



Midwest REC Market Notes: Q1 2016

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Illinois: IL ARES REC prices have begun to separate themselves slightly from the general Green-e prices, but their trend line is the same. We are not seeing much of a change to current trajectories absent legislative action.

Michigan: The MPSC has issued its [6th annual report](#) on the state's RPS. A few highlights:

- 9.1% of the state's electricity came from renewables in 2014
- There is 484 MW of new wind generation coming on line this year, approximately another 1.3 million RECs
- Combined cost for renewable energy and optimization is \$37.43 per MWh.

If we add the additional 1 million plus RECs to our forecasts, it adds to the REC oversupply in state pushing the forecasted 'go short date' to well after 2025. The long market view we hold is further supported by the fact that to date approximately 2.4 million RECs have expired without been used for compliance. How this market continues to trade above Green-e is a bit of a puzzle.

Minnesota: No change as MN Compliance RECs remain matched to IL ARES non wind pricing since most facilities remain qualified for both markets.

Missouri: No news for Missouri as REC pricing remains on par with the national Green-e market.

Ohio: Forecasting this market is a challenging job indeed. Duke Energy announced that they are committed to building 900 MW of new renewable generation in the state, 500MW of wind and 400MW of solar, over the next few years. This is an aggressive goal for solar, but not so for wind as two large farms can fill that need. The end result is plenty more RECs for the PJM1 market, but not necessarily for the OH market. While this is a lot of RECs to add to the market, we expect this should not have a direct impact on OH REC pricing. We still are projecting a shortage around 2018 – 19. Governor Kasich's stand is that an RPS repeal is off the table and he is in favor of resuming the increase in the percentage requirements.

Wisconsin: No change for the Wisconsin market. Generators that have available RECs have been moving them to the IL RPS markets.

Voluntary RECs

The laws of supply and demand cannot be ignored. In the voluntary market, supply is outpacing demand and with the extension of the PTC via the omnibus bill that congress passed a couple of months ago, we should expect continued wind development. As an example, MidAmerican just completed wind farm projects totaling 1,200 MW. We expect REC pricing to continue its current trend.

Midwest Long Term Power

Not much has moved since our last publication. Gas forward curves remain somewhat flat and so do the published forward power curves. On the flip side, utilities in Michigan and Indiana [retired](#) 2,000 MW of coal facilities.

Product	Bid	Ask	Trade
Michigan RPS RECs			
2013	-	-	-
2014	0.45	0.75	-
2015	0.50	0.80	-
2016	0.60	0.90	-
Ohio RPS RECs			
2015	1.60	2.50	1.50
2016	1.75	3.00	-
Illinois ARES wind RECs			
RY14	-	0.35	-
RY15	0.28	0.35	0.30
RY16	0.35	0.450	0.35
Illinois ARES Non Wind RECs			
RY14	-	0.25	-
RY15	-	0.35	-
RY16	-	0.45	-
National Green-e RECs			
BH 14	0.20	0.35	
FH 15	0.20	0.35	
BH 15	0.33	0.38	0.33
CAL 16	0.35	0.45	-

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