something close to their operations. The other big innovation that we expect we'll see in next three to five years is solar plus storage. So that's the Holy Grail, and would mean you'd see an uptick in solar.

How do you find larger corporations have most commonly been procuring low-carbon energy?

Most corporates now don't want to do it through RECs [renewable energy certificates], and if they're using RECs they're looking for ways to transition; we see corporates coming out of the gate and saying we're going to get a high penetration of renewables via RECs but then transitioning over time. And so RECs enable them to meet their targeted goal quickly, but then they are transitioning. Because everyone is looking at the market and, say, having on-site renewables, doing a PPA via a third party or doing a green energy tariff with your utility if you can. And even this concept of community solar, which traditionally you might think would be used by individuals, could potentially be used by corporations.

Your Corporate Clean Energy Universe tracks some of the largest corporations in the US, but what about smaller ones? To what extent are we seeing them embrace low-carbon energy?

You have these companies that are willing to go out there, stake

a claim and even pay a bit of a premium [for renewables; that's always a small percentage of individuals or companies. Now you've got an incredibly large number of these Fortune 1000/500 corporates that are embracing this. And as they develop the models for the PPAs, for the green tariffs, for the community solar if we see that to start playing out in the C&I space for on site, then I think you see the next wave coming from smaller commercial and industrial players, as long as it's economical, as long as they save or break even over time.

What are some of the innovations in finance and business models that are opening up the way to smaller companies?

There's the virtual PPA model that has certainly been getting honed quite a bit. Green energy tariffs are certainly a way for utilities to participate in this, if the utility is interested and the regulators are also willing, so we've seen green energy tariffs sprouting up in a handful of places. I think the community solar regime is interesting; we've seen it primarily to date playing out with individual people buying into a community solar array. But you can imagine in a city where you've got certain types of businesses that a number of smaller companies might come together and say we're acquiring green power from this solar facility.

Are there any specific policies or innovations you'd pick out that could ease the growing pains for corporations making the transition to low carbon energy?

I wish that were the case. Unfortunately in the US there are about 3,000 operating utilities, there are 30 holding companies that represent about 60% of them; then those companies operate multiple utilities and those utilities are operating in any number of PUCs and districts. So it's a bit of a puzzle. But I do think there's general agreement around the valuing of clean energy resources and around market access. And corporations are creating mandates and goals to reach 100% renewables or significant redeployment. Of the 37 companies that make it through our screening process, 25 of them have a 100% renewable energy goal. When I have a 100% goal I'm going to do whatever it takes to get there. So that's the pain point for the utilities – because if the utilities don't do it, the corporations are going to go wherever they need to go to get it. So that's the big conundrum now.

Further information on the Corporate Clean Energy Leaders Universe is available at <http://cleanedge.com/indexes/Corporate-Clean-Energy-Leaders-Universe>

Clean Edge's Ron Pernick