



John Leonti
Partner
TROUTMAN PEPPER

Advanced Hedging for Renewables: Risk Appetite & Market Shift

The 3rd Installment of the Infocast **Hedging Series**

July 27 - 28, 2021 | 8:45 AM - 4:00 PM PDT | Digital Access

Tuesday July 27, 2021

8:45-8:50 PST **Introduction and Opening Remarks**

8:50-9:40 **Session 1: Hedge Structures, Financeability & Market Uncertainty**

This session will walk through how specific hedge structures tie into both risk management and financeability within a volatile market. Understand how market uncertainty might impact valuations, and what specific provisions and language can bound those risks, including:

- How the calculations behind risk management and financeability change with market fluctuations
- What risks are hedge-able in what kinds of markets, and why?
- Valuations: understanding and assessing revenue streams in shifting markets and the bespoke provisions that can address them

Co-Presenters:

John Leonti, *Partner*, TROUTMAN PEPPER

Rohit Ogra, *Managing Director*, SNAPPER CREEK ENERGY ADVISORS, LLC

9:40-9:55 *Live Q&A*

9:55-10:00 *Break*

10:00-10:45 **Session 2: The Relationship between Hedges, Project Output & Different Offtakers**

An active hedging strategy will shift the risk profile of a project with each agreement finalized: the economics, financeability, and valuation. Gain an understanding of these shifting relationships and a deep dive into hedge agreement structures with different offtakers, and how to balance risks for each. This session will also answer these pressing questions:

- What risks are important for each type of offtaker?
- One project, multiple offtakers: where and how do they interact?
- How does a provider lien affect project company operation?
- Can merchant power sales affect a hedge agreement, and what changes when another offtaker's contract ends?
- What is a quasi-merchant structure, and when is it a good idea?
- How can project output and contractual guarantees work with curtailment, extreme weather events, and other output issues beyond a project's control?
- Project construction delays, forced outages, force majeure or other delays

Co-Presenters:

John Leonti, *Partner*, TROUTMAN PEPPER

Vaughn Morrison, *Partner*, TROUTMAN PEPPER

10:45-11:00 *Live Q&A*

11:00-11:10 *Break*

11:10-12:00 **Session 3: Deep Dive into Collateral Packages for Hedges**

Understanding security interests, pledges, letters of credit, tracking accounts, and other credit mechanisms is vital to knowing the rights and remedies of the hedge provider. This session will delineate the important pieces to collateral packages and how they are used, including:

- Defining typical collateral packages
- Discussion on intercreditor relationships
- Case studies and examples of typical collateral packages, and potential deviations
- Mandatory prepayment triggers, reserve accounts, and distribution blocks
- What happens if adverse events occur?

Co-Presenters:

John Leonti, *Partner*, TROUTMAN PEPPER

John Tormey, *Partner*, MAYER BROWN LLP

12:00-12:15 *Live Q&A*

12:15-12:50 *Lunch*

12:50-1:35 **Session 4: Lender Perspectives on Dealing with Hedge Risks & Cash Flow Issues**

Perspectives on how lenders and consider the impacts of cash flow risks: Basis risk, Volume risk, Shape risk, Covariance risk. Gain lessons learned from the Texas extreme weather event and how lenders are now thinking about the use of hedges in their transactions as a result. Also, hear how lenders view projects with more merchant exposure.

- How does TX change the hedge landscape?
- What loopholes or issues were exposed and how are they being remedied?
- Dealing with asymmetric risk, like settlement under hedge when not producing power
- Is there a difference between covariance risk and extreme weather risk?

Moderator:

John Leonti, *Partner*, TROUTMAN PEPPER

Panelists:

Sondra Martinez, *Managing Director*, NORD/LB

Tyler Nielsen, *Director, Utilities, Power & Renewable Energy*, KEYBANC CAPITAL MARKETS

Harry Singh, *Vice President*, GOLDMAN, SACHS & CO. LLC

1:35-1:50 *Live Q&A*

1:50-2:00 *Break*

2:00-2:40

Session 5: Offtaker Risk Appetites & Risk Exposure

Many corporate offtakers have turned to vPPAs as a viable means of obtaining renewable energy. In doing so, the risk appetites of offtakers can indirectly affect hedging by creating a series of risks that need to be addressed by the sponsor, which would ultimately be hedge-able. The sponsor may then turn to a hedge to try to lay off the major downsides associated with their risk posture for a fixed, predictable price. In other words, the offtaker is one of the main motivators of complex hedge structures. This session will discuss:

- What are the current risk appetites and risk exposure that offtakers are comfortable with? More importantly, what risks are they not comfortable taking on?
- Why might corporate renewable energy buyers consider hedge agreements over traditional PPAs?
- What are the important pieces of a vPPA, financial/synthetic PPA or a CFD?

Moderator:

John Leonti, *Partner*, TROUTMAN PEPPER

Panelists:

Stephanie Armistead, *Sustainability/Program Lead, Energy and Water*, CHICK-FIL-A, INC.

Fritz Bratschie, *Regional Sustainability Manager*, VAIL RESORTS, COLORADO REGION

Rael McNally, *Director*, BLACKROCK REAL ASSETS | INFRASTRUCTURE

Michael Wagner, *ESS Energy Supply*, LOWE'S COMPANIES INC.

2:40-2:55

Live Q&A/Day 1 Wrap Up

2:55-4:00

Virtual Networking

Wednesday July 28, 2021

9:00-9:45

Session 6: Sponsor Perspectives on Today's Hedge Market

This session is an interactive conversation with sponsors active in the hedge markets. Hear from market leaders on current trends, lessons learned, and outlooks on where the market may be heading.

- Showing survivability with extreme weather events
- Restructuring hedges and credit support
- Bounding asymmetric risks
- Hedge risk differences between solar and wind

Moderator:

John Leonti, *Partner*, TROUTMAN PEPPER

Panelists:

Jared Johnson, *Power Origination*, ENGIE ENERGY MARKETING, NA, INC.

John Larkey, *Vice President, Power Marketing*, NATIONAL GRID RENEWABLES

Tom Minderman, *Vice President*, COMPETITIVE POWER VENTURES

9:45-10:00 *Live Q&A*

10:00-10:10 *Break*

10:10-11:00 **Session 7: Hedge Provider Perspectives & Market Activity**

This session will provide the hedge provider's take on where the market is heading, how they are looking at volatility, prices, and overall willingness to make deals. Learn what markets and assets are most interesting to hedge providers, including their views on providing hedges to battery storage assets.

- ERCOT's lessons learned, and outlook moving forward
- How common are hedged merchant projects in other markets?
- Physical vs. Financially settled hedges
- Battery storage and hedges: hybrid projects and standalone

Moderator:

John Leonti, *Partner*, TROUTMAN PEPPER

Panelists:

Angelin Baskaran, *Managing Director*, MORGAN STANLEY

Anish Hariharan, *SVP, Trading*, EDF TRADING NA

Lance Titus, *Managing Director and Head of Power Origination & Business Development*, UNIPER GLOBAL COMMODITIES NORTH AMERICA, LLC

Brandon Wax, *Executive Director*, JP MORGAN

11:00-11:15 *Live Q&A*

11:15-11:25 *Break*

11:25-12:10 **Session 8: Tax Equity Perspectives on Hedge Transactions & Market Fluctuations**

Hear perspectives on how tax equity investors consider the impacts of market changes and economic changes on both their appetite for tax equity and their willingness to accept particular risks, including how they view the different hedging products in light of the Texas extreme weather event.

- Risk mitigation on a project level
- What hedges are still attractive to tax equity?
- Is the tax equity market even more constrained for hedging post-Texas?

Moderator:

John Leonti, *Partner*, TROUTMAN PEPPER

Panelists:

Shane Easter, *Director, Renewable Energy & Environmental Finance*, WELLS FARGO BANK

Jorge Iragorri, *Managing Director, Head of Alternative Financing Group*, MORGAN STANLEY

Jamie Stahle, *Senior Managing Director*, CCA CAPITAL GROUP

12:10-12:25 *Live Q&A*

12:25-1:00 *Lunch*

1:00-1:45 pm **Session 9: Roundtable Discussion from All Sides: Interactive Live Zoom Session**

Be part of a roundtable discussion with every major party to a hedge! Participate in a lively conversation on the negotiations and provisions most important to each party in today's market, and how those priorities may shift as the market changes in the next few years. Gain an overarching view of how these contracts get built and the compromises and sticking points that come up. This Interactive Live Zoom Session at the class conclusion allows you to get your most pressing questions answered, and to interact with Master Class Instructors in real time.

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1:45-2:00 pm *Live Q&A*

2:00-2:05 pm **Closing Remarks**

2:05 *Master Class Adjourns*

2:05-3:00 *Virtual Networking*