

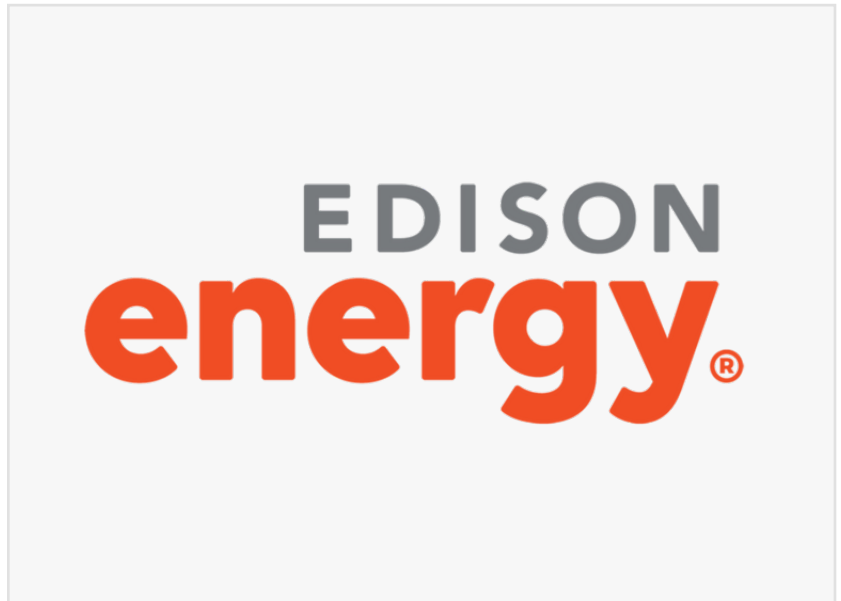
Price increases continue for U.S. and European renewables as strong demand runs up against supply chain constraints

Costs impacted by recent policy uncertainty, rising costs of inputs, and heightened corporate demand, says Edison Energy's Q2 Renewables Market Report

IRVINE, CALIFORNIA, USA, July 29, 2022

/EINPresswire.com/ -- The second quarter saw continued rising Power Purchase Agreement (PPA) prices across all renewable energy markets and technologies, reflecting robust demand amid rising costs for commodities and more trade-related constraints, according to Edison

Energy's Q2 Renewables Market Report. (Edison does business in Europe as [Altenex Energy](#).)



The North American and European PPA markets continue to build momentum as more global and regional companies set aggressive renewable energy targets and seek projects to meet their

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*Edison Energy's Q2
Renewables Market Report*

long-term renewable energy goals. As the report describes, “In addition to net price increases, many markets also experienced their highest price growth rate in several quarters. While Q1 saw median price increases between 3% – 16%, Q2 ranged from 5% – 33% by market,” in the U.S.

Challenges continue, however. A new U.S. law, the Uyghur Forced Labor Prevention Act (UFLPA), addressing concerns around forced labor in the solar supply chain, went into effect, and the cost of labor, raw materials, and shipping continue to rise, increasing the capital expenditure required of developers. Project financial models are seeing

price pressures, exacerbated by the war in Ukraine and Covid-19.

In the U.S., the inventory of projects on the market dropped by 30% in Q2, and anticipated online dates for marketed projects continue to shift later. Recent executive actions by the Biden administration are expected to help solar project developers bring projects back. However, supply chain-driven constraints and interconnection queue delays are causing some projects to face schedule delays of a year or longer. In Europe, the delays are caused by permitting and grid connection issues in some markets; the European Commission has proposed a new package that should streamline the process and release projects from delays.

U.S. REC prices fell to their lowest point in over a year, while the carbon offset market in both the U.S. and Europe has slowly recovered. With officially tagged carbon removal credits now available, developers and vendors are able to price tropical forests and nature-based removals at a higher price than they had previously, due to significant demand in this formalized category.

The Russian invasion of Ukraine has posed an urgent need to end gas dependency on Russia. As part of its strategy, the European Union has introduced REPowerEU, a package of measures to promote energy saving, energy diversification, accelerated adoption of renewable energy, and investment and reform. The new legislation aims to unlock renewable energy's potential even further and reduce reliance on gas imports in time for the winter heating season.

Among the report's takeaways:

Despite the market challenges, buyers have a number of motivations to pursue PPAs. By contracting with a new-build renewable energy project, a buyer achieves many objectives:

- Purchases RECs to comply with their renewable energy or emissions reduction target
- Enables the financing and construction of a new power plant, and
- Brings environmental and economic benefits to the local community

To estimate what corporations would need to budget for a renewables contract in today's market, an analysis of forecasted performance of median-priced solar PPAs across the major U.S. markets showed:

- In ERCOT, Edison's Spring 2022 Base Case scenario anticipates an annual \$20-30/MWh cost in the early years of the contract, declining over a 15-year term.
- Across third party forecasts, SPP solar is expected to be significantly less costly than MISO and PJM solar.
- PJM solar costs are largely forecasted to be a bit above the current ~\$24/MWh cost of PJM Tier 1 RECs, annually over a 15-year term.

Global supply chain issues are contributing to higher PPA prices. Raw materials such as steel and aluminum, which make up 90% of a wind turbine, have experienced sharp increases including a 40% jump in European steel prices in a matter of weeks.

A significant development has impacted the Guarantees of Origin (GO) markets. Up until now, clients who made RE100 commitments could consider their entire EU footprint as eligible. However, this was not aligned with the Carbon Disclosure Project (CDP) framework, which uses AIB geographic boundaries. That gap has now been closed and RE100 will follow CDP guidance.

[Follow this link](#) to read Edison Energy's full Q2 Renewables Market Report.

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