Edison Energy: Price increases slow for US and European renewables amid rising interest rates, shifting policy landscape

Falling costs of copper, aluminum, and North American steel contribute savings, Q4 Renewables Market Report finds

IRVINE, CALIFORNIA, UNITED STATES, January 25, 2023 /EINPresswire.com/ -- The price of Power Purchase Agreements (PPA) grew at a slower rate in the fourth quarter, as rising interest rates and supply chain constraints continued to impact renewable financing markets, according to Edison Energy's Q4 Renewables Market Report. (Edison does business in Europe as Altenex Energy and Alfa Energy.)

Solar PPA prices in the U.S. grew a modest 4% in Q4, compared to a whopping 17% in Q3—pushing median prices up a total of 48% last year. One factor exerting downward price pressure was falling material costs in copper, aluminum, and North American steel, down 15%, 10%, and 64% from a year ago. This trend could push prices down further into 2023 as its effects ripple through the supply chain.

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> *Edison Energy's Q4 Renewables Market Report*

PJM experienced the most significant PPA increase of 8% in Q4. The Federal Energy Regulatory Commission (FERC) approved PJM's interconnection reform filing in Q4. This decision will cause significant project delays in the mid-Atlantic region in the near term, though will hopefully clear PJM's interconnection queue long-term, which has nearly tripled over the past four years alone.

The EU PPA Index price was up 3% compared to Q3, coming in at 91 €/MWh. Key factors were rising interest rates, supply chain constraints and surging power prices, largely driven by the

Russian invasion of Ukraine. The European Commission is mulling a cap on electricity prices to bring relief, but the patchwork of new regulations creates uncertainty for developers and muddies PPA transactions.

Macroeconomic realities set the tone as world leaders met at the United Nations climate summit COP27 in Sharm El Sheikh, Egypt, this past November. The summit emphasized net-zero targets, vowed to curb methane emissions, and tightened standards on corporate environmental claims.

Global climate initiative RE100 is tightening standards to clamp down on greenwashing as member companies look to achieve 100% renewable energy portfolios. Two new rules, effective in 2024, will clarify standards around renewable energy procurement to increase companies' accountability and transparency.

Meanwhile, the Internal Revenue Service provided eagerly-anticipated clarification on new labor standards that go into effect later this month to unlock the maximum tax credits under the Inflation Reduction Act (IRA). This will help developers factor in the cost to comply with the standards, although further details are expected later in 2023. New wrinkles may come from a joint task force by the U.S. and EU, which aims to address European concerns over the IRA's domestic requirements.

U.S. project developers are digesting the U.S. Department of Commerce's preliminary determination of rampant solar tariff circumvention. This is likely to further push up solar PPAs in the short term, as domestic manufacturers work to fill gaps in the module supply before the tariff is enforced starting in June of next year. Nevertheless, developers welcomed the increased clarity.

Follow the link to read more details in Edison Energy's full Q4 Renewables Market Report.

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