Six Takeaways: Shifting Market Dynamics in Corporate PPAs

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On Thursday, May 7, McDermott Partners Ed Zaelke and Carl Fleming were joined by Christen Blum, head of the Renewable & Analytics Advisory practices at Edison Energy, to hear her thoughts on the current effects of COVID-19 on the corporate power purchase agreement (PPA) market.

Below are six takeaways from this week’s webinar:

1. Despite COVID-19, there is still a strong appetite for corporate renewable procurement: market leaders (such as tech, pharma, and food and beverage companies) have been less impacted by COVID-19 and remain interested in renewable procurement. On the other hand, companies that have been hit the hardest by COVID-19 (such as services and hospitality businesses) have traditionally demonstrated limited interest in renewables; but industrial companies have seen the largest effect of COVID-19—they remain interested in renewables, but are delaying their procurement as they focus on their core business.

2. Although the trend for buyer-friendly PPA terms remains strong, the market has seen a recent uptick in prices over 2019 such that they no longer remain as buyer-friendly as they have been in the recent past, but the impact of COVID-19
on these prices remains to be seen.

3. In order to maintain more competitive PPA prices, developers are employing a number of price mitigation strategies, including price collars, upside sharing and developers bearing more merchant risk.

4. Most corporate buyers are less time-sensitive than more traditional buyers; as such near-term wind projects are often losing out on opportunities to cheaper solar projects which are coming online later.

5. *Force majeure* terms have become a major emphasis in PPA negotiations now.

6. The best advice for developers is to treat their relationships with corporate partners as a long-term partnership and to act accordingly in negotiations.

*Listen to the full webinar here.*

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