



NEW STREAM
RENEWABLES

Market Report

March 10th 2020

Market Summary



Oil rebounded from its worst loss since 1991

“UK power and gas contracts have followed to a certain extent but there is lots of uncertainty out there. I think some of the speculation that potential U.S. tax cuts may shield the market against the coronavirus and the price off between the Saudis and Russians.

However, we still have bearish fundamentals playing out on the UK market alongside the global macroeconomics and moves in the broader commodity complex”

Charlie Ward, Head of Renewables and PPAs at New Stream Renewables.



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“There is real nervousness out there and blood on the streets. So right now it’s all about the potential for U.S. stimulus but these gains could just as easily evaporate in front of us.” Ward added.

New Stream saw oil futures climb around 10% in New York moving up in tandem with equities.

The New Stream View

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Saudi / Russia Oil Price Off

- Saudi Aramco announces that it will deliver an unprecedented 12.3 million barrels a day in April.
- This exceeds the kingdom’s maximum sustainable rate of production.
- This resulted in oil prices in freefall over the weekend and into Monday.
- Prices lost about a quarter of their value on Monday which are the steepest declines since the 1991 Gulf War.

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

FIT Export PPA Contracts

“In terms of what this means for PPA strategy we still hold the same view in terms of short term fixes for clients to protect against downside volatility. In fairness most of our clients locked in on the way down so we are not seeing a huge amount of fixing here so that has probably worked well”

“On the FIT Export PPA contracts we have made a huge amount of progress there over the last month so it’s fantastic to be in a position to offer clients an option on that. It’s a great solution in terms of the commercials but also it offers the back-office admin support and prompt payments that have been an issue for so many”



Jamie Banks, PPA Manager at New Stream Renewables.

New Stream are now able to offer the FIT Export Tariff through a non-Big6 supplier with REGO premium.

Key advantages:

- Similar contractual terms to a standard PPA you would have worked under before.
 - New Stream approved systems, administration and back office reporting.
 - Strong credit.
- Unfortunately market fundamentals show little sign of changing in the short term. There is a clear overhang of gas supply pressuring gas and power pricing

that has been compounded by an extremely mild winter.

This means we view the probability of 12 month pricing exceeding the FIT export tariff as low and as such it would be our recommendation to explore New Stream’s FIT PPA product for a 12 month period after which you would then be free to extend for a further 12 months or should we see a recovery in pricing, re-enter into a traditional PPA.

REGO’s

High load factors from wind / hydro generation and a lack of any real demand spikes have significantly affected secondary market pricing. Sharp movements in prices have seen wind and solar fall from £0.30-£0.35 per certificate to £0.15-£0.20 over the past month.

Forward pricing is still very strong indicating increasing demand from suppliers and corporates.

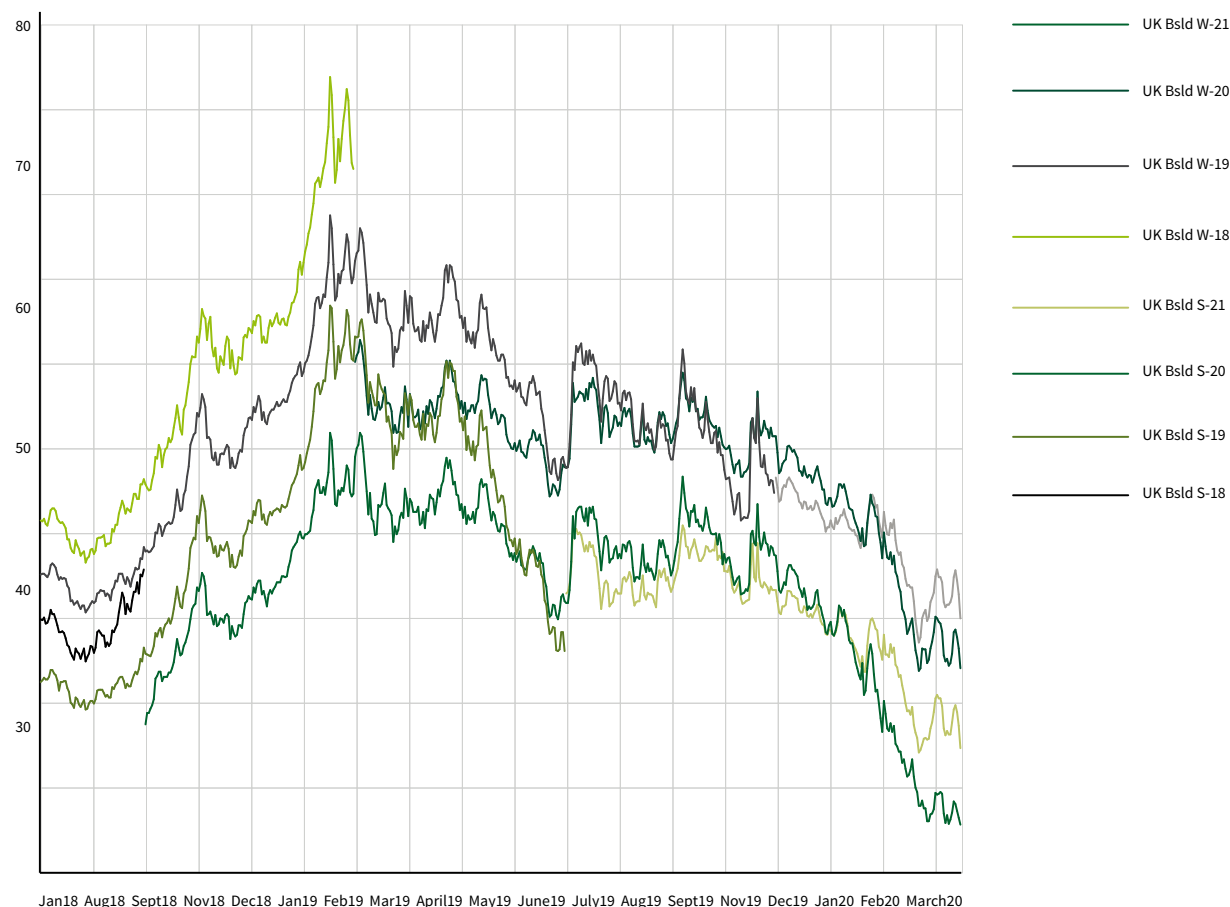
As part of a PPA, we are now seeing strong premiums emerge if PPA is linked to REGOs and dependant on technology. £0.50-£0.75

Capacity Market

The T-4 Capacity Market surprised to the upside clearing at £15.97/kw/year, with previous auctions clearing at £6.44/kw/year and £8.40kw/year respectively. This provides a much needed fillip to the Flexible Generation sector which has found investment hard to come by in recent years in a market beset by uncertainty. These 15 year Government backed Agreements will provide an important revenue stream to new non -intermittent assets helping provide replacement capacity as old Fossil fuel and Nuclear plant close down.

UK Market Summary

UK Power Season Ahead



What our clients say about us...

"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."

"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."

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

"In the pre-commissioning stages of our solar project New Stream played a key role in validating the assumptions around PPA's 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!"

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.



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