

Oversupply of green certificates

The green certificates market faces severe oversupply since 2012. The reason is attributable to many complex factors, independent from the investors.

First, in 2010-2013 the ERO published certificate market situation data only once per year, rendering impossible analysis of the market situation on a current basis. Second, the period saw the quickest growth in the supply of certificates from producers using multifuel combustion technology, who are the only ones capable of controlling the certificate supply at their discretion (including decreasing the supply to zero) without any adverse consequences.

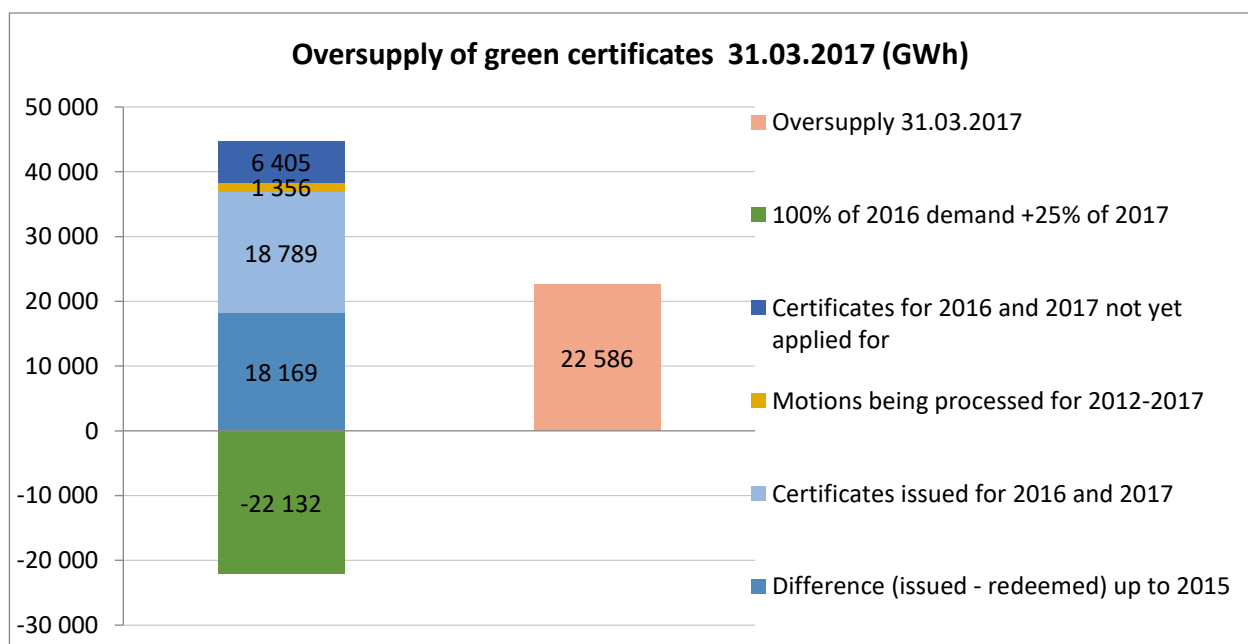
Over a three year period (2010-2012) the obligation to purchase certificates was maintained at the same level. Moreover, the market situation was further aggravated by the still unexplained consent to the payment of the substitution fee when certificates were available on the SPOT market.

The green certificates quota to be cancelled, specifying the demand for green certificates, laid down in the 2012 Regulation and unadjusted to date (save for the adjustment stemming from the introduction of biogas certificates) is far from both the yearly NREAP target part and the actual growth and structure of the RES sector. Furthermore, supply adjustments (exclusion of large, depreciated hydro power plants and limitation of support for co-firing installations), only introduced at the beginning of 2016 by the RES Act, proved to be several years' late.

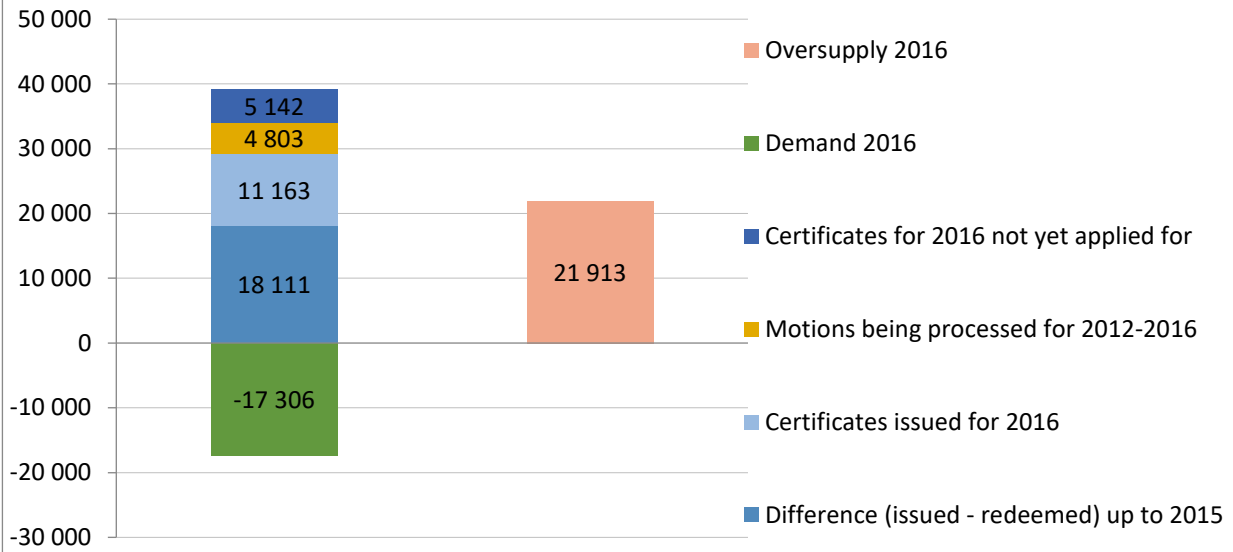
Had the solutions been implemented when deemed necessary – in 2013 – the today's oversupply could have been lower by half. The oversupply would have been at the level from the beginning of 2014 (10.7 TWh – 31 March 2014), when the green certificate prices amounted to approximately PLN 180.

PWEA on the basis of the ERO and the EMA data analyses the supply and demand, including the oversupply of certificates of origin, on a quarterly basis. Currently the extent of the oversupply is greatest in the entire history of the support scheme in Poland. At the end of March 2017 the oversupply of green certificates reached 22 586 GWh.

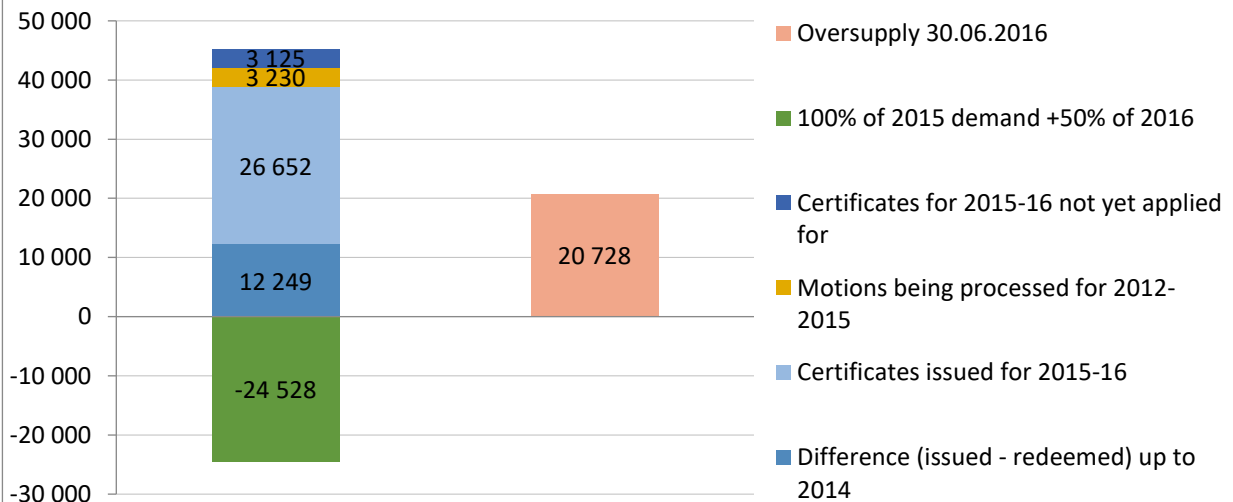
To fully demonstrate the increasing oversupply below we present graphs illustrating the situation in the last quarters (*with the exception of Q3, for there were no ERO data*).



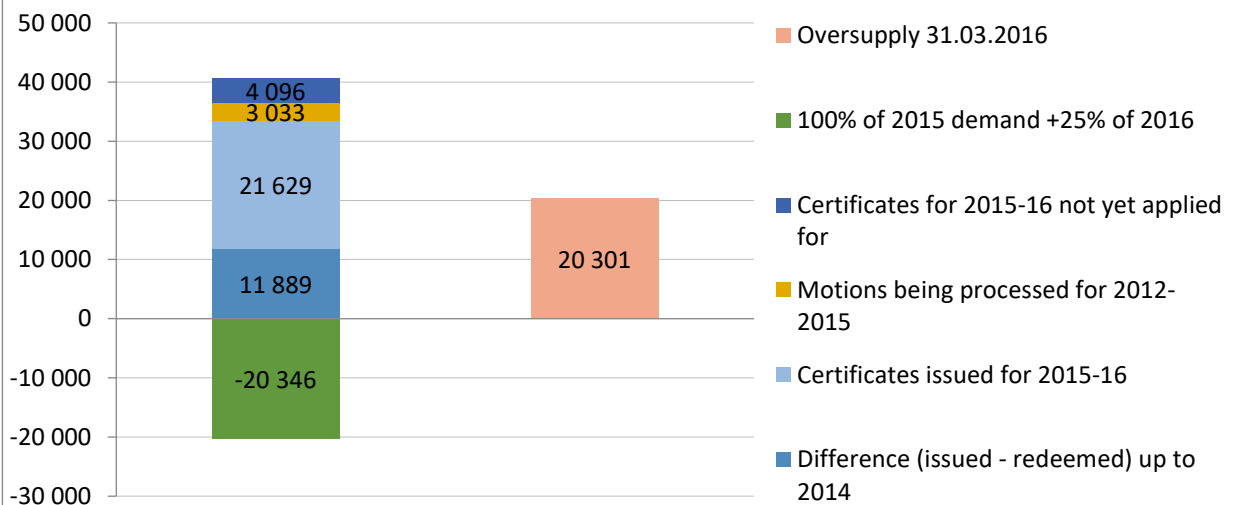
Oversupply of green certificates 31.12.2016(GWh)



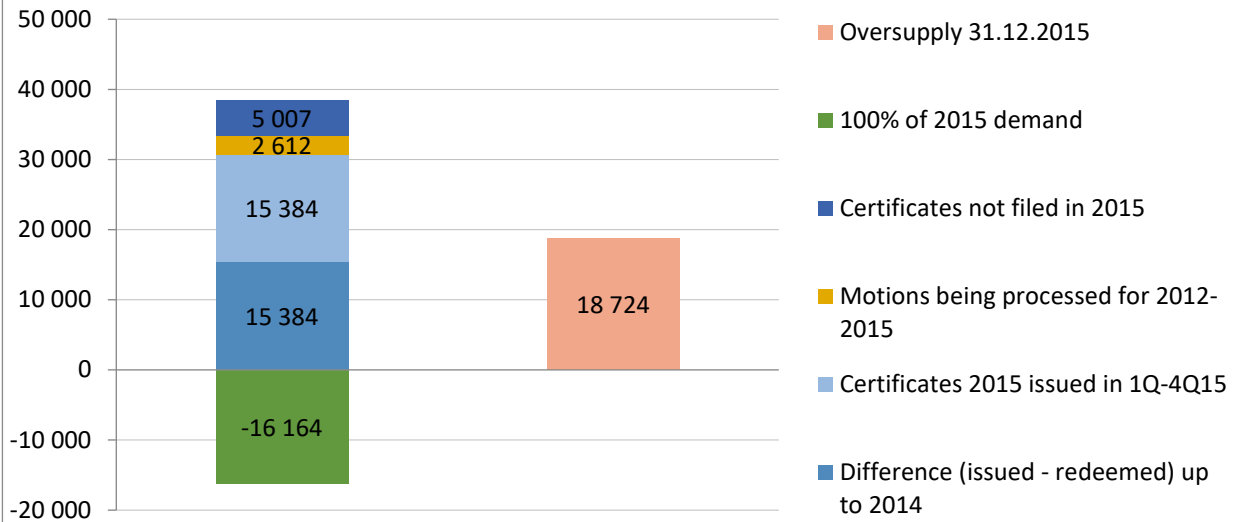
Oversupply of green certificates 30.06.2016(GWh)



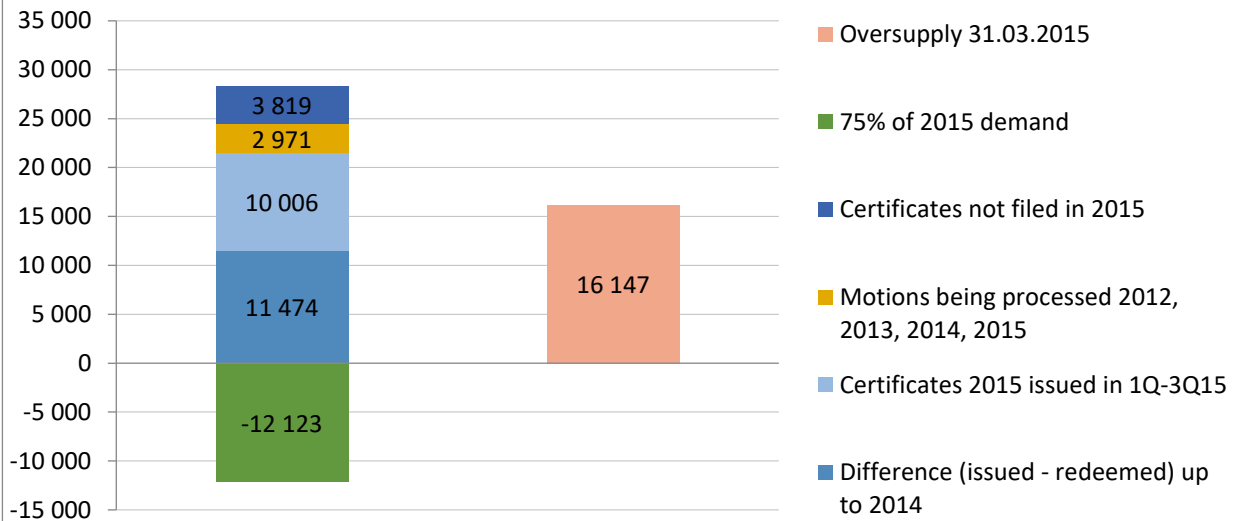
Oversupply of green certificates 31.03.2016(GWh)



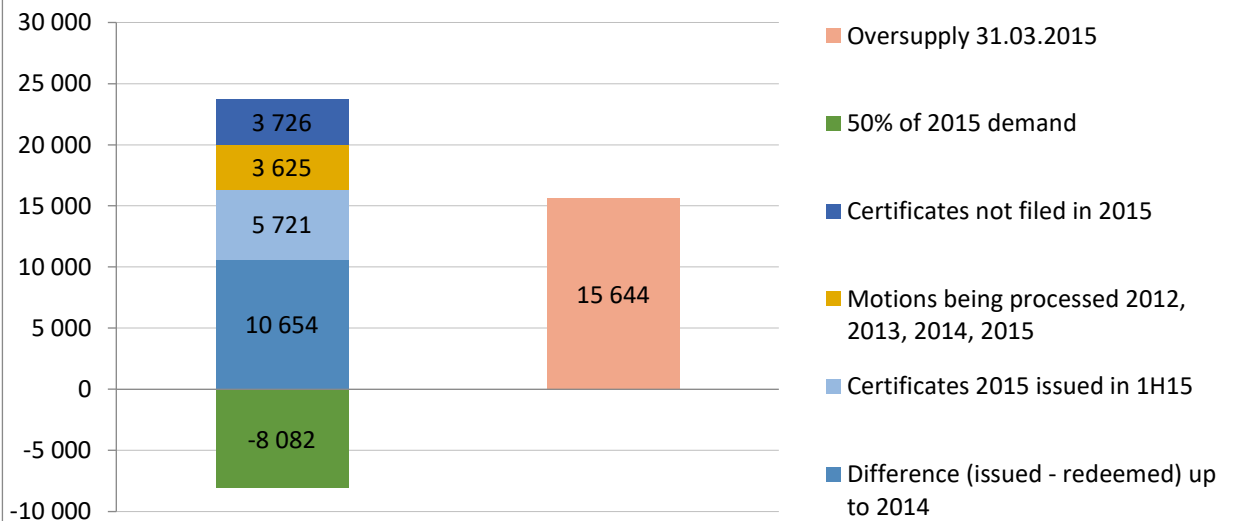
Oversupply of green certificates 31.12.2015 (GWh)



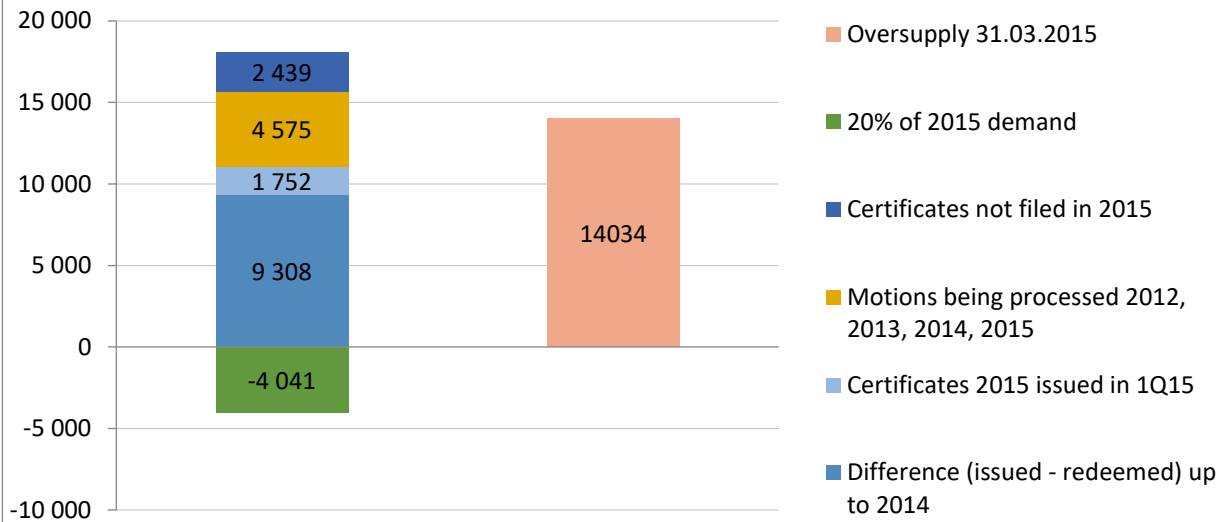
Oversupply of green certificates 30.09.2015 (GWh)



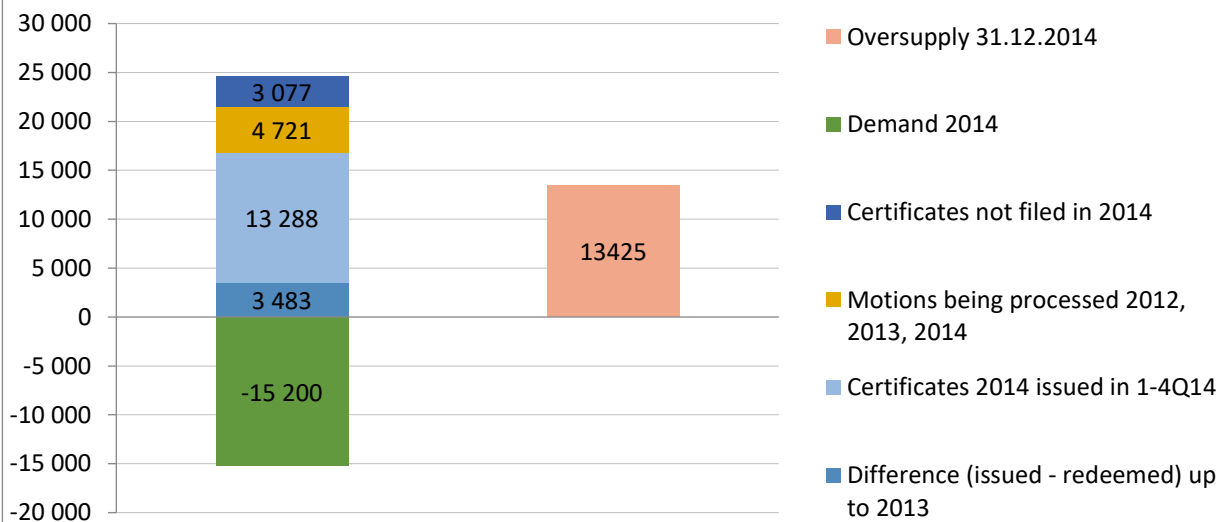
Oversupply of green certificates 30.06.2015 (GWh)



Oversupply of green certificates 31.03.2015 (GWh)



Oversupply of green certificates 31.12.2014 (GWh)



Oversupply of green certificates 30.09.2014 (GWh)

