



NEW STREAM
RENEWABLES

Market Report

February 3rd 2020



EUAs fell to a two-month low below €24

Market Overview

EUAs fell to a two-month low below €24 last week. This was despite an improved auction pricing performance. Carbon markets continued to be weighed down by fears about the impacts of the spreading coronavirus.

New Stream continue to view Carbon market fundamentals as bearish with end of period “compliance buying” the only obvious additional demand driver.

Commenting on the Brexit impact Gareth Goodall, Head of Trading at New Stream said “The final Brexit withdrawal agreement is due to be ratified by the EU parliament on Wednesday. This should be the green light for the UK to resume

distributing allowances and auctions participation. As soon as this happens UK installations will re-start their hedging purchases which should support demand to a certain extent but hard to see much uplift price wise in the short term. ”

Carbon has dropped to 23.56EUR/tonne from 25EUR/tonne at the end of December adding downward pressure to the power curve. Because the closures of German plants this will free up emission certificates that could flood the EU ETS and pressure prices lower, the law stipulates that Germany will cancel surplus carbon allowances beyond what is absorbed by the market stability reserve (MSR).



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Capacity Market Result

The Capacity Market was set up to safeguard the UK’s long-term energy security by encouraging investment in new power projects to support the changing generational mix, but the T-3 Clearing Price of between £6.44 reflects more of a short-term fix to the UK’s energy requirements.

“The mechanism as it currently operates skews the auction in favour of older legacy generation, such as outdated coal plants, who are content to take 1-year agreements

at lower prices, freezing cleaner technologies out of the market. As a result, the Capacity Market isn’t fulfilling the original brief, which was to incentivise investment in an intermittent renewables dominated power system that is central to delivering on Net Zero commitments.” Said Paul Sanders, Generation Director at New Stream.

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The New Stream View

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Gareth Goodall, Head of Trading at New Stream

Providing renewable generators PPA and route to market power trading advice since 2008.

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Paul Sanders,
Generation Director at New Stream.

PPA Market

Gas prices continue to push power pricing down, on the back of bearish fundamentals. Day ahead gas is now trading at 25.7p/therm and baseload power for Q2 2020 is at £34.80MWh. New Stream continue to advocate reviewing PPAs well in advance of contract expiry.

Up to 6 LNG tankers are also expected to arrive in the UK within the next 2 weeks, adding additional volume to unseasonably high storage levels.

Germany has signalled the end of coal-fired power from 2021, reducing demand and lowering prices along the curve. The government is performing tenders to close 5.5GW of generation. Operators can bid for compensation of €165,000/MW.

REGO’s

Market now becoming more liquid with existing and new buyers entering the market. Significant price premiums for Deep Green certificates (Hydro, Wind and Solar) and increasing interest for food waste AD.

Green Gas Certificates:

Strong interest from Scandinavian, German and Swiss buyers who are looking for large numbers of certificates with food waste again attracting a premium.

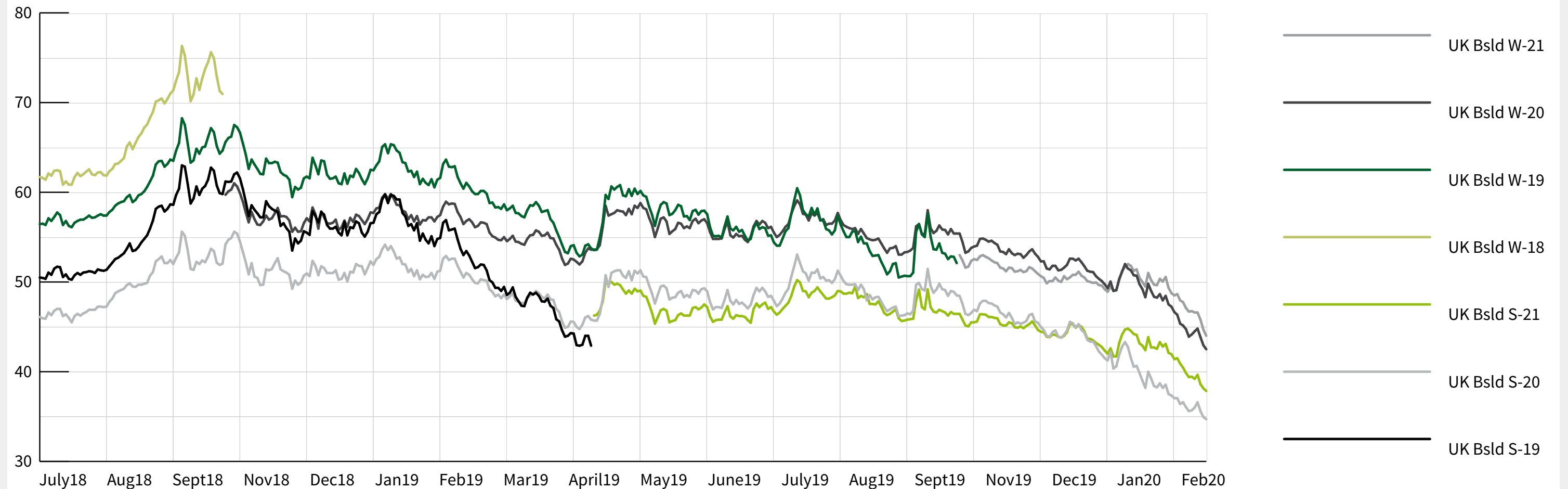
Weather and TRIAD Risk

- Outlook is generally mild for the next week with Thursday probably looking coldest as of last New Stream weather model run.
- Wind forecast is unlikely to change significantly. We still expect very low levels Wednesday through to Friday.



UK Market Summary

UK Power Season Ahead





What our clients say about us...

Our Approach...

In today's volatile energy markets pro-active placement of the PPA is a fundamental part of maximising the value of the return on your asset.

The New Stream Renewables team has over 20 years of experience in working with developers, farmers, landowners, commercial (from private pension funds to listed funds) and the public sector to bring electricity to market.

Work with you on preferred PPA structure and term.

- Ensure "Bankability"
- Report to you on current market pricing and sentiment.
- Analyse Embedded Benefits and maximise Green Certificates ROC, REGOs etc (if applicable).
- Consider Volumetric Risk (Nominations, Imbalance coverage, technology risk)
- Create competitive tension on process and negotiate on your behalf.
- Provide credit analysis on potential buyers.
- Provide ongoing support and market updates.

"It was refreshing to work with Charlie and the team at New Stream to secure a long-term PPA agreement. It was not without its challenges and the structure of our final agreement was quite complex. We got there and the PPA now means we can secure the long-term revenues which will ensure commercial viability of the project."

"Entering any new market is challenging and New Stream's support in understanding the landscape in southern Europe, market risks and key PPA players has been vital."

"We have been working with New Stream since 2011 and their highly efficient PPA route to market team means we can focus on our core development business. UK energy markets are fast moving and having someone we can partner with who has the experience, skills and market access has been key."

"In the pre-commissioning stages of our solar project New Stream played a key role in validating the assumptions around PPAs and renewable power income. We went on to work with New Stream to tender our solar PPA into the wider market. Jamie Banks was key to creating competitive tension in that process and enhancing PPA income value for us. Well done!"



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New Stream Renewables is a specialist consulting and support services group operating across renewable energy markets and technologies.