Sustainability Advisors

Renewable Energy for Business

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Key information

What is renewable energy

How is it defined?

The United Nations defines renewable energy as the "energy derived from natural resources that are replenished at a higher rate than they are consumed".[1]

Main sources of renewable energy include:
Solar energy – the most abundant renewable energy source. Solar technology converts sunlight into electrical energy using photovoltaic panels.
Wind energy – land and offshore wind turbines turn wind energy into a renewable source of electricity.
Hydropower – currently the largest source of renewable energy for electricity generation globally, according to the International Energy Agency (IEA). It takes advantage of water moving between higher and lower elevations to produce electricity.
Geothermal energy – uses thermal energy from the earth's inner layers (the inner and outer core, the mantle, and crust) to produce electricity.

[1] https://www.un.org/en/climatechange/what-is-renewable-energy

Benefits of using renewable energy

The business case

Transitioning to renewable energy is not a nice-to-have; it is a business necessity. But what are the main benefits of it for your business?

- **Reduce energy costs in the long term** - The Carbon Trust indicate that switching to renewable energy can lead to a 20-50% reduction in energy costs. **[2]**

- **Generate revenue** – where you produce surplus energy, you can sell it back to the grid, e.g. via the Smart Export Guarantee (SEG) programme in the UK.

- **Reduce carbon footprint** – moving to renewable energy could reduce your direct (scope 1) and indirect (scope 2) emissions to zero.

2] https://www.carbontrust.com/news-and-insights/news/groundbreaking-analysis-reveals-a-fully-flexible-energy-system-could-cut-the-cost-of-reaching-net-zero-by-up-to-ps167bn-a-year-in-2050

Benefits of using renewable energy

The business case continued

- **Improve public relations** – consumers are shifting their spending habits to companies openly reporting their sustainability efforts and making progress. A report from ISO-Cert Online in 2023 found that 82% of respondents would be deterred from choosing a brand with a poor environmental track record. [3]

- **Be part of the shift from fossil fuels** – according to the UN, over 9,000 companies have joined the race to net zero, demonstrating a collective shift away from fossil fuels, which still account for more than 80% of global energy production. [4]

- **Improve reporting and disclosure efforts –** using more renewable energy increases climate-related scores if you're making climate-related disclosures like CDP.

[3] https://www.isocertonline.net/
[4] https://www.un.org/en/climatechange/raising-ambition/renewable-energy#:~:text=Fossil%20fuels%20still%20account%20for,of%20energy%20are%20gaining%20ground

Renewable energy options hierarchy

A hierarchy of good, better, and best options

1 **Best:** On-site renewable energy generation

2 **Better:** Green tariff / Bundled EACs

3 **Good:** Renewable energy certificates / Unbundled EACs

Good, better, best approaches

Best option – on-site renewable energy generation

On-site renewable energy generation is the best option for businesses as it gives the business direct control and independence over its energy production, whilst reducing greenhouse gas emissions.

Solar panels and wind turbines are the most common types of onsite renewable energy generation and are growing in use.

- For example, in 2024 in the UK, **36%** of the energy mix came from **generated renewables** – 30.5% from wind and 5.5% from solar. [5]

In the last few decades, costs associated with solar, and wind have dropped significantly. According to a study from IRENA in 2023, solar PV costs have dropped by over 90%. Onshore wind has dropped by over 70%. [6]

[5] Ember Energy
[6] https://ourworldindata.org/data-insights/solar-panel-prices-have-fallen-by-around-20-every-time-global-capacity-doubled

Good, better, best approaches

Better option – purchasing renewable energy

A green energy tariff is a contract that includes a commitment to source and purchase renewable energy. Guaranteed by an Energy Attribute Certificate (EAC) that verifies the renewable energy origin of electricity, EACs operate slightly differently in various parts of the world.

They also have different names (e.g. Renewable Energy Certificates (RECs) in the US; Renewable Energy Guarantees of Origin (REGOs) in the UK).

1 EAC represents 1 MWh of renewable electricity generation.

Bundled EACs (that is, EACs provided within a renewable electricity supply contract through Power Purchase Agreements* (PPAs) or direct power generator-consumer purchase) evidence and validate the purchase and use of renewable energy in operations. They put the consumer in a direct green energy contract.

*A PPA is a long-term energy contract between an energy supplier and a customer.

Good, better, best approaches

Good option – purchasing renewable energy certificates

You can buy an EAC separate from the energy itself. This is an ‘unbundled EAC’.

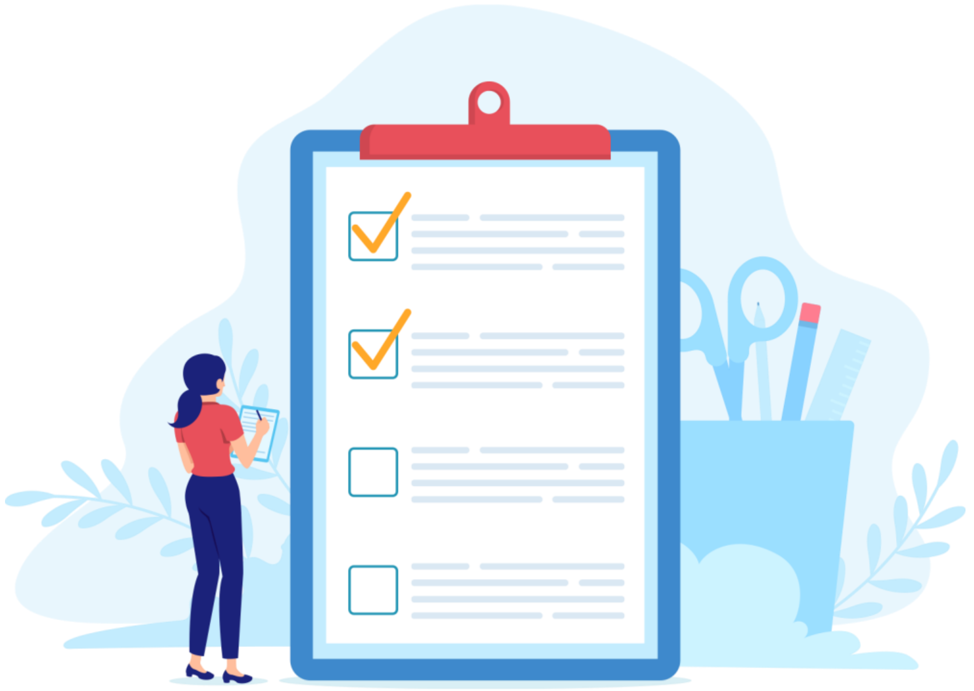
An unbundled EAC is a good fallback for a business when it can’t install renewable energy onsite, can’t purchase a green tariff, or where a business operates in a region where renewable energy options are limited or unavailable.

However, an unbundled EAC can make it challenging to determine the true origin and quality of the energy, making it difficult for businesses to verify their environmental claims.

Summary

Key takeaways from this course

- The pattern of energy buying is shifting, and the shift is green. In support of reducing reliance on fossil fuels and limiting global warming to 1.5°C businesses must transition to using renewable energy.
- Although fossil fuels still account for a significant portion of global energy use, there has been a significant increase in the renewable energy share over recent years, largely due to increased accessibility for some regions.
- Best practice for business is onsite renewable energy generation.
- Better, would be for businesses to purchase renewable energy.
- A good alternative to the above would be unbundled EACs, though this comes with its risks.



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