

BIG PRICE JUMP DURING SPRING

Green certificate prices have been climbing during spring time, where demand has been steadily increasing. Several countries are working on new climate targets, something which increases the upside on the market.



Demand for green certificates has increased noticeably during spring and prices on both wind- and hydro power certificates have climbed. By mid-May, the prices on Nordic hydro, wind and solar power certificates for 2021 are all at the highest price level in more than a year, and all trade at more than double the price than they did three months ago.

It is first and foremost the cold weather, which we have experienced in the Nordic area over the last months, which has driven the market upwards. The cold weather has postponed the seasonal snow melt, and has also cut the surplus on the Nordic hydro balance. Where we saw a two-digit surplus on the hydro balance only a

few months ago, the surplus has now been reduced to only around 3 TWh. The water level in the Norwegian water reservoirs is very low compared to normal, because the low temperatures mean, that the snow remains in the mountains instead of melting and flowing down to the reservoirs.

These conditions have caused a nervous sentiment on the market, where buying interest has been steadily increasing during spring. The development appears to have been self-escalating to some extent. Once prices started rising, buyers were attracted to the market, to hedge before the market climbed even more. In general however, it is normal to see that demand rises during this time of the year. We usually see a development,

where the end of spring and the middle of autumn are the two peak seasons on the market, while buying interest fades during the other months of the year.

Higher climate targets

To find other reasons, why certificate prices are rising, it is worth looking at the European climate policy. We rarely see a month go by, where we don't see new and more ambitious climate targets, either centrally from the EU or unilaterally from some of the union's member states. During spring for instance, the German government has increased its ambitions about, how much the country's carbon emission level has to be lowered by 2030. The new ambition is 65 % less ambitions in 2030 compared to the level from 1990.

As the countries continue to increase their climate targets, and climate policy remains high in the public agenda, the pressure also steadily increases on private companies to make sure, that the electricity they use comes from sustainable energy sources. There is no reason to think, that this development will not continue during the coming years.

Continuous oversupply

Despite the rising prices, we still see a high degree of oversupply on the certificate market. To find the reason behind this, we have to go back to last year, where a lot of renewable energy capacity was installed, at a time where nervousness and pessimism had struck the market due to the outbreak of the corona virus pandemic. This meant, that we suddenly saw the amount of sellers rise, while buying interest decreased noticeably, something which naturally caused falling certificate prices.

It is not until now, that we see this pattern changing. Optimism is slowly returning to the market, which believes that the worst is now past us in terms of the corona virus. This also means, that the oversupply on the market can be dealt with.

Exciting summer awaits the market

We are now facing a summer, where it will be interesting to see, if the market can stabilize itself at pre-corona virus price levels. If this indeed happens, it should be a sign that the market has put the crisis from the last year behind it. There is however also a large risk, that we will see a downwards adjustment on the market. When you see price jumps as big as the one the certificate market has seen during spring, and the gains to some extent are considered overdone and attributed to panic buying, there is a big chance that the market will retreat again once it calms down. ■

WHAT IS A GREEN CERTIFICATE?

- > It has been decided that all renewable energy (RE) in the EU is to be certified
- > The TSO's of the concerning countries decide, which RE units can be issued certificates
- > The owner of an RE unit is issued one certificate for each produced MWh of electricity
- > These certificates are sold to customers, who can document that their consumption comes from RE
- > Most certificates traded in the Nordic area comes from hydro or wind power
- > Certificates from newer RE units have a higher value than those from older units

» PPA'S FOR ALL COMPANIES

Did you know that the Energi Danmark Group makes it possible for all companies - smaller or larger - to add new renewable energy to the society?

With a PPA, you actively contribute to the green transition, and your electricity consumption is settled for 10 or 15 years at an attractive, fixed price.

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