ACEENERGIE

Overview of energy sourcing organizations

Restructuring energy procurement in the context of decarbonization

ALBAN **REVEL** SOPHIE **SCHLEWITZ** AUGUSTIN **COLAS**

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EXECUTIVE SUMMARY

The energy crisis of 2022 highlighted the strategic importance of energy sourcing for businesses. This has particularly been the case for industrial companies, which have benefited relatively little from the government's shield against high energy prices, as opposed to private individuals.

In this context, ACE Energie has analyzed the way in which companies - particularly manufacturers - structure their teams in charge of energy sourcing. In that regard, a panel of manufacturers was interviewed about the organization of their teams and their recent evolution. **This overview of energy sourcing is a synthesis of the interviews' results, highlighting best practices, blind spots, and major trends in the companies' organization.**

The companies interviewed are heterogeneous and differ in their relationship to energy. This diversity is reflected directly in the energy purchaser & procurer's job sheet. For the same job title, the nature of the tasks performed and the way in which they are carried out can significantly vary. ACE Energie has analyzed respondents' feedback to put light on their similarities and differences:

• **Energy purchasing** teams **tend to have a continental perimeter.** Meanwhile, energy suppliers' sales teams are usually strictly compartmentalized for each country. This large geographical perimeter tends to generate **heterogeneity in the level of expertise**: a purchaser based in France will have a better grasp of the French ARENH mechanism than of EEG exemptions in Germany, and vice versa. The same applies to physical PPAs (Power Purchase Agreements), which require good knowledge of the local context.

• **There are four types of energy purchasers: strategic stakeholders, energy coordinators, knowledge distributors and topic leaders.** Each of these profiles represents a different approach to the energy purchaser's job, specific to the size and number of sites under his or her responsibility.

• **Contract negotiation is the only common responsibility for energy purchasers across all respondents.** As soon as the tasks deviate from strictly purchasing energy, differences appear in the division of tasks between local or corporate teams, but also in the assignment of responsibilities to the purchasing department or to other units within the group. For example, **even taking positions on the energy markets is sometimes entrusted to teams unrelated to the purchasing teams.** The organization surrounding consumption forecasts is even less uniform; this can be explained by the fact that it is a new challenge that has only recently (or not yet) been tackled by most companies.

• **Regarding energy sourcing strategies, the interviews revealed that following the crisis, companies have begun to clarify and strengthen their market exposure strategies.** This includes less energy-intensive companies which, prior to the crisis, could get by with less explicit or formalized sourcing strategies.

• When it comes to making investment decisions and securing public financing, interviews show that **the roles involved in planning expenses in the context of major industrial investments are usually shared between the purchasing and finance departments as well as the local teams, depending on the scale of the investment and the skills required.** Energy purchasers are not always involved in the discussions and can't always provide input on energy price assumptions or eligible subsidies.

• In the case of optimizing pricing conditions associated with energy contracts components *(supply, delivery - grid and taxes)*, it appears that the regular review of contracts with suppliers is usually implemented and handled by the purchasing department. On the other hand, **the evaluation and review of demand response capabilities is not systematically carried out, nor is the review of financial exemptions available for each site** (TURPE, TICGN, CSPE). In particular, the possibilities of financial exemptions are often poorly mastered by central teams when the sites in question are located outside of their natural markets.

• When it comes to the obtention of public subsidies and grants (Fonds chaleur, France 2030, France Relance, ADEME "*Appels à Projet*", etc.), interviews show consequent disparities in **use of these grants by companies, even though they can have a significant impact on their CAPEX.**

• Finally, interviews show that central teams are usually in charge of financing projects, while local teams are those most familiar with operations and thus financing needs. **This separation between funding sources and project sources makes it difficult to mobilize funding in the most effective way. The low utilization of energy performance contracts**, particularly in the process industry, should also be noted.

In general, these interviews highlight the importance of each company's specificity: **there is no single, simple solution that can be deployed from a universal set of instructions.** Each company has its own economic stakes, relationship to risk and organizational philosophy. **The development of a robust energy strategy, or the reinforcement of an existing one, is of paramount importance to companies in today's context, and even more so in tomorrow's.** This must be carried out in a holistic approach, not one that deals with each aspect of the company's relationship with energy one by one. **The company's energy issues should all be studied and considered to achieve a stable and effective result.**