

Amid record demand for renewables, supply challenges continue to push prices higher, due dates later in U.S. and Europe

Edison Energy's Q1 Renewables Market Update records the market impacts of war, tariffs, supply chain issues, and transmission woes

IRVINE, CALIFORNIA, UNITED STATES, April 19, 2022 /EINPresswire.com/ -- Prices for renewable power continued to climb in the first quarter as a supply and demand imbalance hit the industry, according to [Edison Energy's Q1 Renewables Market Update](#).



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*Mary Kate Francis, Senior
Director, Renewable Supply,
Edison Energy*

Demand for renewables remained strong, with corporations having ambitious, publicly-stated renewables procurement goals, retailers seeking to offer renewable products, and utilities required to meet renewables requirements.

On the supply side, however, while many projects were marketed, those able to commit to firm prices without

sharing significant risks were hard to find. Developers face rising cost inputs that are challenging to hedge.

One example was transportation, where some equipment manufacturers have made the cost of shipping a market-indexed, rather than a fixed price. Uncertainty over tariffs was another variable at play, as the quarter closed out with the opening of a federal government investigation into solar panel tariff circumvention, expected to put the availability and cost of approximately 80% of PV module supply in question for months.

While buyers are often interested in nearer-term online dates, relatively few projects on the market today expect to come online before the end of 2024. Compared to Q4 2021, there were 30% fewer projects offering anticipated online dates in 2023 and a 30% increase in those offering anticipated 2024 online dates. The number of projects expecting to come online in 2025 or later spiked by 90%.

"The first quarter closed out with a significant shock to the U.S. solar market, and it looks like we

will be facing uncertainty for several more months," said Mary Kate Francis, Senior Director, Renewable Supply, at Edison Energy. "Nonetheless, we continue to see buyer interest in renewables. We are working with buyers to find options that work for them, and contract around risk as needed to bring projects to fruition."

"Despite the many current challenges facing the renewable energy sector, excellent opportunities remain in our findings for companies looking to secure PPAs in European markets," added Andor Savelkous, Senior Director, European Energy Advisory at Edison Energy (which does business in Europe as Altenex Energy).

The Edison Energy and Altenex Energy teams will share further insights on the renewables marketplace in two upcoming webinars. Learn more about the PPA landscape, pricing trends, and anticipations for the market in 2022 across North America and Europe.

Register for the Edison Energy webinar on U.S. findings, [1-2 pm ET on Wednesday, April 27, HERE](#).

Register for the Altenex Energy webinar on findings for Europe, [11-11:45 am CET on Friday, April 29, HERE](#).

KEY FINDINGS AND TRENDS

PPA prices continue to rise, facing supply and demand imbalance. ERCOT's p25 solar price growth rate slowed, while PJM and SPP solar each saw a 14% price increase.

Most commonly marketed online dates are in 2024 and beyond. While buyers are often interested in nearer-term online dates, relatively few projects on the market today expect to come online before the end of 2024.

Buyers explore different contract structures to mitigate cash flow risk. As PPA prices are on the rise and economic performance forecasted to result in a cost to the offtaker under most scenarios, developers and buyers are working together on non-standard contract structures that can mitigate a buyer's financial risk. These include the revenue share, reducing the buyer's downside risk; a hedged PPA, which locks in the known cost for the buyer; and contracting fixed price, project-specific RECs, which allows for a lower PPA to be offered to the buyer.

Solar developers struggle with uncertainty in the wake of Commerce's tariff circumvention investigation, leading to the tariffs on Chinese solar panels to extend through 2026, and the wait for the preliminary findings regarding the circumvention that will come in August. Concerns continue regarding the forced labor issue and the rising cost and availability of domestic solar panels that results.

Compliance RECs hit historic highs while National RECs fell in a volatile Q1. After a very steady

Q4 2021, REC markets saw volatility in Q1 2022. National RECs priced between \$4 to \$5/REC at the outset of the year, fell precipitously at the end of February, and bottomed out below \$3/REC at the end of the quarter. There are several theories for this drop, including traders selling off environmental commodities in reaction to the uncertainty and turmoil brought on by the war in Ukraine, but there were no major market changes that caused this disruption.

After relentless price increases, the carbon offset market dipped in Q1 2022. Due to significant investments and policy updates in 2021, the market for carbon offsets has exploded, with prices on projects often tripling compared to the previous year's prices. While there is an increase in demand from end-users, the jump in prices is attributed more to increased activity from traders and speculators.

For more including Trends by Regional Transmission Operator and Top Trends in Europe, please see our full press release at www.edisonenergy.com/news-events and Edison Energy's Q1 Renewables Market Update.

About Edison Energy

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