

# PPA Feasibility Study

Collective Renewable Energy Procurement for the Hospitality Industry

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World Sustainable Hospitality Alliance

In partnership with the World Travel & Tourism Council (WTTC)



**NetPositiveHospitality**

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# Letter from the Chief Executive

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Dear colleagues,

Hospitality businesses are operating in a rapidly changing energy environment, characterised by increasing demand, market volatility, energy security concerns and growing expectations around climate action.

This initiative is not simply about reducing emissions. It is about helping the industry secure access to renewable energy, improve long-term energy resilience, manage energy costs and accelerate progress towards climate commitments. The feasibility study demonstrates that there is a credible pathway forward. The next step is bringing together organisations that want to help turn that opportunity into action.

The findings of this study indicate that a collaborative approach is not only feasible — it could provide a practical pathway for hospitality businesses seeking greater energy price stability, improved access to renewable electricity and enhanced resilience in an increasingly uncertain energy landscape.

Through the collective procurement model explored in this study, individual hospitality businesses gain the scale and leverage needed to navigate market complexity and lock in renewable energy opportunities that would otherwise be out of reach. This includes price stability through long-term agreements, improved access to renewable electricity procurement mechanisms, enhanced energy resilience, and an accelerated contribution to industry-wide Net Zero commitments.

We are grateful to the World Travel & Tourism Council (WTTC) and to our industry partners — Accor, Radisson Hotel Group, American Express Global Business Travel, STX Group and EY — for their support, commitment and collaboration throughout this process. This is truly a sector-led initiative and a demonstration of what collective action can achieve.

Following these landmark findings, the World Sustainable Hospitality Alliance has launched an immediate Call to Action, inviting organisations across the hospitality, travel, energy and finance sectors to join forces and help shape the next phase of development. I encourage you to read this report, engage with the findings, and consider how your organisation can contribute to this important initiative.

Yours sincerely,

**Glenn Mandziuk**

President & Chief Executive Officer  
World Sustainable Hospitality Alliance

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# Study Partners and Supporters

This feasibility study was made possible through the commitment and collaboration of the following organisations, whose collective expertise and engagement were instrumental in shaping its findings.

## Lead organisations

<b>World Sustainable Hospitality Alliance</b> Project lead	<b>World Travel &amp; Tourism Council</b> Co-lead & funder
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## Study participants

<b>Accor</b> Hotel group	<b>Radisson Hotel Group</b> Hotel group	<b>Amex GBT</b> Travel company	<b>STX Group</b> Energy & sustainability
<b>EY</b> Advisory partner			

## Additional supporters

*The Alliance wishes to thank all individuals, member organisations and stakeholder groups whose insights and expertise contributed to this study.*

### Join the Call to Action

WSHA is inviting expressions of interest from organisations across the hospitality, travel, energy and finance sectors. A Hospitality Renewable Energy Implementation Forum will be convened in Q3 2026.

Contact: [info@sustainablehospitalityalliance.org](mailto:info@sustainablehospitalityalliance.org) | [www.sustainablehospitalityalliance.org](http://www.sustainablehospitalityalliance.org)

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# Disclaimer

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## Date and Validity

- This study reflects the state of information as of 1 December 2025.
- Subsequent updates, regulatory changes, or market developments may not be included.

## Assumptions and Limitations of the Study

- Before applying the findings, all assumptions must be reviewed and validated against current contractual frameworks, local regulatory requirements, and practical feasibility within the organisation(s).
- Adjustments may be necessary to ensure compliance and operational integrity.

## Purpose and Limitations

- This document is intended for informational purposes only.
- It does not constitute binding legal, financial, or operational advice.
- Stakeholders should seek follow-up professional guidance before making decisions based on this study.

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# Executive Summary

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## Collective Renewable Energy Procurement for the Hospitality Industry

**Key finding: A collective procurement model could enable hospitality businesses to access renewable energy procurement opportunities that would otherwise be difficult or uneconomic to pursue individually.**

### The challenge

Hospitality businesses face a growing energy challenge.

Energy costs remain volatile, concerns around energy security are increasing, and expectations from investors, regulators, customers and corporate clients continue to grow. At the same time, many hotel companies have established Net Zero commitments that require significant reductions in emissions associated with purchased electricity.

While Power Purchase Agreements (PPAs) have become a widely used mechanism for securing renewable electricity and supporting decarbonisation, they remain difficult for many hospitality businesses to access. PPAs are often complex, require specialist expertise, involve long-term commitments, and are generally more accessible to organisations with large energy demand and strong credit profiles.

These challenges are particularly acute in hospitality, where energy demand is fragmented across thousands of properties operating under a mix of owned, managed and franchised business models.

### The opportunity

This feasibility study explored whether a collective procurement approach could help overcome these barriers.

The study found that a shared procurement structure could enable hospitality businesses to aggregate demand, improve access to renewable energy markets, and participate in renewable electricity procurement at a scale that may not otherwise be achievable individually.

Such an approach could help participating organisations:

- Improve access to renewable electricity procurement opportunities
- Increase resilience against long-term energy market volatility
- Support progress towards climate and Net Zero commitments
- Share costs, expertise and risks across multiple participants
- Reduce administrative complexity compared with individual procurement approaches

### How the model works

The preferred model identified by the study is the establishment of a Special Purpose Vehicle (SPV).

Under this model:

- Participating organisations would aggregate demand through a dedicated procurement vehicle
- The SPV would enter renewable energy procurement arrangements, including virtual Power Purchase Agreements (vPPAs)
- Renewable Energy Attribute Certificates (EACs) associated with those agreements would be allocated to participating organisations in line with their commitments
- Day-to-day operations would be managed by specialist third-party providers
- Participating organisations would benefit from collective scale without needing to directly negotiate and manage PPAs themselves

### Why this approach is different

A collective model may provide advantages over individual procurement approaches, particularly for hospitality businesses with relatively small or fragmented electricity demand.

Rather than requiring each company to independently navigate complex energy markets, the model enables participants to pool demand, share expertise and benefit from a coordinated procurement strategy.

The structure may also offer greater flexibility for hospitality companies operating asset-light, managed and franchised business models, although further work is required to determine the most appropriate participation mechanisms.

### Key conclusion

The study concludes that a collective renewable energy procurement model is feasible and warrants further exploration.

However, additional work is required to assess governance arrangements, legal and accounting considerations, credit and financing requirements, and participation models for managed, franchised and independently owned properties.

### Next steps

Building on these findings, the World Sustainable Hospitality Alliance is inviting hospitality, travel, energy and finance stakeholders to participate in the next phase of implementation design.

This next phase will focus on stakeholder engagement, governance development, commercial structuring and pilot assessment.

Participation in this feasibility study does not imply participation in any future implementation phase. Any future procurement vehicle, pilot programme or commercial structure would be subject to separate evaluation, governance arrangements and participant commitments.

# 1. Introduction

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## To accelerate decarbonisation in hospitality, WSHA and WTTC aim to evaluate the feasibility of streamlining PPA access for hotels<sup>1</sup>

### Client challenge

- A major source of emissions in the travel and tourism industry stems from Scope 2 and 3 emissions associated with utility providers
- To address this challenge, WSHA and WTTC are committed to assisting their members in their decarbonisation efforts
- Additionally, WSHA and WTTC seek to understand the feasibility of a streamlined renewable energy procurement strategy to support their members in achieving their sustainability goals

### Scope of the Study

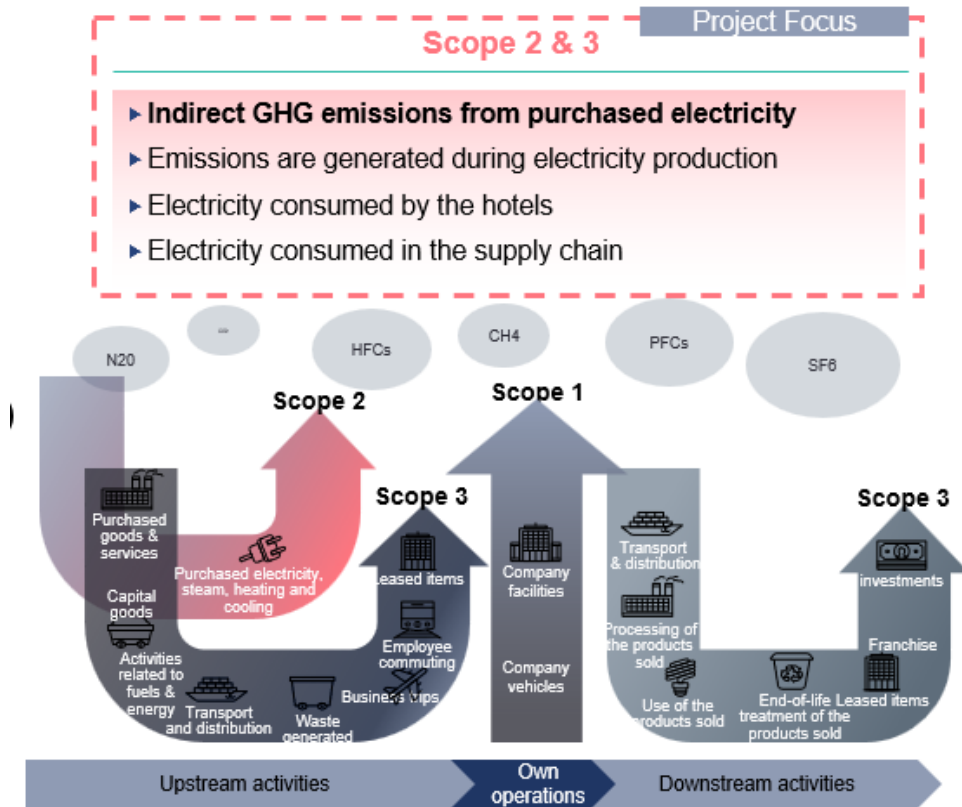
- This report presents the findings of a feasibility assessment into collective renewable energy procurement models for the hospitality sector.
- Participation by contributing organisations should not be interpreted as endorsement of any specific implementation model, governance structure, procurement vehicle or future commercial arrangement.
- Any subsequent implementation activity would be subject to separate evaluation, governance decisions and participant commitments.

### Solution

- Given the relatively low energy consumption of individual members or hotels, the idea is to procure renewable energy through a Special Purpose Vehicle (SPV)
- The SPV will purchase green electricity for hotel members to help them with their energy transition and decarbonisation
- To do so, the SPV will use Power Purchase Agreements (PPAs) and will need to guarantee the procurement of green electricity with Energy Attribute Certificates (EACs)

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<sup>1</sup> Hotels refers to an overarching category that includes hotel brands, individual properties, and ownership groups. Ownership groups are defined as collections of hotels operated by the same entity or individual.



## Study hypothesis and key challenges

*By setting up an SPV, hotel companies can collectively purchase PPAs, enhancing their commitment to sustainability and driving innovation in energy sourcing*

### Financial and structuring challenges

- Assessing the costs associated with PPAs and the potential financial risks
- Evaluating the investments needed to establish an SPV and the ongoing operational expenses
- Understanding the implications of creditworthiness to enter PPA contracts

### Operational design challenges

- Clearly defining roles and responsibilities within SPV operations
- Ensuring effective coordination among multiple hotel members
- Navigating the logistical complexities involved in managing shared procurement and executing contracts

### Legal and regulatory challenges

- Identifying the legal and country-specific requirements for setting up an SPV

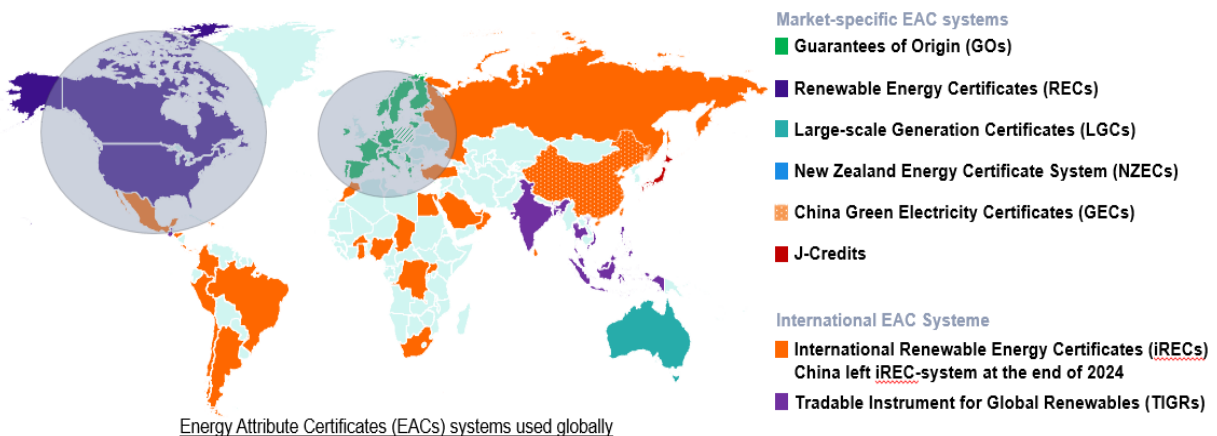
## The study targets EU and US regions — the most developed PPA markets globally

The concept is to create a new company called an SPV in the US and the EU to enter PPAs in these regions. The EU and US regions are the most developed in terms of PPA market regulation, established infrastructure and size.

### Energy Attribute Certificates (EACs) systems used globally

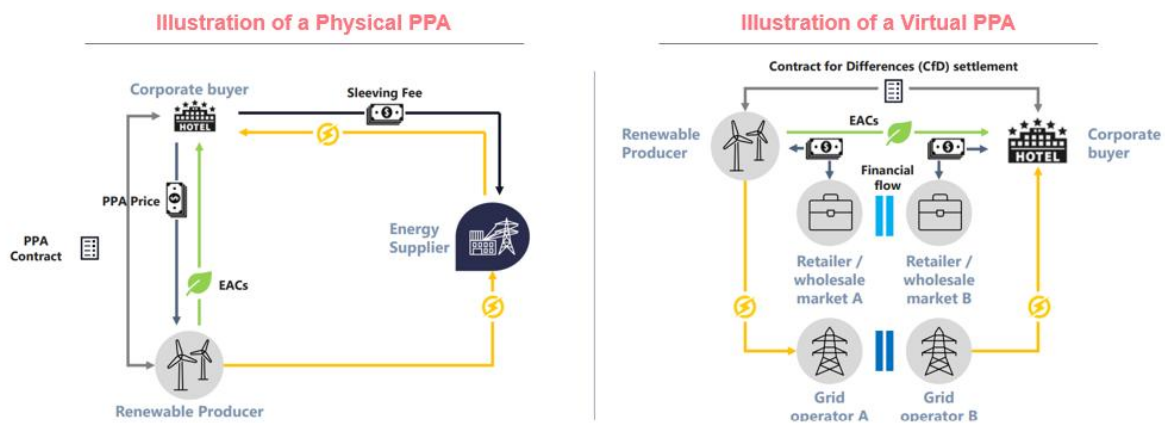
- Market-specific EAC systems: Guarantees of Origin (GOs) — EU; Renewable Energy Certificates (RECs) — US; Large-scale Generation Certificates (LGCs) — Australia; New Zealand Energy Certificate System (NZECs); China Green Electricity Certificates (GECs); J-Credits — Japan
- International EAC systems: International Renewable Energy Certificates (iRECs); Tradable Instrument for Global Renewables (TIGRs)

*Illustration corresponds to a schematic representation without any claim to completeness.*



## Virtual PPAs are preferred as they do not require physical delivery of electricity

Virtual PPAs do not require the physical delivery of electricity and instead function as financial instruments that hedge against price volatility by locking in a fixed price.



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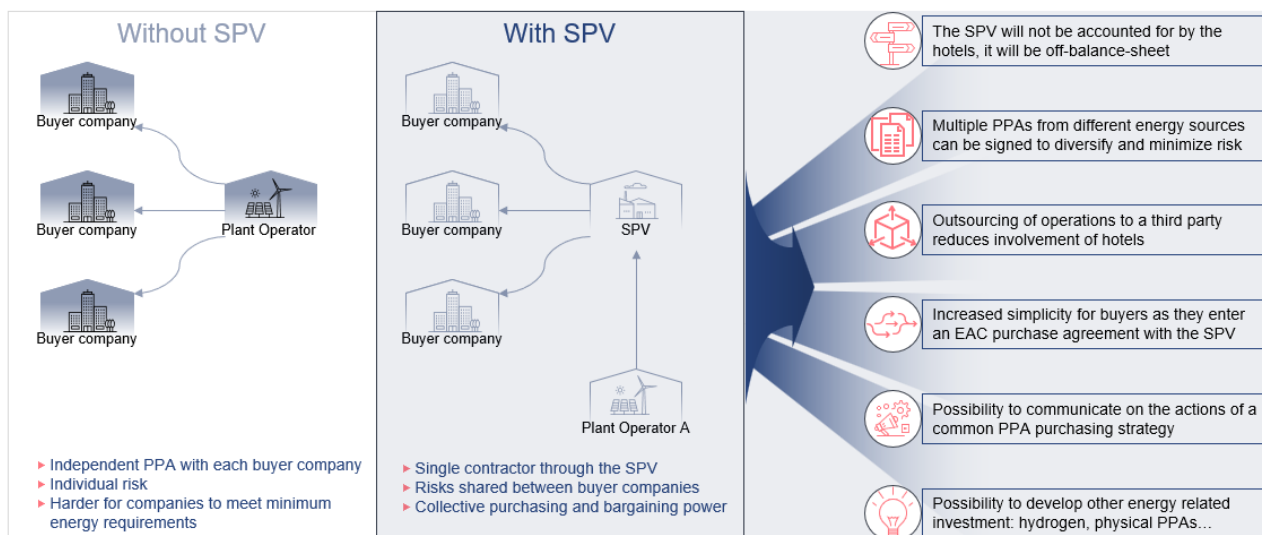
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## With reduced complexity across operations, regulation, and governance, virtual PPAs are ideally suited for an SPV structure

Physical PPAs — Higher complexity	Virtual PPAs — Lower complexity
<ul style="list-style-type: none"> <li>• <b>Operational:</b> requires active participation in energy markets, including scheduling and balancing electricity, grid interconnection, metering and settlement, and market participant licensing</li> <li>• <b>Market entry:</b> only feasible in liberalised or direct access markets (e.g. Texas, California in US; Germany or Spain in EU); requires grid access and utility coordination</li> <li>• <b>Regulatory:</b> subject to local energy laws, grid codes, and licensing obligations; exposure to audits, penalties, and compliance risk across jurisdictions</li> <li>• <b>Governance:</b> multi-party contracts involving SPV, generator, utility, grid operator, and buyer; legal complexity increases with physical delivery obligations and market volatility</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Operational:</b> no physical delivery of electricity, which reduces operational complexity of setup and daily operations; buyer continues purchasing power from utility — the PPA is a financial hedge against market prices</li> <li>• <b>Market entry:</b> can be executed in regulated markets; no need for grid access or physical infrastructure; suitable for multi-site or leased operations</li> <li>• <b>Regulatory:</b> primarily governed by financial and accounting standards; less exposure to energy-specific regulation; may trigger derivative accounting and tax implications</li> <li>• <b>Governance:</b> single bilateral financial contract between buyer and generator; legal focus is on strike price, settlement index, and basis risk management</li> </ul>

## 2. Risks and Opportunities

### Establishing an SPV to enter PPAs provides enhanced structural flexibility and simplicity for hotels to purchase EACs



#### Benefits of the SPV structure

- Multiple PPAs from different energy sources can be signed to diversify and minimise risk
- Increased simplicity for buyers as they enter an EAC purchase agreement with the SPV
- Possibility to develop other energy-related investments: hydrogen, physical PPAs, and others
- Outsourcing of operations to a third party reduces involvement of hotels
- The SPV will not be accounted for by the hotels — it will be off-balance-sheet
- Possibility to communicate on the actions of a common PPA purchasing strategy

### The SPV facilitates a more coordinated and effective risk management strategy

#### Risks in a PPA

- **Contractual risk:** Possibility that one party fails to meet its obligations under the PPA — such as delivery of power, payment terms, or termination clauses — leading to legal disputes or financial losses
- **Regulatory risk:** Risk that changes in laws, regulations, or government policies (e.g. energy tariffs, carbon pricing, or renewable incentives) could affect the viability or profitability of the PPA
- **Market risk:** Exposure to fluctuations in electricity market prices, which can impact the financial benefits of the PPA, especially if the agreement includes variable pricing or if market conditions shift significantly
- **Operational risk:** Chance of disruptions in energy generation or delivery due to technical failures, maintenance issues, or natural events, which could prevent the seller from fulfilling the PPA terms
- **Credit risk:** Risk that the counterparty (buyer or seller) may default on payments or become insolvent, jeopardising the financial stability of the agreement

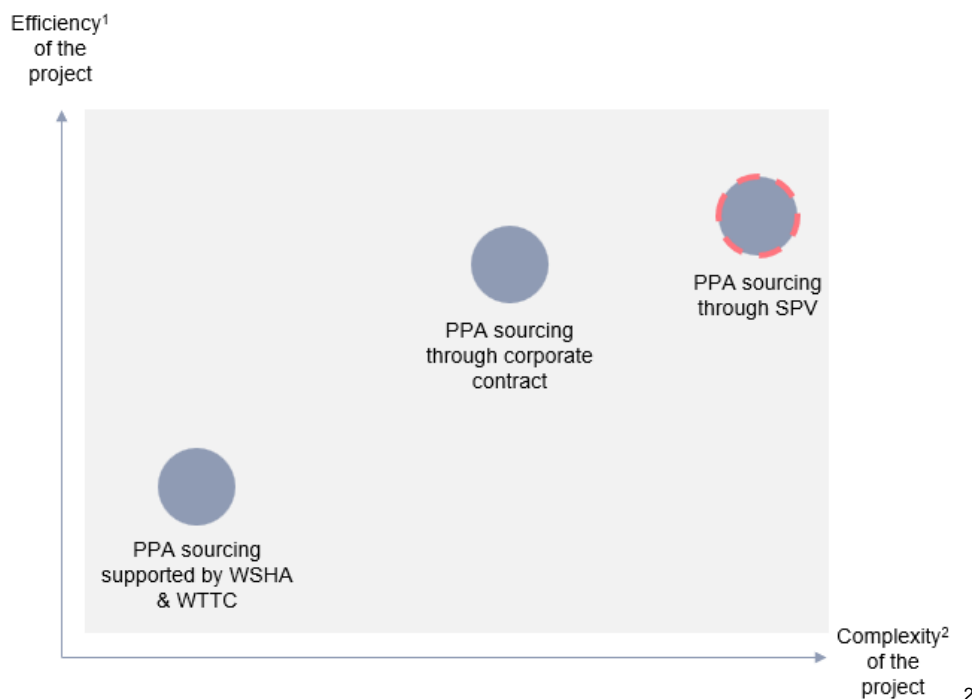
## Risk mitigation with SPV

- **Centralised contract management:** the SPV acts as a dedicated legal entity that centralises contract management and enforces standardised terms across PPAs, isolating liabilities and ensuring consistent oversight
- **Choice of jurisdiction:** the SPV can be structured in jurisdictions with stable regulatory environments, allowing easier monitoring and response to regulatory changes without impacting the parent company
- **Risk-sharing and hedging:** the SPV can diversify its PPA portfolio across technologies (solar, wind, etc.) and geographies, smoothing out price fluctuations
- **Outsourced operations:** the operations of the SPV can be managed by a third-party company — hotels do not need to get involved in operations that can be outsourced to experienced operators
- **Centralised credit management:** limits the financial exposure of the parent company by ring-fencing obligations

### 3. SPV Setup

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There are various collective PPA sourcing strategies available to member hotels — we recommend establishing an SPV



#### PPA sourcing through SPV (recommended)

- A separate legal entity specifically designed to manage the procurement and administration of energy contracts
- An SPV acts as an intermediary, allowing hotel members to isolate financial and operational risks associated with the PPA, while being able to source a larger amount of renewable energy

#### PPA sourcing through corporate contract

- A corporate contract allows companies to directly engage with renewable energy projects without the need for a separate legal entity
- Corporate contracts offer a cost-effective and flexible solution, making them particularly appealing for groups of companies looking to streamline their energy sourcing while minimising administrative burdens

#### PPA sourcing supported by an Industry Stewardship Forum

- The Industry Stewardship Forum will not actively be in charge of or organising the sourcing of PPAs, but act as a PPA advisor, helping each hotel member choose the right structures and options for its purposes

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<sup>2</sup>Ability to deliver the highest possible environmental, financial and operational value with the least amount of time, resources and risk exposure

<sup>2</sup>Degree of difficulty, uncertainty and interdependence involved in identifying, negotiating and managing PPAs

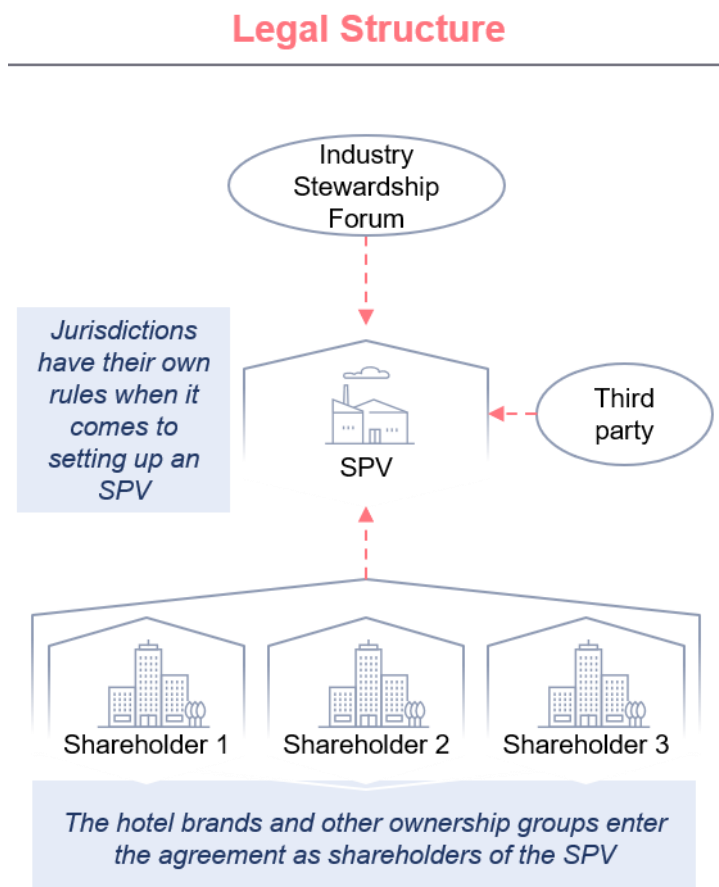
## Establishing an SPV requires a thorough evaluation to identify the most suitable structure and jurisdiction

### Responsibilities within the SPV

- An Industry Stewardship Forum will act as the CEO/director
- Hotel brands and ownership groups will serve as minority owners of the SPV
- Hotel brands and ownership groups need to avoid operative control and influence, as that may lead to accounting consolidation complexities
- A third-party company will take over the SPV's operations, offering specialised knowledge in energy procurement, risk mitigation and relevant market insights

### Legal specifications for setting up SPVs

- SPVs can be set up in any jurisdiction; the legal framework varies significantly across jurisdictions
- The jurisdiction in which the SPV is set up will define the legal structure it belongs to
- SPVs are typically structured as: corporations, limited liability companies (LLCs), trusts, or partnerships
- The legal structure affects liability, taxation, and the regulatory framework the SPV operates within



## To avoid accounting complexity, hotels and brands must be legally and financially independent from the SPV

### Clear separation in contracts

Contractual considerations to maintain independence between the SPV and buyer hotels:

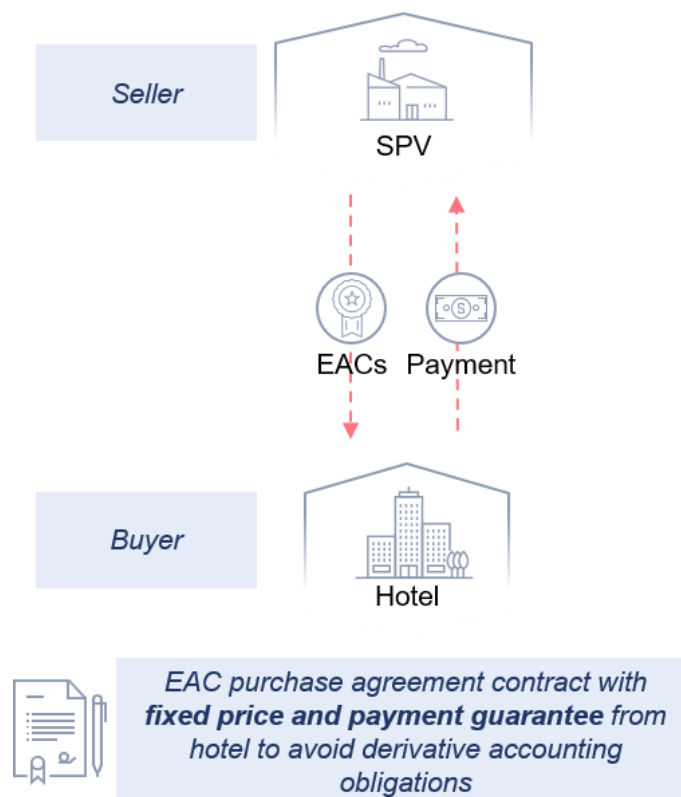
- No voting rights that give control
- No power to appoint board members
- No power to influence decisions
- No ability to influence SPV operations

*If these conditions are met, the SPV can be treated as off-balance-sheet for the hotels*

### Accounting considerations

- Keeping profit and loss volatility within the SPV and not passing it on directly, as this could trigger derivative accounting obligations
- Can be integrated into forward-looking adjustments in the fixed price purchase agreements between hotels and the SPV
- Avoid any other derivative mechanisms such as variable payments and settlement mechanisms
- The hotels and brands are purchasing EACs from the SPV and not electricity, keeping it as a transaction not a financial instrument

## EAC Purchase agreement



## To maintain independence, hotels hold non-voting shares that entitle them to EACs while a neutral third party holds control of the SPV

### Shareholders of the SPV

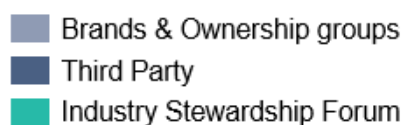
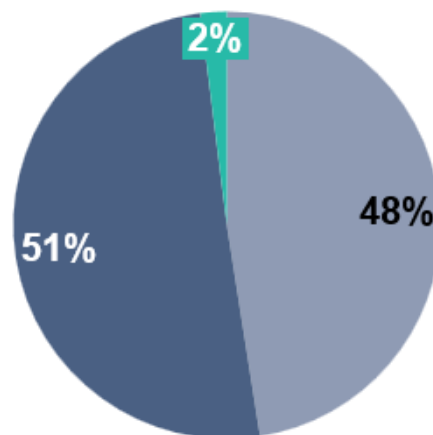
- Hotel brands and ownership groups: primary shareholders of the SPV. They will benefit directly from the PPAs and EACs sourced by the SPV. Each hotel could have 5–10% of shares depending on the number of shareholders
- An Industry stewardship forum will act as executive stakeholders — serving as CEO or director of the SPV. This role is primarily governance-related. A golden share can also be allocated
- Third-party operator: a neutral third party to ensure independence, such as a trustee foundation, a financial institution or bank, or a strategic partner or utility. The third party would hold at least 51% of shares to give it control of the SPV

### Shareholding considerations

- Hotels can hold non-voting shares (e.g. preferred equity) that entitle them to EACs but not control
- Below 20% ownership: typically presumed no significant influence
- 20–50% ownership: may imply significant influence (unless methods to prevent this are taken into account)
- Above 50% ownership or control: likely triggers full consolidation; it is also relevant to ensure that hotels together represent less than 50% of shares to avoid competition law issues

### SPV share structure

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## SPV creations between competitors must be done with careful consideration of EU regulations to minimise antitrust risks

### Merger control

- The setup of an SPV may trigger merger control obligations, accompanied by standstill obligations (prohibition to implement before clearance by the authority)
- Since infringements are sanctioned with heavy fines, it is recommended to assess merger control obligations upfront and comply
- The SPV must have a substantive governance mechanism that ensures equal control and prevents one party from dominating
- If the SPV leads to coordination of competitive behaviour (e.g. pricing, market allocation), it may fall under Article 101 TFEU

### Prohibition of cartel

- Setting up the joint purchasing organisation may infringe the prohibition of cartels (e.g. Article 101 TFEU)
- This may be the case because participants make use of the touchpoints provided by the existence of the purchasing organisation and agree on certain colluding behaviour, or exchange competitively sensitive information
- It may also be critical because the mere size/market shares of the involved undertakings are large and the combination leads to restraints of competition

### Market share thresholds

- Below 15%: agreements are generally considered safe from enforcement, unless they involve strong restrictions (e.g. price fixing)
- Above 15%: companies must conduct a more detailed competitive assessment to ensure the agreement's benefits outweigh any anti-competitive effects

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## Key considerations when choosing a jurisdiction for setting up an SPV

### Criteria for choosing a jurisdiction

- Corporate tax efficiency: use jurisdictions with pass-through or deferred taxation to avoid profit taxation at SPV level
- Regulatory and accounting clarity: the jurisdiction should allow flexible and clear accounting standards for PPA contracts, enabling pass-through accounting or off-balance-sheet treatment (IFRS-compliant frameworks with transparent regulatory environments)
- Legal certainty and contract enforcement: ensure strong legal infrastructure with predictable enforcement of contracts
- Operational cost efficiency: low administrative costs, streamlined company setup and filing, and availability of professional services

## EU jurisdictions

Country	Corporate Tax Rate (2025)	Key Advantages for PPA Procurement
Netherlands	~22%	<ul style="list-style-type: none"> <li>▶ Strong legal framework</li> <li>▶ Efficient VAT handling on energy transactions</li> <li>▶ IFRS-compliant</li> <li>▶ large tax treaties network</li> <li>▶ favourable contract enforcement</li> </ul>
Luxembourg	~25%	<ul style="list-style-type: none"> <li>▶ Robust legal environment</li> <li>▶ Favourable VAT regime</li> <li>▶ Strong international treaties</li> <li>▶ Advanced financial services</li> </ul>
Ireland	~12%	<ul style="list-style-type: none"> <li>▶ Well-established tax treaties</li> <li>▶ IFRS standards</li> <li>▶ Flexible accounting</li> <li>▶ Efficient regulatory framework</li> </ul>
Estonia	0% on retained earnings (20% on distributed profits)	<ul style="list-style-type: none"> <li>▶ Tax deferral on retained income aids cash flow</li> <li>▶ Simplified tax reporting</li> </ul>

## US jurisdictions

State	Corporate Tax Rate (2025)	Key Advantages for PPA Procurement SPV	Ideal Use Cases
Delaware	8.7%	<ul style="list-style-type: none"> <li>▶ Widely recognized for business-friendly laws</li> <li>▶ strong legal framework</li> <li>▶ privacy for owners</li> <li>▶ efficient corporate governance</li> </ul>	SPVs requiring strong contract enforcement and investor confidence
Nevada	0%	<ul style="list-style-type: none"> <li>▶ No corporate income tax or franchise tax</li> <li>▶ strong privacy protections</li> <li>▶ low regulatory burden</li> </ul>	Cost-efficient SPVs, privacy-focused structures
Wyoming	0%	<ul style="list-style-type: none"> <li>▶ No corporate/state income tax</li> <li>▶ low fees</li> <li>▶ simple business regulations</li> <li>▶ strong asset protection</li> </ul>	Low-cost SPVs with simplified administration
Texas	0% (gross receipts tax)	<ul style="list-style-type: none"> <li>▶ No corporate income tax</li> <li>▶ large economy and infrastructure</li> <li>▶ moderate regulation</li> <li>▶ efficient business environment</li> </ul>	SPVs needing operational scale and favorable taxes
Florida	5.5%	<ul style="list-style-type: none"> <li>▶ Moderate corporate tax rate</li> <li>▶ no personal income tax</li> <li>▶ good legal infrastructure</li> </ul>	Mid-sized corporate SPVs with regional presence

## 4. Operational Structure

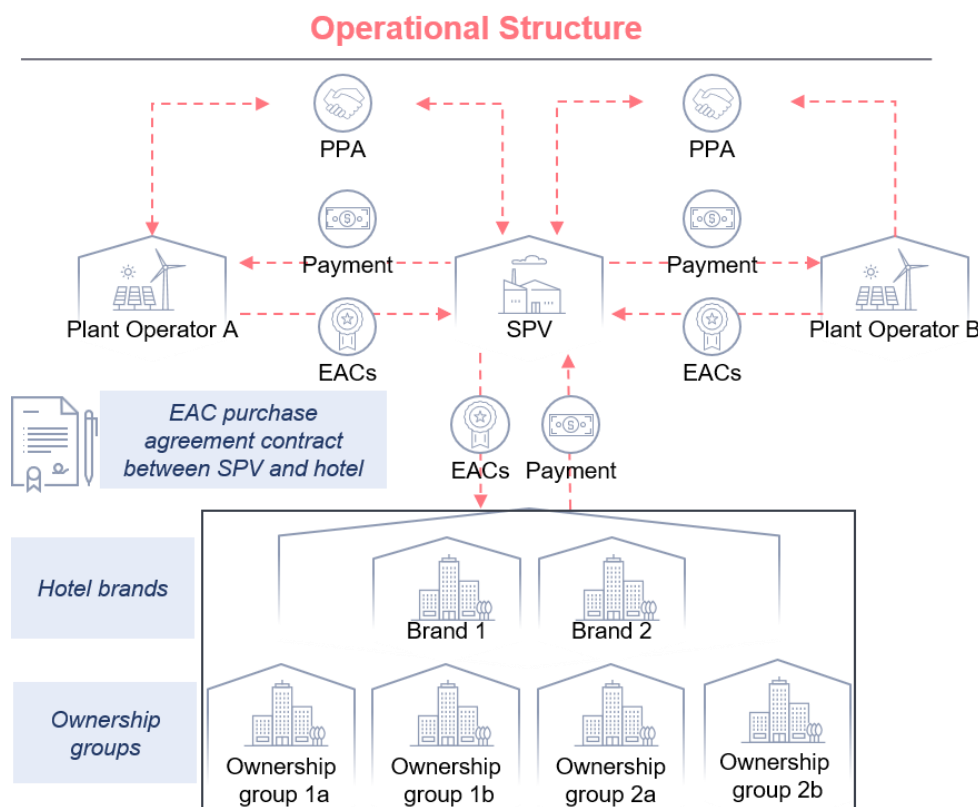
The operational framework outlines the process by which the SPV procures PPAs and sells EACs to participating shareholders

### Operational oversight and management

- The Industry Stewardship Forum will formally hold an executive role (e.g. CEOs or directors) within the SPV — and will not be involved in day-to-day operations
- Operational execution will be outsourced to a third-party service provider, with a specific focus on managing PPAs. This is particularly relevant given the potential for multiple PPAs to be signed under the SPV structure
- Outsourcing operational management will incur additional costs, which should be factored into the financial model and stakeholder expectations

### EACs: payment and transfer

- The SPV will pay plant operators for EACs
- These EACs will then be sold to brands and ownership groups via fixed-price purchase agreements — buyers need to specify their demand over a fixed period
- Each buyer will be responsible for managing their own EAC needs to align with their respective energy consumption



# Creating a PPA portfolio increases flexibility and reduces risk for the SPV

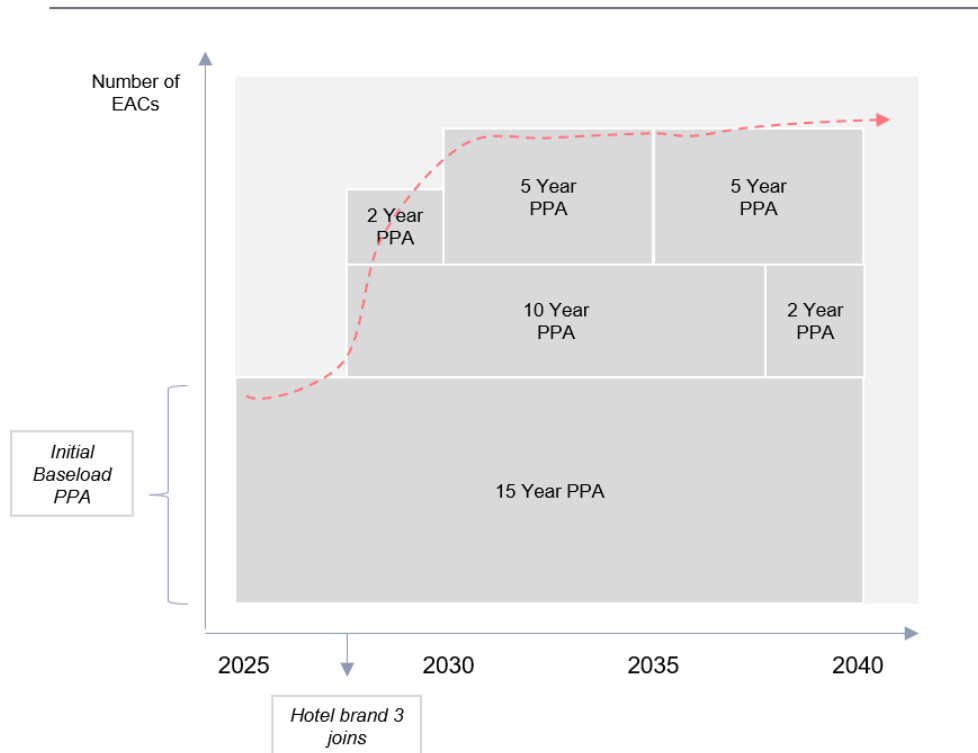
## Concept

- Through the SPV, contract bundling of PPAs is possible and provides enough flexibility to accommodate different hotel brands' needs
- Rising interest from franchised hotels and other brands is expected, leading the SPV to enter new PPAs to meet increasing energy demand over time

## Possibilities for the SPV when building a PPA portfolio

- Enter long-term (10–15+ year) or short-term (2–5 year) PPAs
- Enter PPAs with larger or smaller energy agreements
- Enter PPAs with different energy sources (e.g. wind or solar) to diversify energy production risks

### Portfolio of PPAs over time



## EACs are distributed to buyer hotels in accordance with their order volumes defined in the EAC purchase agreements

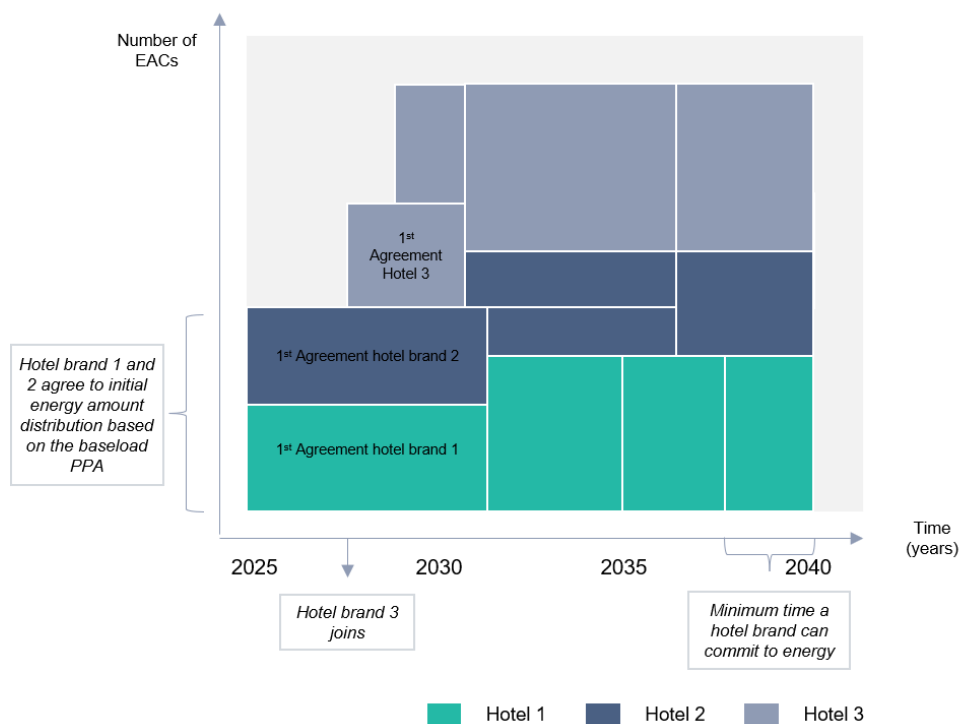
### Concept

- Each shareholder commits to a certain amount of EACs it needs over a defined amount of time through the EAC purchase agreement contract between each hotel buyer and the SPV
- This commitment should have a minimum duration (e.g. two years) and is more flexible than entering a PPA individually because of its short duration
- If other shareholders join later or if shareholders need more energy, new agreements can be made to meet these needs

### Benefits of the PPA portfolio for hotel brands

- Flexibility to increase or decrease the energy covered by the PPA portfolio over time because of short-term commitments (under two years)
- The duration of the agreements can be tailored to the hotel brand's business model (franchised or owned hotels)
- Shorter agreements can be made in the case of franchised hotels

### EAC Distribution Among hotel brands over time



## 5. SPV Credit Worthiness

### Entering into a PPA requires demonstrating creditworthiness — a bank guarantee is recommended for the SPV setup

89% of US PPA offtakers in 2022 had investment-grade ratings. The EAC purchase agreement contracts will be essential to provide creditworthiness to the banks.

#### Options for how the SPV can provide security in its PPA engagement

Option	Considerations
<ul style="list-style-type: none"> <li>Credit support from a parent: if the parent company has a strong investment-grade rating, it can provide assurance to investors</li> <li>Cash deposit (collateral): providing a cash deposit as security can enhance the credit profile of the SPV</li> <li>Bank guarantee / Letter of Credit: obtaining a guarantee from a bank with a strong credit rating (at least an "A" rating from S&amp;P or another credit rating agency)</li> <li>Rating from a credit rating agency: agencies like S&amp;P Global Ratings provide an independent assessment widely recognised by investors</li> </ul>	<ul style="list-style-type: none"> <li>Credit support from parent — disadvantages: does not apply as it would give some parent hotels undue influence; parent's credit issues can directly affect the SPV; may lack legal enforceability and acceptance</li> <li>Cash deposit — disadvantages: hotels and shareholders would need to contribute cash used only as security; idle cash that could be used elsewhere; may be insufficient without other support</li> <li>Bank guarantee — advantages: strong credit enhancement from a rated bank; fast, easy and low-risk way to boost investor confidence; disadvantages: increases the price through guaranteed fees; requires negotiations and due diligence with bank</li> <li>Credit rating — consideration: provides an independent assessment but another security will still be required to prove the SPV can meet the terms of its PPA contract</li> </ul>

#### Indicative cost estimates

Estimated PPA price per year <sup>1</sup>			
Example PPA price	€/MWh		50.00
Average electricity volume <sup>2</sup>	GWh p.a.		400
<b>Estimated PPA price</b>	<b>k€ p.a.</b>		<b>20,000</b>
Estimated costs			
		min	Average cost range max
Outsourcing costs	k€ p.a.	120	240
Security amount	k€	8,000	12,000
Bank guarantee fee		0.5%	5.0%
Bank guarantee amount	k€ p.a.	40	600
<b>Estimated Annual Costs</b>	<b>k€ p.a.</b>	<b>160</b>	<b>840</b>
<b>Estimated extra costs</b>	<b>€/MWh</b>	<b>0.40</b>	<b>2.10</b>

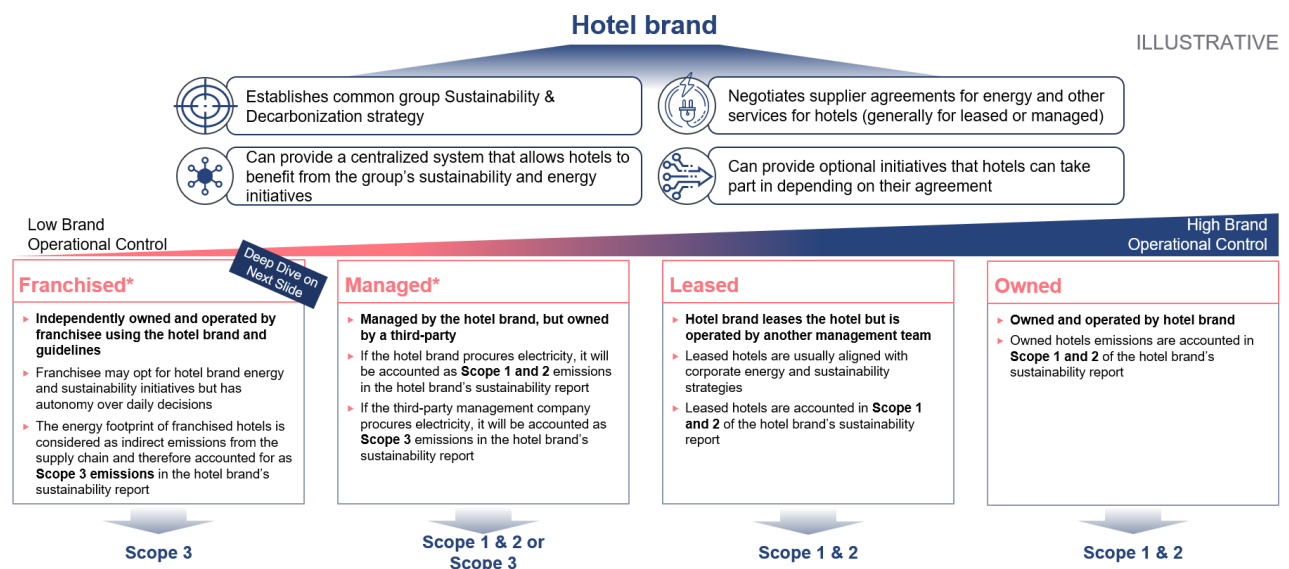
# 6. Franchisees and Scope 3 Emissions

## The nature of brand control affects the operational control exercised by hotel brands and their commitment to group-level energy initiatives

### Hotel ownership and operational models — emissions scope implications

- Owned hotels: owned and operated by the hotel brand. Emissions accounted for in Scope 1 and 2 of the hotel brand's sustainability report — High brand operational control
- Leased hotels: hotel brand leases the hotel but it is operated by another management team. Leased hotels are usually aligned with corporate energy and sustainability strategies. Accounted in Scope 1 and 2 — High brand operational control
- Managed hotels: managed by the hotel brand, but owned by a third party. If the hotel brand procures electricity it is Scope 1 and 2; if the third-party management company procures it, it is Scope 3 — Medium brand operational control
- Franchised hotels: independently owned and operated by franchisee using the hotel brand and guidelines. Franchisee may opt for hotel brand energy and sustainability initiatives but has autonomy over daily decisions. The energy footprint of franchised hotels is considered as indirect emissions from the supply chain and therefore accounted for as Scope 3 — Low brand operational control

\* Some agreements can also be a mix between franchised and managed contracts.



## To successfully include ownership groups in the PPA scope, cross-industry initiatives, education and contractual commitments are useful

### Cross-industry initiative

- Cross-industry collaboration through the building of an SPV can encourage franchised hotels to adopt carbon reduction initiatives
- Cross-industry initiatives concern all hotels regardless of the hotel brand they belong to

### Education

- Educating franchisees on PPA benefits can encourage them to collaborate with hotel brands
- This can include workshops, informational materials, and best practices for energy efficiency and waste reduction
- Training may also need to encompass C-suite and board members

### Contractual franchisee commitments

- Incorporating specific carbon reduction targets or renewable energy commitments into new franchisee contracts can create accountability
- By setting clear expectations and goals, franchisees are required to implement sustainable practices and track their progress to achieve targets

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## Hotel brands are not responsible for franchisees and ownership groups — each stakeholder will need to manage and retire its own EACs

### Hotel brand role in SPV

Hotel brands will be shareholders of the SPV equally as other ownership groups. Hotel brands will have control over their own electricity consumption (Scope 2 emissions).

### Franchisee role in SPV

Franchisees or ownership groups will also be shareholders of the SPV if they wish to purchase EACs. This will enable decarbonisation of Scope 3 emissions for hotel brands.

### Franchisee commitment

Franchisees are not obligated to take part in the SPV, however, commitment to partake could be encouraged by including a clause in franchisee agreements — such as a renewable energy requirement or carbon reduction targets.

### EAC accounting and retiring

EACs will be accounted for and retired for each buyer of the SPV. This will mean that franchisees and different ownership groups will have to manage their own energy needs. Hotel brands will not be responsible for franchisees' needs.

### PPA operations

Operations of the SPV and management of EAC accounting and retiring could be managed by a third-party company, lessening the administrative burden.

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## With growing scrutiny on sustainability from major stakeholders, hotels must proactively align with leading environmental frameworks

Framework	What it is	Why it matters
<b>CSRD</b>	EU regulation requiring large companies (including non-EU companies with significant EU presence) to report on ESG impacts using standardised metrics	Mandatory for many hotels from 2025/26. Non-compliance risks legal penalties and reputational damage. Early action ensures readiness, transparency, and competitive advantage
<b>SBTi</b>	Global standard for setting and validating corporate climate targets in line with the Paris Agreement (1.5°C pathway). Requires measurable, science-based emissions reductions across Scopes 1, 2, and 3	Increasingly expected by investors, clients, and regulators. Demonstrates credible climate leadership and future-proofs against tightening standards
<b>RE100</b>	Global initiative for companies committed to sourcing 100% renewable electricity. Members must set clear targets and report progress annually	Signals strong sustainability leadership. Helps attract eco-conscious guests, partners, and investors. Aligns with market and regulatory trends towards renewables
<b>LEED Certification</b>	International green building certification (by USGBC) for energy, water, waste, and indoor environmental quality	Boosts brand value and operational efficiency. LEED hotels attract sustainability-minded guests and corporate clients
<b>CDP</b>	Global disclosure system for environmental impacts, especially GHG emissions, water, and supply chain. Companies are scored and ranked	Transparency is increasingly demanded by investors and corporate clients. High CDP scores enhance reputation and access to capital
<b>GHG Protocol</b>	The world's most widely used standard for measuring and reporting greenhouse gas emissions (Scopes 1, 2, 3). Forms the basis for most other frameworks	Essential for compliance and credibility. Accurate GHG accounting is required for CSRD, SBTi, CDP, and more
<b>GSTC Criteria</b>	Internationally recognised sustainability standards for hotels, covering environmental, social, and cultural impacts	Adoption demonstrates global best practice. GSTC-aligned hotels are favoured by tour operators, OTAs, and eco-conscious travellers

# The SBTi's upcoming revision of Scope 2 rules will reshape how companies account for PPA-driven emissions reductions starting in 2027

*Starting in 2027, the Science Based Targets initiative (SBTi) will implement new Scope 2 accounting rules under its Corporate Net-Zero Standard V2. These changes will significantly affect how companies — including SPVs and hotel brands — can recognise emissions reductions from PPAs, requiring stronger evidence of real-world impact.*

## Stricter market-based accounting rules

- Virtual PPAs must demonstrate real-world emissions reductions, not just financial hedging
- Unbundled certificates (e.g. RECs, GOs) may no longer be sufficient for SBTi compliance
- The SPV must ensure that PPAs are tied to new renewable capacity

## Enhanced measurement and reporting requirements

- The SPV will need to implement a Measurement, Reporting, and Verification (MRV) framework
- Each brand and ownership group must track and report how their share of EACs contributes to decarbonisation
- This adds operational complexity and may require third-party verification

## Impact on franchisee strategy

- The feasibility study already outlines that franchisees must manage and retire their own EACs
- Under the new SBTi rules, Scope 3 emissions from franchisees must be accounted for with traceable and verifiable instruments






## Contractual adjustments

- Franchise agreements may need to include explicit carbon reduction commitments and EAC retirement protocols
- The SPV must ensure no double counting of EACs across hotel brands and franchisees

## 7. Relevant PPA Projects

Previous multi-buyer PPAs in Europe have allowed companies of varying sizes to access the market, typically without the use of an SPV. Several large corporations have also leveraged PPAs to reduce upstream Scope 3 emissions, offering a replicable strategy for the hospitality sector.

### European multi-buyer PPA examples

Project	Year	Industry	Participants	Location	Energy Type	Energy (GWh/year)
<b>The Fashion Pact &amp; Lightsource bp</b>	2023	Fashion & textiles	12 brands incl. Kering, Prada Group, Ralph Lauren, and others	Spain		-
<b>Energize Program &amp; Schneider Electric</b>	2024	Pharmaceuticals & healthcare	8 companies incl. Takeda, Teva, UCB, and others	Spain		563.7
<b>Philips-Heineken-Nouryon-Signify</b>	2020	Cross sector (tech, beverage, chemicals, lighting)	4 major Dutch companies	Mutkalampi, Finland		330
<b>Danish firm Reel signs “record” PPA with 25 companies</b>	2024	Cross sector	25 companies incl. Danica Ejendomme, Kvadrat, JP/Politikens Hus, Aquaporin, the Danish Society of Engineers	East Jutland		14
<b>SPV built between utility companies to create Renewable Energy Portfolio</b>	-	Energy	Several municipal energy utility companies in Germany	Germany		-

Project	Key Impact or Take away
<b>The Fashion Pact &amp; Lightsource bp</b>	<ul style="list-style-type: none"> <li>▶ <b>Customized</b> collective virtual PPA linking 12 brands</li> <li>▶ <b>Enabled smaller brands to pull demand</b></li> <li>▶ Demonstrates <b>industry collaboration</b>; potential for similar models in other sectors</li> </ul>
<b>Energize Program &amp; Schneider Electric</b>	<ul style="list-style-type: none"> <li>▶ <b>Schneider Electric streamlines the procurement</b> and contract management process for participating companies, easing the transition to clean energy buy-in</li> </ul>
<b>Philips-Heineken-Nouryon-Signify</b>	<ul style="list-style-type: none"> <li>▶ One of Europe's first multi-buyer PPAs, securing 330 GWh/year of wind energy</li> </ul>
<b>Danish firm Reel signs "record" PPA with 25 companies</b>	<ul style="list-style-type: none"> <li>▶ Large number of corporate members (25 companies), exemplifying how <b>large consortia can pool demand to negotiate better renewable energy deal</b></li> <li>▶ Opportunity for <b>mid-sized companies</b> to collaborate and enter large PPA agreements</li> </ul>
<b>SPV built between utility companies to create Renewable Energy Portfolio</b>	<ul style="list-style-type: none"> <li>▶ Formation of an <b>SPV to aggregate assets</b>, creating a shared portfolio</li> <li>▶ Enables <b>risk-sharing</b></li> </ul>

### North American PPA examples

Project	Year	Industry	Participants	Location	Energy Type	Energy (GWh/year)
<b>McDonalds and North American Logistics</b>	2022	Food	McDonald's Corporation (NYSE: MCD) and all five members of the restaurant chain's North American Logistics Council (NALC) – Armada, Earp Distribution, Martin Brower, Mile Hi Foods and The Anderson-DuBose Company	Texas, USA		470
<b>Walmart – Gigaton PPA</b> Walmart is targeting its Scope 3 energy emissions through its Project Gigaton	2022	Consumer Goods	Amy's Kitchen, Great Lakes Cheese, Levi Strauss & Co, The JM Smucker Co and Valvoline	Kansas, USA		250

### Key Impact:

- McDonald's acted as the anchor buyer in a PPA with logistics partners, centralizing procurement and contract complexities to enable smaller partners to join
- The PPA covers the full electricity load of the US logistics supply chain using solar plus storage, addressing Scope 3 emissions from logistics operations
- The program supports Walmart's Scope 3 emissions goal by enabling collective purchases from projects like the Sunflower Wind Farm, blending procurement with supplier education
- Collaboration with Schneider Electric to aggregate renewable energy demand

## Case study: utility company SPV — when setting up an SPV, operational control must be carefully considered

### What was the goal of the project?

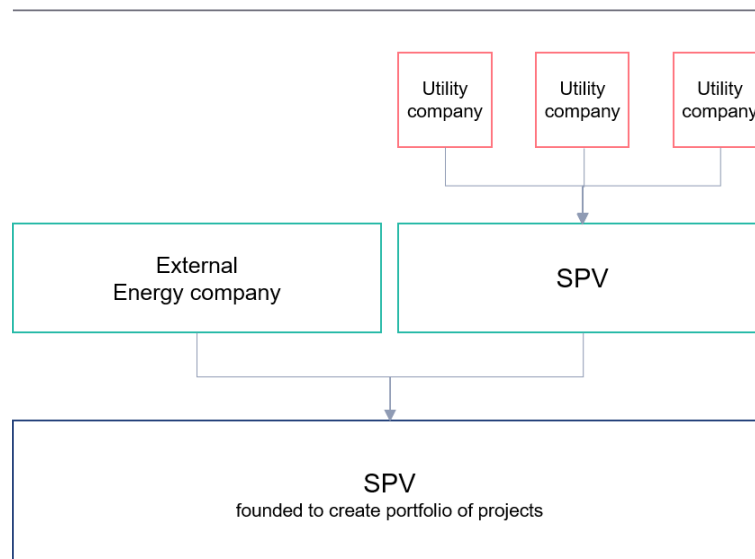
- Several municipal utility companies and regional energy suppliers joined forces to form their own SPV that took the form of a holding company
- The aim is to jointly achieve over the long term a broad portfolio of projects in the field of renewable energy generation
- The utility companies are shareholders of the SPV. Another external party was also involved that was not a utility company but wanted to take part in the project

### Key considerations

- The utility companies founded their own SPV holding company to finance a portfolio of projects
- The operational control of the company is held by another company with 51% of shares in the SPV

*This case study illustrates how competing firms in the same sector successfully formed an SPV to pursue a shared goal*

### Example operational structure of the SPV



## 8. Next Steps

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### The project is currently deemed feasible, with clear and actionable next steps identified

#### Work to date

- Creating core group of hotels to source PPAs collectively
- Through WSHA and WTTC, interested hotel members have come together to assess the possibility to join PPAs collectively
- Estimating feasibility of project across three dimensions: financial and structuring challenges, operational design challenges, and legal and regulatory challenges

#### Next phase — Implementation Development & Stakeholder Engagement

- The feasibility study confirms that a collective renewable energy procurement model may be viable for the hospitality sector.
- However, several commercial, governance and operational questions require further exploration before any implementation vehicle is established.
- The next phase will therefore focus on stakeholder engagement and implementation design rather than immediate deployment.

#### Key priorities

##### 1. Stakeholder Engagement and Market Sounding

- Convene interested hospitality, travel, energy and finance stakeholders through a Hospitality Renewable Energy Implementation Forum.
- Assess appetite for participation across different ownership and operating models.
- Identify organisations interested in supporting further implementation design work.

##### 2. Asset-Light and Franchise Model Assessment

- Explore how collective renewable energy procurement models could accommodate managed, franchised and independently owned properties.
- Assess implications for hotel brands, ownership groups and franchisees, including governance, contractual structures and allocation of responsibilities.
- Evaluate mechanisms for participation that do not require brands to provide guarantees or assume liabilities for third-party owned assets.

##### 3. Governance, Legal and Financial Design

- Refine SPV governance structures and assess alternative implementation models.
- Conduct detailed legal, accounting, competition law and financing assessments.
- Evaluate creditworthiness requirements and potential approaches to risk management.

##### 4. Pilot Development

- Identify a potential pilot region and interested participants.
- Develop indicative commercial structures and participation agreements.
- Assess conditions required for a future pilot transaction.

*Participation in this feasibility study does not imply participation in any future implementation phase. Any future procurement vehicle, pilot programme or commercial structure would be subject to separate evaluation, governance arrangements and participant commitments.*

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