

Renewable energies Megatrend defies fluctuations

Düsseldorf, May 11th 2020 – Green electricity will be a scarce commodity in the coming years. Even if prices fall in the wake of the pandemic crisis, they will not remain at these levels for long. "The demand for green electricity is growing worldwide faster than the supply can be created," says Markus W. Voigt, CEO of aream group. "Therefore, it is a good time for investors to enter the market."

The market values for electricity from photovoltaic and wind power plants fell to below one cent per kilowatt hour in April 2020, the transmission system operators just reported. The market value for solar power in April was 0.89 ct/kWh, a drop of 45 percent compared to March 2020, and for wind power 0.94 ct/kWh, a drop of 47.0 percent compared to March. "These market values reflect the significantly lower demand for electricity due to the pandemic", says Voigt. Because even though consumption by private households increased during the crisis, this does not compensate for the decline in industrial demand, which is almost twice as high.

"The long-term demand for electricity from renewable energy sources, on the other hand, has not fallen", says Voigt. "Here, everything is just being lumped together in the wake of the crisis". Even before the crisis, more and more companies were setting up projects for 100% green electricity in operation. Even now, the awareness for the environment continues to rise. In addition, the generation gap resulting from the imminent shutdown of nuclear power plants must be compensated. In the long term, moreover, considerable coal capacities will go off the grid. The advancing sector coupling, i.e. the electrification of heat and transport, also leads to a higher electricity demand, which will be covered mainly by renewable energies.

In addition to the very short-term market values, electricity prices in Europe also fell significantly in mid-March. Since the beginning of April, they have been rising again, as can be clearly seen from the 10-year PPA prices. Large electricity traders expect electricity prices to rise and offer PPAs with prices that are close to pre-crisis levels.

The International Energy Agency even expects renewable energies to be the winners in 2020, a year overshadowed by the Covid-19 crisis. Governments around the world are giving preference to renewable energy sources when it comes to feeding into the energy networks. "In addition, operating costs are low, which is particularly beneficial when energy demand is low", says Voigt.

The short-term prices are not very meaningful for investors. "The long-term perspective is decisive here: the revenues come from natural resources that are available free of charge and are not susceptible to crises", says Voigt. "The valuation of the investments is based on long-term return expectations and less on short-term external factors", says Voigt. And here, the investments are long-term, the calculations assume 25 to 30 years and thus outlast even temporary periods of crisis.

More information: www.arem.de.

About aream

The aream group is a fully integrated investment and asset manager for institutional investors with a focus on renewable energies. With a transaction volume of EUR 1.5 billion and a managed investment of EUR 1 billion, aream has been providing the entire spectrum of asset management services for 15 years, thus ensuring the commercial and technical optimisation of assets. Comprehensive services enable investments to be implemented from the planning and construction phase through to operation in line with investors' specifications.

As a signatory to the UN Principles for Responsible Investment (UN PRI), aream actively includes ESG issues in its investment analysis.

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