Midwest REC Market Notes: Q2 2014

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Illinois: The past quarter saw IL RPS REC pricing decrease slightly, but still remain well above Green-e. We also saw a jump in demand for older non-wind IL RPS RECs, pushing the price past $1.00. Whether or not this is a temporary shift remains to be determined.

Michigan: Prices ticked up a bit in the second quarter with some trades for current year product breaking above $1.00. The Michigan REC market is still oversupplied with more generation on the way and we expect prices to stay close to this range going forward. Surprisingly, generators who are eligible for the Ohio REC markets have not made the switch, despite a spread that went as high as twelve dollars.

Minnesota: Once again, no change for Minnesota RPS RECs this quarter as pricing remains consistent with historical trends.

Missouri: Pricing for Missouri RPS RECs stayed on par with the national Green-e market.

Ohio: Last quarter we discussed the introduction of SB310 that would freeze the RPS; this bill has been signed by the governor. The bill also eliminates the instate requirement, creating only one class of Ohio RECs. This has had a negative impact on the related PJM1 prices, pushing them off their $17.50 high to recent trades of $14. The Ohio REC market has been trading around the $9.00 level. We believe this price point is artificially low as most Ohio Instate RECs also qualify for the PJM1 market. The former Ohio Adjacent State Market will likely be short within three years, which means that the Ohio REC market should be trading at parity with PJM1s in the very near future.

Product	Bid	Ask	Trade
Michigan RPS RECs			
2012	-	0.50	-
2013	0.70	0.95	-
2014	1.00	1.25	1.15
Minnesota RPS RECs			
2013	0.20	0.30	-
Ohio RPS RECs			
2013	7.50	9.00	-
2014	8.00	9.50	9.00
2015	8.00	9.75	
Illinois IPA approved wind RECs			
RY12	0.75	0.90	0.80
RY13	0.95	1.15	1.05
RY14	1.15	1.25	1.20
Wisconsin RPS RECs			
2012	-	-	-
National Green-e RECs			
BH 13	0.85	0.95	0.90
FH 14	0.90	1.00	0.95
BH 14	0.95	1.10	1.00
CAL 15	1.10	1.20	-

Wisconsin: The Wisconsin market remains unchanged. Few, if any, WI RRC trades are occurring, with fewer being reported. The biggest action in Wisconsin is for those facilities that have RECs eligible for the national Green-e, Michigan or Illinois RPS market.

Voluntary RECs

The mad dash of final true up for Green-e occurred in May, with all parties completing their purchase of Green-e reporting year 13 RECs. Unexpected this year was an uptick in prices in the last few weeks of true up. Recently trading has been sluggish, and prices have trended back under a $1.00 again, with bids in the $0.80 range.

Midwest Long Term Power

While the colder summer has not helped spot prices in the Midwest, the EPA Greenhouse gas ruling has certainly increased the interest level for long term contracts from renewable generators. This quarter we are seeing positive signs of interest. Pricing has improved for the 20 year outlook as well.