Covestro partners with Ørsted to power its ambitious green strategy

One of the world’s leading supplier of high-performance materials Covestro kick-starts the journey to sustainable production through its corporate Power Purchase Agreement (PPA) with Ørsted.

Covestro’s commitment to green energy transformation
One of Germany’s major chemical companies, Covestro understands the primacy of green electricity to delivering its comprehensive sustainability strategy.

Beyond successively switching its production plants to renewable energy and committing to continually improve energy efficiency, Covestro seeks to take a key role in Germany’s broader energy transition by supporting the build-out of green energy. Without the transition to renewables, the company believes German industry cannot make good its contribution to deliver a net-zero Germany by 2050.

Roadmap to net zero
Covestro’s journey to sustainable production meant finding a renewable energy partner that could match the scale of their ambition – all while providing stable costs, bespoke solutions, and seasoned expertise to ensure a smooth green transition.

Breaking records with Ørsted
Partnering with the world’s leading offshore wind company, Covestro signed what was then the world’s largest corporate supply contract for wind energy – which also made it the first major German chemical company to sign a long-term PPA from a new renewable asset.

Expanding green energy through additionality
From 2025, Ørsted will guarantee Covestro an agreed volume of offshore wind energy at a fixed price for ten years – enough to cover a considerable portion of Covestro’s electricity demand in Germany. This energy will be generated by a newly-built wind farm in the North Sea – Borkum Riffgrund 3 – which is set to be Germany’s first zero-subsidy project.

The agreement fully satisfied Covestro’s priority criteria for additionality and effectiveness, which will allow the company to play a key role in green energy transition. Accordingly, Covestro can access green electricity that is sourced from a specific offshore wind farm, instead of a general green power portfolio. As a pre-final investment decision (Pre-FID) PPA, Covestro will assume partial power pricing risk for Borkum Riffgrund 3 to help secure final investment for the project, allowing the company to contribute to the expansion of renewable energy in Germany.

Starting the PPA conversation
Since PPAs are large, long-term investments, starting the conversation can be daunting. It requires the value of green transformation to be recognised across a company’s entire organisation.

“By purchasing green electricity, we are underpinning our comprehensive sustainability strategy. We assume that this will enable us to inspire and motivate our customers... and we also hope that cooperation with Ørsted will stimulate the accelerated expansion of renewable energy in Germany.”

Dr. Markus Steilemann, Covestro CEO

Yet Sylvia Baumheier, Covestro’s Head of Global Energy Procurement who led the collaboration together with Christoph Hörbelt, Lead Business Developer from Ørsted, believes the conversation can begin almost anywhere. “Energy purchasing is only one possible starting point for dealing with green power in a company”, she explained: “The topic can
just as easily be brought into the company via the sustainability department, customer inquiries, investor relations, associations or political liaison offices, subsidiaries, or the board of directors itself.” Once raised, Sylvia set about canvassing Covestro to identify key stakeholders, clarify the company’s position on green energy, and clarify where the topic was already being discussed.

Finding the right partner
As a long-term relationship, finding the right PPA partner is critical. In the words of Christoph Hörbelt, leading the conversation and negotiation on Ørsted’s side: “When things really get going, you spend a lot of time together. It is essential to have a counterpart who is looking for solutions to problems rather than accepting them as an obstacle.” Covestro connected easily with Orsted’s collaborative and responsive approach to the negotiation process. A foundation of trust was established early on, allowing Covestro to quickly clarify whether the PPA was viable from a content and commercial perspective.

Navigating the PPA process
Ørsted’s PPA was tailored to Covestro’s business requirements. As a partner, Ørsted fully supported the team at Covestro to navigate their own internal landscape of stakeholders, regulators, governance and procurement to inform on a robust PPA. Covestro kick-started the whole process by uniting all decision makers behind a clear strategic rationale. “You really have to assess internally: what options are out there? What are the legal and regulatory frameworks? And what works best for our company?” explained Sylvia. She also stressed the importance of signing off a thorough risk assessment early, adding: “It is very important that risks are fully identified. While not all risks can be mitigated, they must be clearly addressed, understood and eventually accepted.”

“We had a very intensive session with our Executive Board, in which we discussed our purchasing strategy and, above all, talked a lot about risks and sharpened our positions and mandates.”

Sylvia Baumheier,
Head of Global Energy Procurement at Covestro

A company-wide commitment
A truly successful PPA requires cross-organisational buy-in. Covestro made swift progress, engaging decision makers early through internal and external workshops to quickly establish a high-level of knowledge across the company. Crucially, involvement continued throughout the negotiations. Six months before the contract was signed, half the organisation was fully briefed on the agreement and invited to challenge it. Aside from securing buy-in and refining the PPA, the process provided valuable insight into how the company as a whole thought and felt about green transformation.

The partnership forged between Ørsted and Covestro is a testament to the reliability and readiness of offshore wind power for industrial scale. Marking an unprecedented step for the chemical industry in Europe and the expansion of renewable energy in Germany, it underlines the critical and direct contribution energy consumers can make to enable a greener world.

Get in touch
To find out how a corporate PPA with Ørsted could benefit your company, please contact:

Nicolai Bay Riisager
nibri@orsted.dk