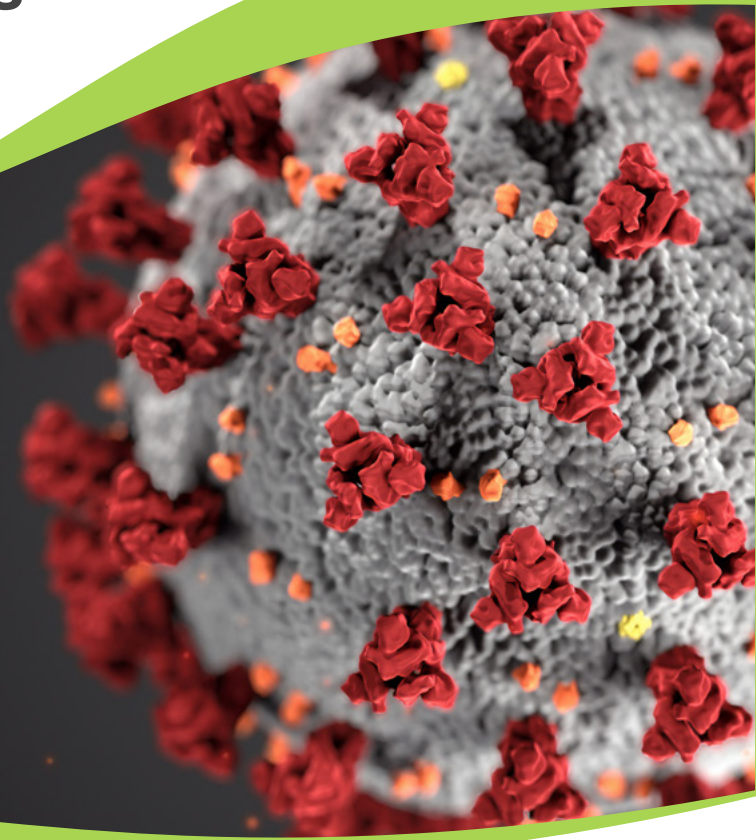


# New Stream Looks to Short Term Fixed PPAs

March 18, 2020



**Against a backdrop of economic uncertainty, driven by the COVID-19 outbreak, New Stream Renewables says that short term fixed price PPAs are the best option for power generators.**

Comments Jamie Banks, PPA Manager at New Stream Renewables:

“It’s been an extremely volatile few weeks in the UK power and gas markets. This has been driven by soft market fundamentals and now the pandemic is having a huge impact on the broader commodity complex.”

“Just look at the carbon price over the last 24 hours or so. It is our view that price uncertainty will remain over the coming weeks, potentially months and this will create significant potential downside price risk for our PPA generators.”

“We are recommending short term fixed price PPA contracts that will offer our clients price certainty, protection and allow us to re-contract the PPA at potentially more attractive levels as and when prices recover. We will get through this.”

## Market News & Comment by Gareth Goodall of New Stream Renewables

- **UK EUA Carbon Auction Clears at 16 euros and Oil at lowest levels since 2003.**

“We are clearly seeing a drop in forecast industrial energy use that means there is less demand for European Union carbon allowances.”

“I don’t want to go over all the coronavirus issues but by effectively locking down sections of our economy to keep people apart and slow the spread, we will see factories and businesses close or cut capacity. Then the power demand both in the short term and potentially over the coming months declines.”

- **European Energy Exchange AG cancelled their auction for carbon allowances on Tuesday because bidding was below the volume offered for sale in the market.**

“That’s the first time we have seen this for a year or so.”

- **EUA pricing then collapsed by as much as 9% to the lowest since November 2018.**

“The dramatic slowdown we are seeing in economic activity in Europe is dampening the demand for power and EUA carbon certificates. There’s an unlikely beneficiary of coronavirus...The planet!”

“We have seen the satellite images from NASA showing a huge reduction in NOx and carbon emissions and the industrial cloud we are used to seeing above certain areas of China appears to have cleared for now.”

“In Italy, power demand in the peak was around 25% lower than this time last year.”

- **Industrial selling of EUAs as a form or short term cash flow could have added additional downward price pressure.**

“For those of us that can remember the situation back 2008 with the financial crisis, we saw industrials using some of their EUA carbon allowances as a form of short term finance. Some of these guys are getting free permits and some even get more than they potentially need. So that means they can sell in the spot market and cash these allowances in. Depending upon how sophisticated there are they could then also buy futures giving them additional low-risk cash flow.”