U.S. demand for renewables accelerates, finds Edison Energy's Q2 Global Renewables Market Update

Spurred by regulatory certainty and quickly approaching sustainability targets, despite supply chain constraints and Texas legislation

IRVINE, CALIFORNIA, UNITED STATES, July 25, 2023 /EINPresswire.com/ -- Despite ongoing supply chain constraints, U.S. demand for renewable electricity accelerated in Q2 of 2023. Buyers' appetite was fed by increased certainty around the tax credits in the Inflation Reduction Act, as the IRS issues final guidelines for their use, according to Edison Energy's [Q2 Global Renewables Market Update](). (Edison does business in Europe as Altenex Energy and Alfa Energy.)

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> *Edison Energy, Q2 Global Renewables Market Update*

U.S. median power purchase prices saw a drop this quarter, driven by a 30% jump in ERCOT wind and solar project inventory. Most solar developers have still not seen relief around supply chain pricing constraints, however, with high interest rates and increasing interconnection costs putting pressure on prices. While quarterly price increases have become commonplace over the past two years, Q2's solar pricing demonstrates some moderation in the market.

Solar purchase prices increased, though modestly, in all markets. Wind prices fell in both ERCOT and SPP, with a sharp 20% drop in SPP, driven by a small sample size and the addition of several competitively priced projects since last quarter. However, wind offers accounted for a minority of total North American projects at 14%.

Ongoing market challenges persist around availability of inputs, cost of products, and supply chain constraints; however, the industry continues to adapt by leveraging new strategies to manage risk, including later-stage marketing of projects and more targeted and accelerated PPA transactions.

Preliminary IRS guidance on the new clean energy tax structure included in the Inflation Reduction Act has brought increased certainty to the U.S. renewables market. Project developers are able to revise their assumptions on the cost to meet these requirements. This has given renewable buyers more confidence in PPA prices going forward. The IRS Guidance updates are mostly aligned with industry expectations.

The U.S. Treasury Department continues to release much-awaited preliminary guidance on “adders,” which offer higher tax credits for projects that meet certain requirements. This quarter, guidance was issued on the domestic content bonus credit, low-income communities bonus credit, energy community credit, and direct pay and transferability rules, all further explained in the Edison report.

The report also details other regulatory drivers of the current market conditions, such as the solar tariff Congressional Review Act, which at least provides some certainty surrounding the pricing and supply of solar panels in the near term, permitting reforms, and the Fiscal Responsibility Act, which will expedite environmental reviews.

Despite these modest tailwinds, most developers claim that conditions have not improved, and buyers continue to find themselves in a heightened risk environment for renewable project development and power transactions. To mitigate the risk of this pricing uncertainty —and to shore up power purchase prices—some developers have adopted the strategy of waiting to market projects until they are nearly or fully de-risked and almost ready for construction. Edison Energy has seen increased instances of this strategy over the last several quarters.

In addition to other conditions, the 88th Texas legislative session became a battleground for the energy industry, with the introduction of a slew of bills that would have disproportionately harmed the renewables market.

The legislation was in response to repeatedly disproved claims that blame renewables for the damage caused by Winter Storm Uri. Fortunately, due to a strong coalition in the Texas House of Representatives, alongside coordinated efforts of trade groups and clean energy advocates, the industry’s worst-case scenario was avoided. The most damaging bills to the renewable industry either failed to pass or were reduced from their original form.

While there will certainly be changes across the Texas energy market after the 88th legislative session, it will take several years to determine exactly what effect it will have, and the specific impacts on renewable energy buyers. Many developers have indicated that the continued regulatory uncertainty has yet to deter them from the ERCOT market, as demonstrated by the 30% increase in project inventory this quarter. Some are less optimistic, shifting development focus to other markets.

Follow the link to read more details in Edison Energy’s full Q2 Global Renewables Market Update.

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About Edison Energy
Global Reach. Local Impact. Edison Energy LLC (DBA in Europe as Altenex Energy and Alfa Energy) is a global energy and sustainability advisory that provides strategy and implementation services to help large corporate, industrial, and institutional clients navigate the transition to a net-zero future.

With the recent integration of Edison, Altenex, and Alfa into one global company, we bring the strength of combined expertise across energy procurement, optimization, renewables, and sustainability solutions. Our advanced technological capabilities and expanded international reach enables our clients to achieve more positive, measurable impact. Edison by the numbers: 45 Global Fortune 500 clients; 10.6+ GW of offsite renewable procurement; $7BN+ in energy spend managed; 30+ countries served; 20+ languages spoken. For more information visit: https://www.edisonenergy.com/

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