

When is green electricity really green?

Düsseldorf, July 20th 2020 – More and more companies, municipalities and states are switching to green electricity. Guarantees of origin are used to prove that the electricity originates from renewable sources. A separate market has developed for these. Prices have fallen significantly in the wake of the pandemic. "For the future, however, an interesting market segment is emerging here", says Markus W. Voigt, CEO of aream group.

"When electricity comes out of the socket, it is impossible to see how and where it was produced", says Voigt. That's why there is a European system for guarantees of origin. "For every megawatt hour of electricity generated from renewable energy sources, a so-called GO for Guarantee of Origin is generated." In the past, these were often marketed directly with the electricity. In recent years, a separate market has developed here - with its very own rules.

For example, GOs for 626 TWh were issued in 2019, an increase of around five percent compared to 2018, according to the experts at Becour AS from Norway, which specializes in market monitoring of renewable energies. "While these GOs used to be just accessories in the past, today they are definitely an interesting option in marketing", says Voigt. The prices are not always rationally determined, but should certainly increase significantly in the coming years. "Not every one of these guarantees of origin is equally valuable to the buyers", says Voigt.

For example, guarantees of origin from new photovoltaic and wind power plants fetch higher prices than, say, GOs from long-established hydroelectric power plants. "The background here is that the old plants do not make any further contribution to the CO₂ reduction", says Voigt. Other consumers, on the other hand, do not want GOs from biogas plants because they may use waste from factory farming. And yet other companies pay more for GOs that are time-related to consumption or for locally generated electricity.

"All in all, a complex and interesting market is emerging here", says Voigt. Prices range from seven euros/MWh for wind power generated locally in the Netherlands to just 0.10 euros/MWh for guarantees of origin in Spain. "All in all, the market is clearly affected by the pandemic", says Voigt. "In Italy, for example, the price of a GO fell from 1.65 euros a year ago to 0.20 euros now." However, prices are currently recovering, partly because new, green products are coming onto the market. "In this respect, we are closely monitoring when the right time is right to sell the GO", says Voigt.

In any case, however, it can already be seen today that the demand for green electricity from certified sources is growing much faster than the supply. "At least in the next ten years we will experience a major shortage here, which will cause prices to skyrocket", says Voigt. "Only when the energy turnaround has actually taken place will the price of certificates fall again." But that will still take quite a while.

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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