

Executive Summary

This white paper aims to help companies maximize the impact of their renewable energy procurement when moving towards a just transition. It will look at the key criteria for a successful strategy, explore how small, decentralized, renewable energy projects can in many cases deliver greater impact than large utility-scale facilities, and it will also introduce a new tool, the D-REC (Distributed Renewable Energy Certificate), which unlocks access to these Distributed Renewable Energy (DRE) projects around the globe – in effect, creating a new frontier for impact.

This report suggests that the overriding concern for companies developing their renewable energy strategy should be the search for impact. Beyond the regulations and the reporting framework, real life impact should be the North Star for corporate climate leaders.

Key definitions

“Utility-scale projects”: Large renewable energy projects connected to the grid – e.g. wind farms in the US.

“Distributed Renewable Energy” (DRE): Small, decentralized projects built near the point of use. E.g., solar panels on a hospital, school, factory, or farm.

“Avoided emissions”: The amount of CO₂ saved by the use of renewable power, versus the more polluting energy it displaces.

“Additionality”: The additional green energy and associated climate benefits being made available, for example by the building of a new project that would not otherwise have been created.



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Yet that impact can be hard to achieve. Whilst corporations are essential actors in the clean energy transition, they face many challenges:

- The range of tools at their disposal is complex and requires in-depth expertise.
- There are different approaches to reducing emissions and achieving Net Zero, and some are more efficient than others. Companies face pitfalls, such as supporting projects that make little “real life” difference – and these pitfalls carry reputational risks.
- Renewable energy projects also have social and environmental footprints and generate both negative and positive externalities, all of which need to be considered.

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We recommend three key guiding points for a successful clean energy procurement strategy:

- 1 Focusing on investments that support renewable generation** – both supporting more green energy and also replacing the most polluting energy sources. This means focusing on new (additional) projects, and on areas where the electricity displaced by those renewables is especially carbon-heavy (avoided emissions). This distinction can separate investments that will make little to no difference to climate change from those that will have significant material consequences for carbon emissions.
- 2 Aligning the renewable energy choices of a company with its broader sustainability strategy, and the Sustainable Development Goals (SDGs) it prioritizes.** Synergies between renewable energy procurement and ESG sustainability commitments can deliver powerful results and maximize the effect of the investment.
- 3 Taking a big picture approach to emissions across Scopes 1, 2, and 3.** Corporate climate leaders will consider their impact not only where they directly use energy, but also where their suppliers operate and, ultimately, where their current and future consumers live. A global footprint entails global responsibilities, but also creates new opportunities to maximize impact where it can make the biggest difference to both people and planet.

“Small is beautiful”^[1] – Distributed Renewable Energy (DRE) addresses many such guiding points. Small and decentralized, DRE is faster and easier to deploy than larger power projects, and often more appropriate for the end user. For example, distributed solar delivers on successful projects more often than any other energy technology in Africa^[2]. As such, DRE projects offer new opportunities, both in terms of reducing emissions (displacing diesel generators, kerosene lamps, and charcoal stoves) and social impact (reaching many of the poorest people on the planet).

Innovative, tech-led tools such as D-RECs (Distributed Renewable Energy Certificates) now allow companies to support DRE directly. They give corporations the chance to buy RECs from distributed renewable energy projects in any country. Clean energy buyers can do this using familiar contracting tools, unlocking impact beyond the utility-scale projects in the developed world that they have been limited to in the past.

Our paper assesses DRE and D-RECs on the three criteria identified above, and finds that:

- **Avoided emissions** - DRE and D-RECs are nearly peerless when it comes to avoided emissions. In developing markets, electricity often comes from diesel generators. This means that, per kWh, distributed renewable energy projects can displace up to seven times more carbon emissions^[3] than identical projects on the US grid.
- **Additionality** - D-RECs drive additionality both directly – by unlocking financing for new projects – and indirectly, by improving bankability and providing working capital to local clean-energy entrepreneurs.
- **Social impact** - Because energy access is so crucial in developing countries, DRE and D-RECs can help support a range of SDGs. Solar panels on schools, hospitals, factories, and farms transform the lives of communities. A D-REC portfolio can be curated to fit a company’s environmental and social impact strategy.

D-RECs offer guaranteed and traceable impact. Aligned with the I-REC standard, they help a company reduce its Scope 2 and Scope 3 emissions and take significant steps towards a just energy transition.

As COP 27 is opening this November, the pressure to move towards Net Zero is intensifying. Employees, stakeholders, and consumers around the world are asking for real action in the face of the climate emergency. In this high-pressure environment, climate leaders have the opportunity to pioneer real change and help shape tomorrow’s world as accountable global citizens.