

# Australia's corporate PPAs

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Australia's solar boom is in full swing, with rooftop solar installation in the month of November reaching 120MW for the first time and utility-scale projects passing milestones just about every day. With PPAs increasingly hard to come by from the utilities, the busy solar market is looking to corporate PPAs to take the booming number of planned projects across the financing line.

One creative approach, with corporates directly procuring renewable energy in an aggregated model, is the Melbourne Renewable Energy Project. The Melbourne City-led group has just recently selected a clean energy project to back.

## Too many?

During 2017 alone, *IJGlobal* data has collated announcements related to 157 new solar transactions globally, and of those a staggering 42 are in Australia. The next most active markets are Egypt and the US, both with 21.

One project finance adviser in Australia used the term "bragawatts" when discussing the sheer number of solar projects announced this year. "Only a fraction will come to market," they said sceptically, "before oversupply drives prices down."

But the projects keep coming, and furthermore many have added battery storage components to their development plans. For example sponsor Maoneng Australia has signed a memorandum of understanding with Decmil for design work 5 December, to build its [250MW Sunraysia solar project](#) including battery storage in New South Wales. The construction contract would be worth A\$275 million (\$207 million).

Even larger proposed projects are in the wings. Equis Energy's approved [1GW Wandoan solar project](#) is a colossal project. Construction is scheduled to start in 2018.

## Government not the driver

But the Australian government is facing criticism for recent policy changes, which some say are not encouraging the rush toward renewables projects. The government is seeking to tackle risks of power shortages, and won't yet turn away from the conventional facilities that provide the baseload.

Just this week, Chinese banks [ICBC and China Construction Bank publicly refused](#) to fund the controversial Adani Carmichael coal mine, a project the Australian politicians have yet to formally veto themselves, though Queensland's premier has pledged to do so.

In early October the federal government announced its [National Energy Guarantee](#). The policy is designed with a two-pronged approach, placing requirements on energy suppliers to be providing both reliable and low-emissions energy. Some say the scheme is really only pushing the gas peaking plant and battery storage industries, rather than the more intermittent renewable energy generation projects such as wind and solar.

However full details of the policy have yet to emerge and unhelpful uncertainty reigns in renewables project finance.

## PPAs increasingly scarce

In Australia, electricity prices have rocketed of late. Among the contributing factors is that much of the country's gas is being sucked up by LNG plants for export leading to a spike in gas pricing. It is the gas plants which turn on to meet peak power, and they are the generators that end up setting the price of electricity.

The price of power on the merchant market in Australia could be as high as A\$300 per MWh, a project finance banker said, adding that a competitive PPA might be more around the A\$60-80 per MWh mark.

Utility-scale project debt financiers generally won't take a long-term punt when faced with a volatile merchant market. They need PPAs, which

have traditionally been provided by utilities, state offtakers and traders at around 10 years in length.

But the utilities are withdrawing from long-term PPAs as they are getting closer to their books being full.

### Corporates stepping up

The 68MW [Emerald Solar Park reached financial close](#) on a mini-perm bank debt financing from NAB and Westpac in late October, supported by an eight-year PPA from a corporate, the telecoms carrier Telstra. It is said to be among the first long-term corporate PPAs for Australian solar.

While corporate PPAs have long been rumoured as the next stage for the sector, there seems to be real impetus when talking to the market these last few weeks. NAB has hosted a corporate PPA education day in the second half of November, for which the guest list included representatives of companies from around the globe.

Meanwhile talking to various bankers in the sector, they say there are receiving calls from corporates seeking their advice in this matter, especially from major grocery store chains and universities. An abattoir business even approached one banker. A lawyer who advises on renewable PPAs told *IJGlobal* they are seeing interest also from mining companies seeking to be more creative by potentially installing renewables on their sites.

Many are touting the arrival of Amazon in the Australian market as a potential boost for the corporate PPA market. On 5 December, Amazon officially launched in Australia's retail sector. Amazon has made a long-term commitment to achieve 100% renewable energy usage and is aiming for 50% by the end of 2017. Amazon is already a major backer of wind and solar projects in the US.

### Getting creative

Different businesses are built upon varying payment flows and risk allocations. Some seek to go "behind the meter", while some need green certificates. The challenge that many energy-users have relatively small requirements for power could, for example, be addressed if investment grade customers aggregate.

One creative model just recently implemented was the Melbourne Renewable Energy Project, led by the city itself. A group of 14 local governments, cultural institutions, universities, corporations and commercial bank NAB have clubbed together to procure and purchase electricity from one utility-scale project. The project selected, it was announced on 23 November, is in fact a wind farm - Pacific Hydro's [80MW Crowlands](#) project which was first proposed in 2007. The consortium are to purchase 88GWh of energy per year from the project, for which the construction contracts and financial close are pending.

Education for the varied world of corporates seeking to start writing PPAs remains key.

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