



NEW STREAM
RENEWABLES

New Stream Insight : EUA Carbon Prices Rise Impact on UK Power

“After falling around 25% in March the EUA Carbon pricing is still well below where it started the year. But we are seeing some buying interest come back into the market. A lot of this will be speculative money but we see this as sign that investors are making bets on industrial production recovering and governments. This has to be positive for UK power prices.”



Adam Green
Operations Manager at New Stream.

“If you look at sudden shut-down of the European economy and the huge decline in the use of coal-fired power generation we can probably justify a price reduction in the short term but we are still pretty bullish medium term. It’s just difficult to put a time scale on that right now which is why we are still advising clients to fix PPAs to give downside protection. As we get more data and a clearer view of the exit from lockdown that will change but we are not there yet.” Said Green.



EUA Carbon Prices Rebound

- EUA Carbon pricing made biggest weekly gain in more than two years.
- Carbon for delivery at the end of the year is up almost 20% to €21.10.
- For context the low this year of €14.30 that we saw last month.
- €29.95 was the high last year.
- Europe is optimistic that the economy is preparing to exit back from Covid-19 imposed lockdowns, supporting pricing.
- New Stream see the gains as a clear sign that investors are positioning for industrial production recovering.
- Momentum from the wider uptake in equities and broader financial markets is supportive.

EUA Futures Chart June 2020



“We have also seen some compliance buying activity which has also helped support prices. By the end of April factories, industrials and generators need to present EUAs for carbon compliance.” Green said.

PPA and Trading Strategy

Despite some bounce off the lows, New Stream still advocate fixing PPAs to protect against further potential downside risk rather than adopting a “wait and see approach.”

New Stream PPA Strategy Rationale :

- Lockdowns to combat coronavirus spread will drive down power demand through summer and possibly into Q4.
- Covid-19 driven global macroeconomic headwinds which point towards an economic contraction across Europe.
- New Stream still see 10% - 15% 2020 slump in Europe-wide power consumption.
- Market sentiment is going to be the key price driver in the short to medium term as data on demand destruction is assessed.
- Plentiful gas supply and LNG demand will also pressure power prices.
- Spot LNG prices in Asia at record lows last week.
- We are starting to see LNG cargoes used as storage which is a clear sign of a very oversupplied market.



Green Certificates : UK REGO's

Prices have fallen sharply as a result of :

- Covid19 causing reduced demand for power in general and crucially renewable backed power.
- Fall in European buyers due to European GO pricing relative to the REGO price.
- Oversupply as a result of wind production over winter.

Corporate buying on a forward basis...

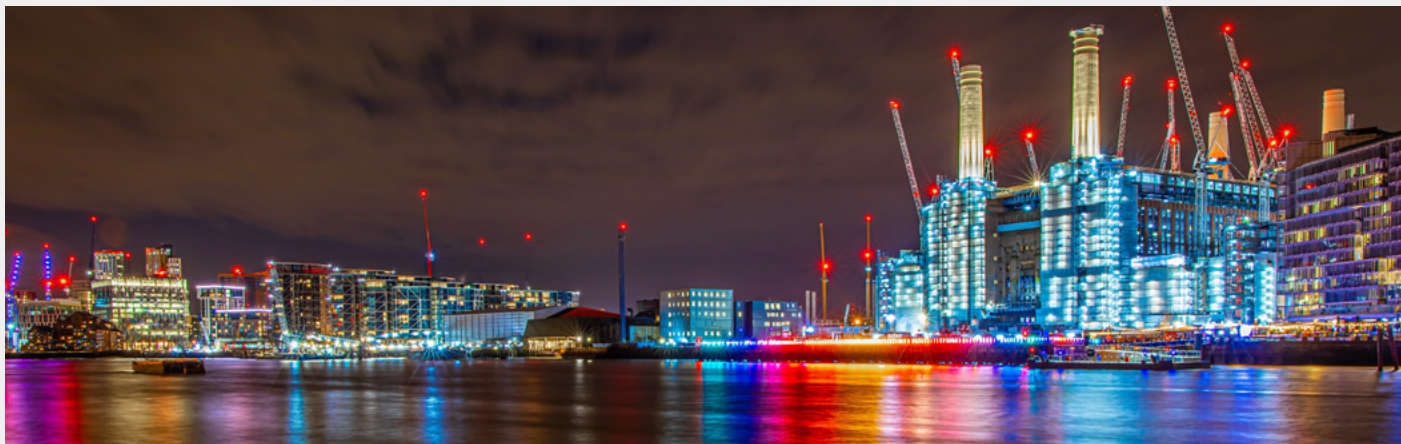
- Beginning to see demand from Corporates and suppliers looking to lock in and contract volumes out for 5 years.

New Stream Spot Pricing View :

- Deep Green Certificates (wind, solar, hydro) are trading in region of 10-12 pence.
- Sub 5MW AD at a small discount to these levels.

REGO value and price structures within PPAs.

- New Stream are still seeing aggressively bidding for PPAs with associated REGO certs (despite softening market fundamentals). Pricing in premium range from 25p to £1 but this is technology and site dependant.
- Europe's largest' solar plant comes online despite coronavirus challenges. The new 500MW solar photovoltaic plant in Spain is likely to enter full operations this week.



In other news....



SSE exits coal generation in 'landmark moment' with closure of Fiddler's Ferry. Fiddler's The closure also comes as part of SSE's commitment to net zero, and ahead of the government's target of ending unabated coal-fired generation by 2025. A government consultation is currently underway, however, to bring the date forward to 2024.

The regulator has accepted a request by National Grid ESO (NGESO) to replace the current CUSC proposal to implement the Targeted Charging Review (TCR) decision for a fixed residual transmission network use of system (TNUoS). A new implementation date of 1 April 2022 will replace 1 April 2021.

NGESO submitted a letter to Ofgem on 25 March to withdraw CMP332 Transmission Demand Residual Banding and Allocation (TCR), saying that during the workgroup process and workgroup consultation "significant issues have been raised that question the value and impacts to consumers".



New wind turbine blades that are 24% lighter than typical models and produce 9% more energy are being tested by ACT Blade, a spin-off company from UK yacht-sail developer SMAR Azure.

Ofgem delays Transmission Demand Residual change to 2022.



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