

# The renewable energy investment conundrum

June 2016

Enlightening environmental markets

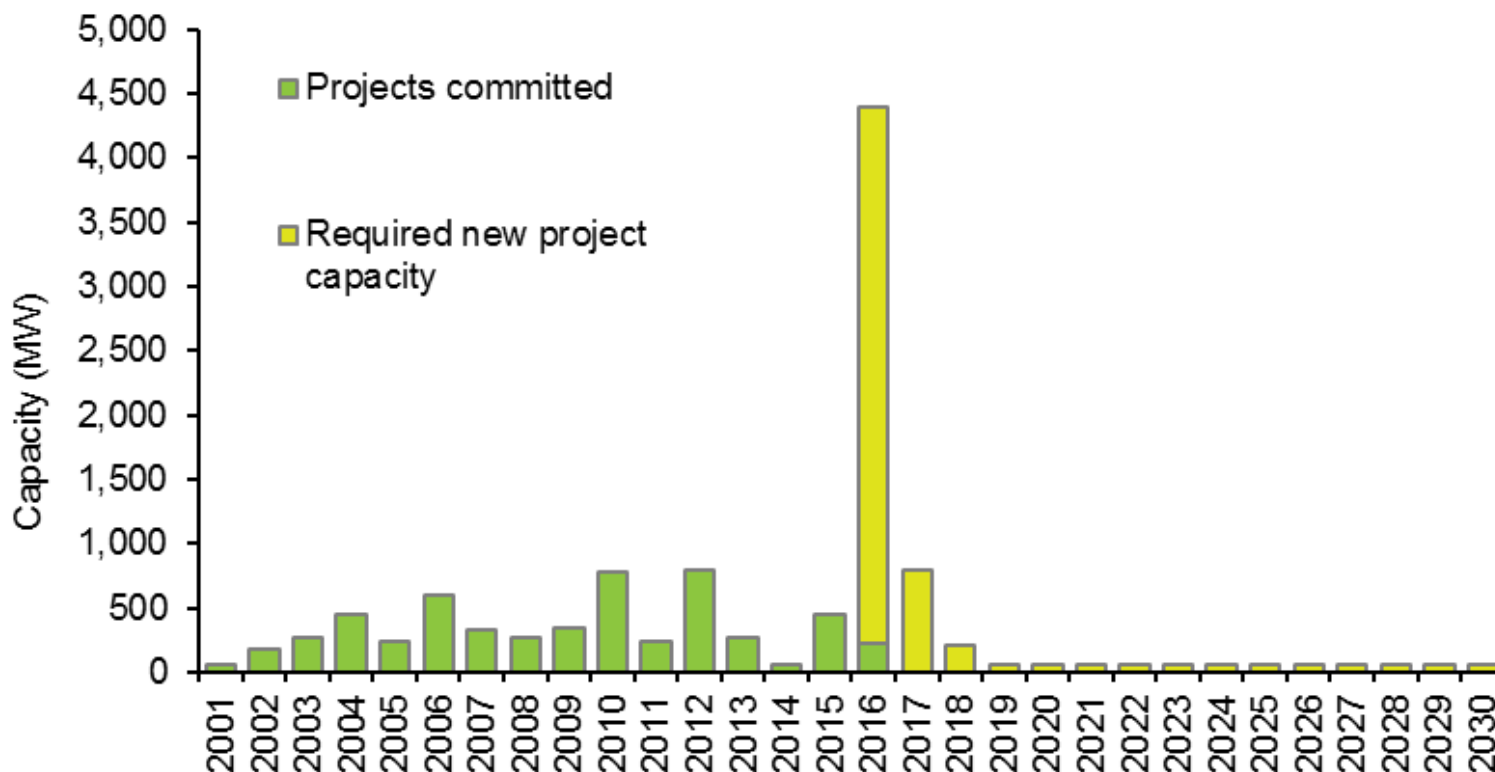


Green Energy  
**Markets**

# LGC shortage imminent

- We need an awful lot of capacity and quickly

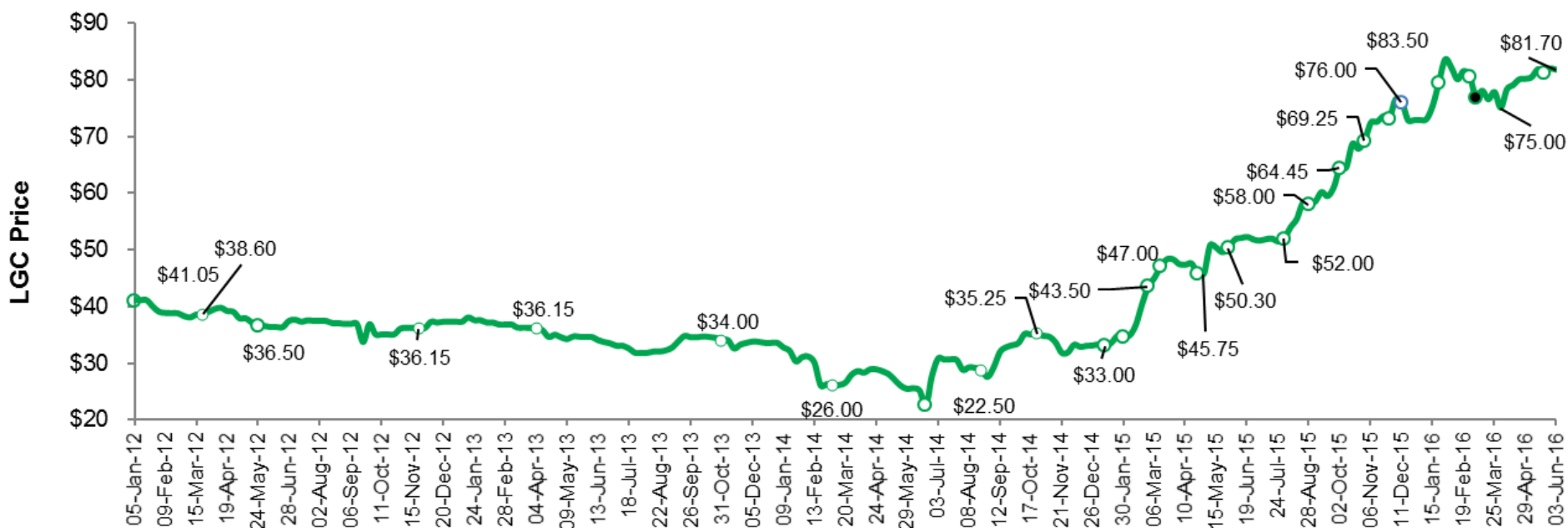
Historical MWs committed versus required to meet RET



# LGC shortage imminent

- Prices in the market reflect an impending shortage

LGC spot price Jan 2015 – April 2016



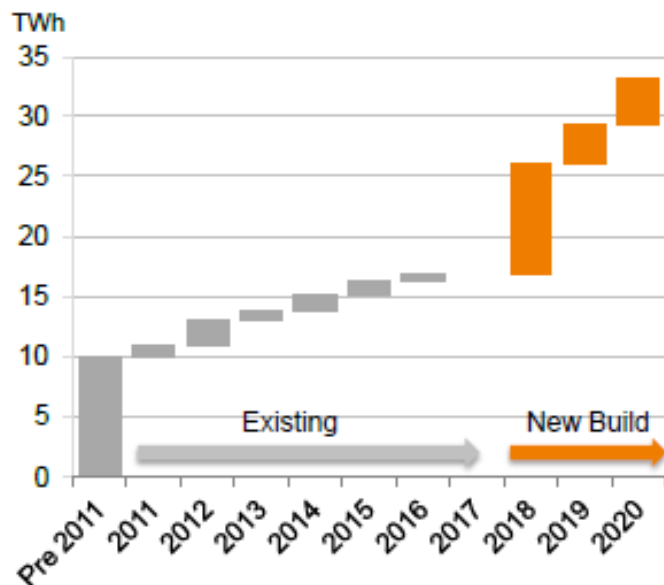
# Should be investment surge

- Yet the underlying cost of power from renewables projects is less than available prices

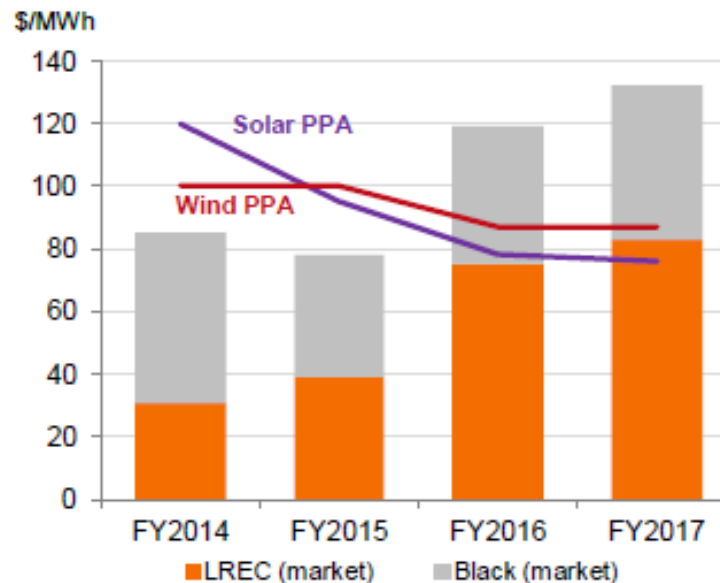
Renewables are more attractive than ever as utility scale solar and wind generation costs fall



## 14TWh of new renewable build required<sup>1</sup>



## LREC price rising and renewables cost falling<sup>2</sup>



# Should be investment surge

- The cost of renewables is less than available prices

Combined value  
Power + LGC

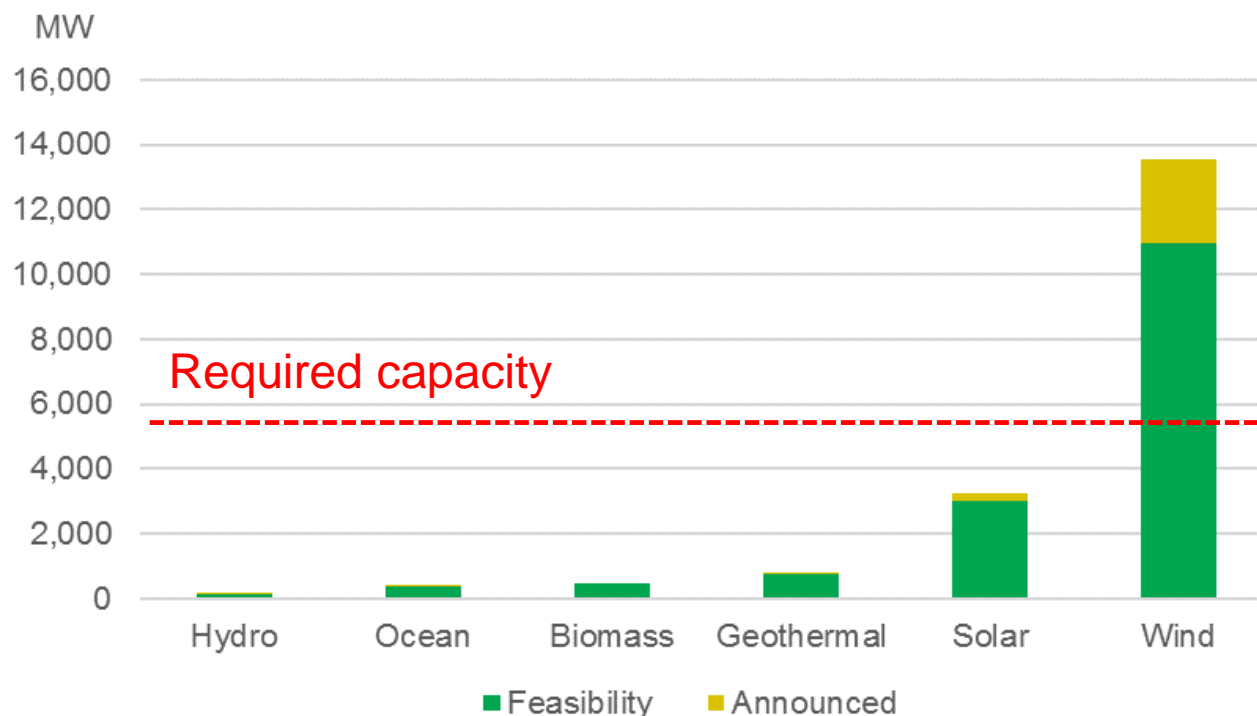
	Wholesale power 2019	Plus LGC @ \$80
SA	\$70	\$150
QLD	\$58	\$138
NSW	\$50	\$130
VIC	\$43	\$123

- ACT wind auction results:
  - Hornsdale I – \$92
  - Hornsdale II – \$77
  - Sapphire – \$89.10
  - Coonooer Bridge – \$81.50
  - Ararat - \$87

# Should be investment surge

- Yet there are plenty of available projects

Megawatts of projects in development versus requirement



# Why no supply surge?

- Why so few projects being committed?
  - Little finance available for projects w/o PPA – immature & inexperienced financial market + regulatory risk
  - Some retailers not deemed credit-worthy counter parties by banks
  - Credit worthy retailers not the ones who get hurt by LGC shortage
  - Genter concern about impact on their other generation assets
  - Even slight oversupply leads to LGC price collapse
  - Ongoing concern about regulatory risk

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