

*Innovative Strategies for Acquiring
Large Corporate Customers: Lessons
from the Green Power Market
Development Group*

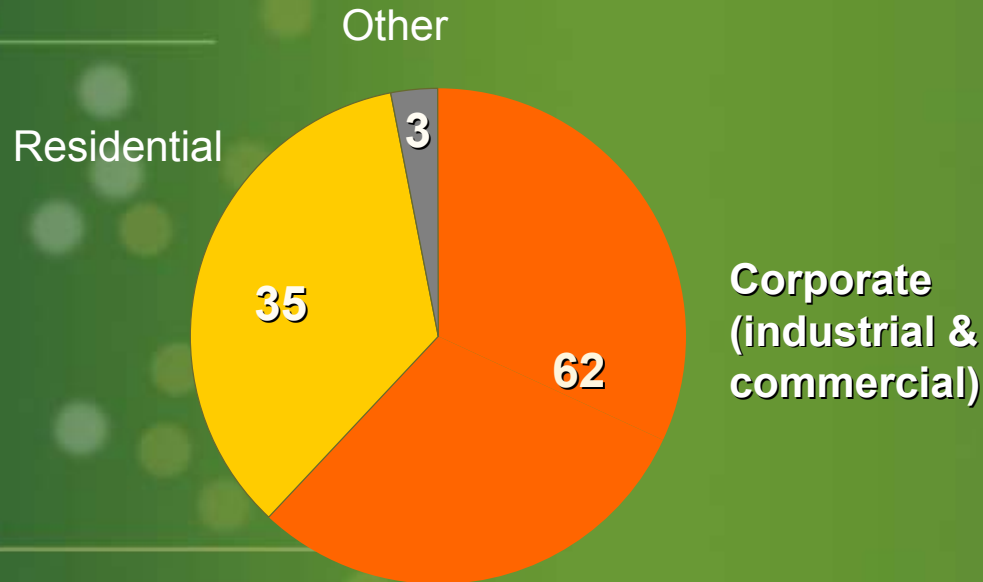
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GREEN POWER MARKET DEVELOPMENT GROUP

The corporate sector: Large market . . .

US electric utility retail sales by end use sector, 2000
Percent, 100%= 3.4 trillion kWh

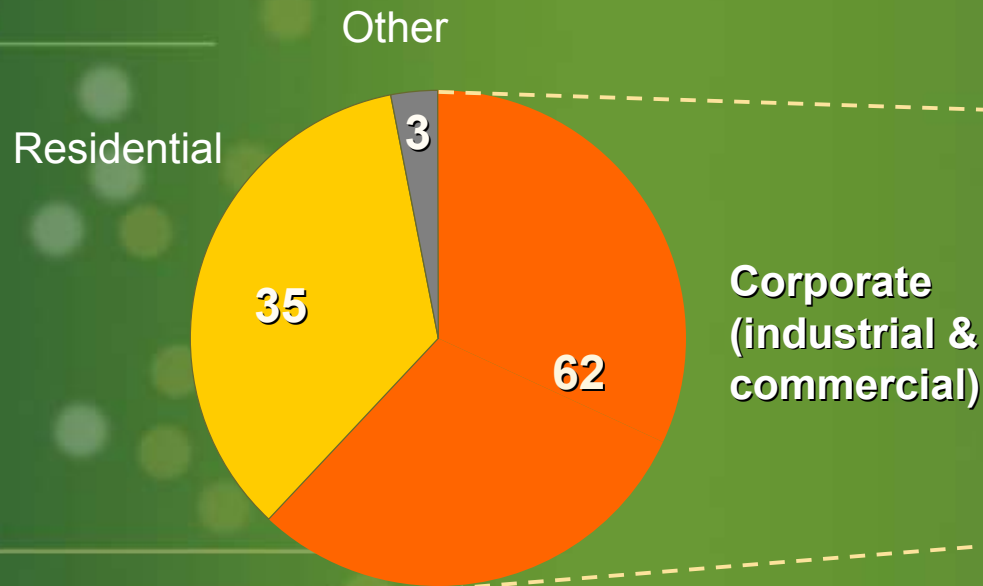


Source: EIA (DOE), 2001



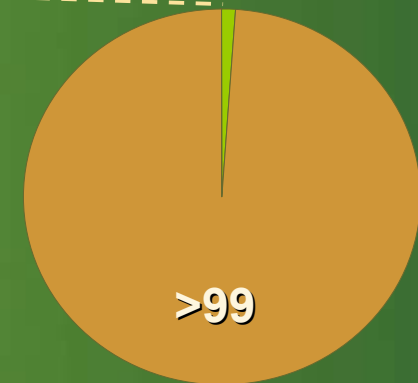
The corporate sector: Large market but still low penetration for green power

US electric utility retail sales by end use sector, 2000
Percent, 100%= 3.4 trillion kWh



US electric utility retail sales to industrial & commercial sectors, 2000
Percent, 100%= 2.1 trillion kWh

Green pricing & green power products



Conventional products



Source: EIA (DOE), 2001; NREL, 2002

The Green Power Market Development Group

**Developing corporate
markets for 1,000 MW of
new, cost-competitive
green power by 2010**



Courtesy Austin Energy and Cielo Wind Power

Alcoa Inc. Cargill Dow LLC Delphi Corporation DuPont GM

IBM Interface Johnson & Johnson Kinko's Pitney Bowes



Types of green power Group is pursuing

EXAMPLES

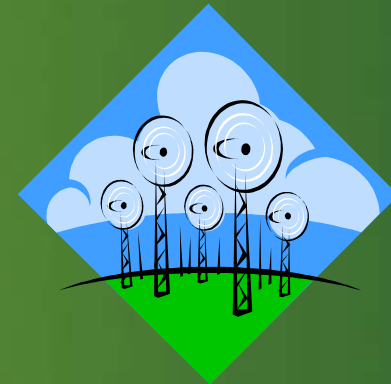
Sources

- Solar (photovoltaics)
- Wind
- Lfg (direct use, electricity)
- Biomass
- Geothermal



Products

- Retail from grid
- On-site generation



First steps in the marketplace

June 2002: Four members announce purchase of green power and development of green power projects



- 55 corporate facilities
- 12 states
- 15 MW (enough energy to power over 11,000 homes)
- Wind, landfill gas, solar, geothermal
- Grid-based and on-site generation



Courtesy Johnson & Johnson



Why corporations buy green power:

Traditional case

- Enhance customer relations: “Green image”



Why corporations buy green power:

Traditional case

- Enhance customer relations: “Green image”
- Strengthen other stakeholder relationships
 - Employees
 - Shareholders
 - Local community
 - State & federal regulators



Why corporations buy green power:

Traditional case

- Enhance customer relations: “Green image”
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 - Employees
 - Shareholders
 - Local community
 - State & federal regulators
- Meet corporate environmental goals



Why corporations buy green power: Going beyond PR



- Stabilize corporate energy costs

Courtesy Johnson & Johnson



Why corporations buy green power: Going beyond PR



- Stabilize corporate energy costs
- Hedge against uncertainty of future environmental regulations

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Why corporations buy green power: Going beyond PR



Courtesy Johnson & Johnson

- Stabilize corporate energy costs
- Hedge against uncertainty of future environmental regulations
- Capture benefits of on-site generation
 - Peak-shaving
 - Backup & uninterruptible power



Challenges for corporate green power procurement

- **Cost of renewable power**
- **Many companies unable to pay price premium**
- **Many existing green power products not tailored to needs of commercial and industrial energy users**



Addressing these challenges

- Pursue value propositions beyond PR, e.g.,
 - Hedge against fluctuating fossil fuel prices
 - Power reliability



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- Develop innovative products and services



Addressing these challenges

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 - Power reliability
- Develop innovative products and services
- Partner in “non-traditional” procurement strategies

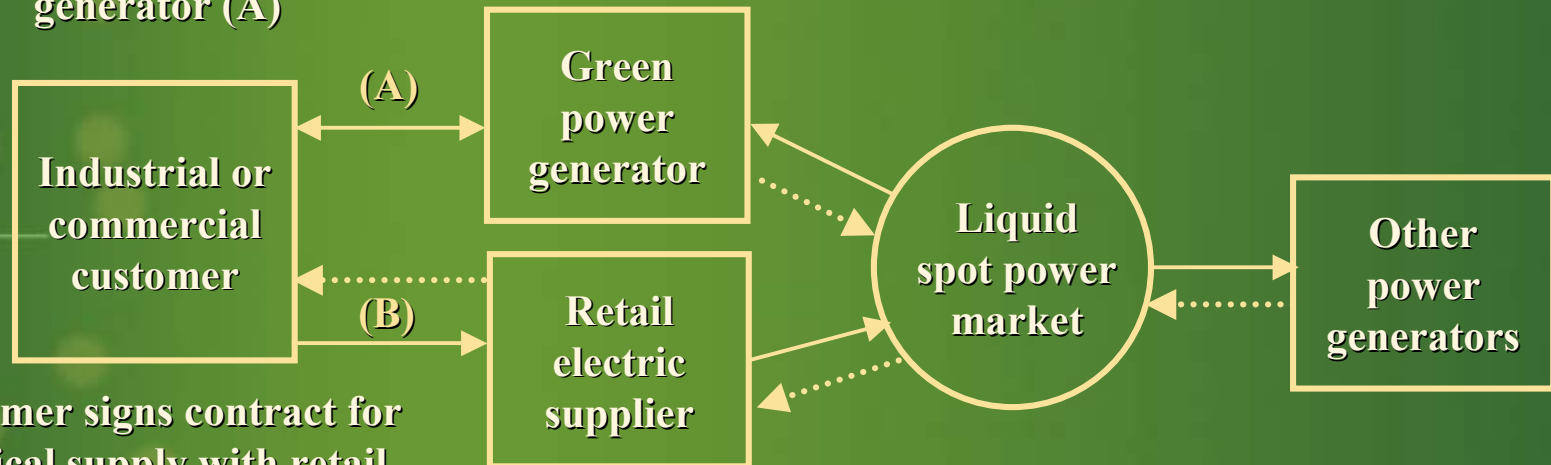


Figure 2

Contract for differences

Customer signs contract for differences with green power generator (A)

Flow of money —————→
Flow of electricity→



Customer signs contract for physical supply with retail electric supplier based on spot market price (B)

Contract for differences	Current spot price	Customer receives (pays) generator	Net cost to customer
\$40/MWh	\$55/MWh	\$15/MWh	\$40/MWh
\$40/MWh	\$25/MWh	(\$15/MWh)	\$40/MWh



The Green Power Market Development Group

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