



# Virtual Power Purchase Agreements

Delivering greater power to your brand



# Think strategically.

The winds of change have made a permanent shift in favor of renewable energy. Experts estimate that 26 percent of the total energy supply will be generated from renewable sources by 2025<sup>1</sup>. From on-site solar panels to large scale virtual contracting, there are many ways that companies can gain the financial and environmental benefits that come from green energy.

At Trane®, we provide a holistic approach to renewable energy and, for some large multi-site companies, virtual power purchase agreements (VPPA) can be an important part of the strategy. VPPAs can advance your sustainability goals by immediately offsetting some of the Scope 2 emissions associated with your electrical loads with non-carbon, renewable energy. But that's only the beginning. The advantages of a VPPA can go beyond sustainability.

Trane's unique approach to VPPA evaluation is data driven, proven by experience... and customized to your business goals and objectives.

## VPPA: A Brief Introduction



A virtual power purchase agreement (VPPA), also called a Contract for Difference, is a long-term contract associated with a renewable power generator that is remote from your

location. As the purchaser, your company agrees to pay a fixed price for every megawatt hour generated. However, you won't physically receive the energy; instead, the generator sells the power into the wholesale market. Your company receives or sends periodic settlements, depending on whether your contracted price was above or below the wholesale price. You can use the settlement received to manage escalating electric prices and claim the environmental benefits of the project in the form of Renewable Energy Credits (RECs). These RECs can be used to offset local energy consumption and report sustainability progress with certainty.

## Make a big sustainability play



For companies that have the required financial strength, virtual power purchase agreements offer significant sustainability gains, require no up-front capital expenses and:

- Provide quick scale and coverage for a diverse portfolio of business locations and operating types
- Creates the opportunity for a positive cash flow that can generate funds to offset rising electric prices or to pay for additional sustainability projects
- Provide high-quality Renewable Energy Credits suitable for major sustainability reporting guidelines by offsetting local energy consumption

**We can help negotiate a VPPA that aligns to a wide range of business objectives.**

## Earn ongoing revenue



VPPAs are long-term commitments with fluctuating cash flows. Therefore, every VPPA involves a certain amount of risk.

It's important to know and analyze the risk factors, including the project's location, future energy pricing projections and estimated energy output and profile of the project, and length of the contract.

**Our experienced analysts can help you evaluate long-term energy price volatility to manage risk and negotiate profitable terms.**

## Reach your goals



Trane has developed a proprietary methodology that factors the social values and financial goals of your business into a complex VPPA evaluation equation. For example, your VPPA could...

- Support economic development in a financially depressed region
- Attract top talent and increase employee engagement by gaining visibility in key recruiting areas
- Engage in a high-visibility project that will catch the attention of ESG (environmental, social and governance) stakeholders

Every project is unique. Your criteria for evaluation will be customized and quantified.

<sup>1</sup>Calculated based on data in EIA 2018 Annual Energy Outlook report

# Is it the right project? Is a VPPA right for you?

Thinking about pursuing a virtual power purchase agreement?

Here are some things to consider:

- 1 Does it support your company's goals?**  
Would your financial and energy strategies benefit from such an agreement?
- 2 Is the project location favorable?**  
Is it in a high impact area for your business?  
Does it benefit from favorable energy economics?
- 3 Can you withstand potential volatility in your cash flow?**  
Cash flows are variable and can be positive or negative over a long-term contract.
- 4 Can you make the long-term commitment?**  
The typical VPPA contract length is 15 to 25 years.
- 5 Have you thought about what the VPPA can do for you beyond the financial and sustainability objectives?**
- 6 Are you prepared for the evaluation process?**  
Do you have the internal resources to vet energy forecasts, locational risk, developer expertise and social association impacts?
- 7 Do you have the knowledge to get it right?**  
There are many factors to consider before committing.

## Leverage Trane® experience to your advantage.

At Trane, sustainability is a priority, and renewable energy has an important role in our own strategy. As part of the Ingersoll Rand Climate Commitment, the company has entered into a virtual power purchase agreement that replaced 32% of our energy use in the U.S. with green energy.

Trane brings rigor and consistent practices to the RFP evaluation process to help you leverage a contract to your greatest advantage.



Trane offers a comprehensive portfolio of Energy Services to help you be more sustainable, cost efficient and resilient.

Learn more at [Trane.com/BeyondEnergy](https://Trane.com/BeyondEnergy)



Trane – by Trane Technologies (NYSE: TT), a global climate innovator – creates comfortable, energy efficient indoor environments through a broad portfolio of heating, ventilating and air conditioning systems and controls, services, parts and supply. For more information, please visit [trane.com](https://trane.com) or [tranetechnologies.com](https://tranetechnologies.com).

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