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Clean Markets: Massachusetts '09 RECs fail to sell at auction

SNL EXTRA

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By [Jennifer Zajac](#)

A recent auction to sell 2009 Massachusetts renewable energy certificates failed to attract any suitable bids.

On Oct. 7, [Evolution Markets Inc.](#) conducted an auction of 2008 vintage and 2009 vintage RECs on behalf of the Massachusetts Renewable Energy Trust, which is administered by the Massachusetts. The 6,743 vintage 2008 Massachusetts new RECs for the first and second quarters sold for an average of \$30.61 and eight bidders participated in the process, according to an Oct. 7 [news release](#). [AMERESCO Chicopee](#) landfill gas-to-energy facilities 1, 2, and 3 generated the RECs, which have been approved by the Massachusetts Department of Energy Resources as an eligible source under the state's [renewable portfolio standard](#).

The 940 Vintage Connecticut Class I RECs that sold for an average price of \$24.50 are from the Swift River [Pepperell Paper](#) Hydroelectric facility, which has been approved by the Connecticut Department of Public Utility Control as a Class I renewable certificate producer. Four bidders participated in that auction.

The 26,000 vintage 2009 Massachusetts new RECs, however, did not sell at all. Only four bidders participated in the 2009 auction and none of them submitted bids that the MTC accepted. Those RECs will come from [Northeast Utilities](#) subsidiary [Public Service Co. of New Hampshire](#)'s Northern Wood Power Project, a biomass facility also known as [Schiller 5](#). RECs from that plant were [auctioned](#) earlier this year and the 2009 RECs have also been approved by the DOER.

"While this auction demonstrated new pricing trends for New England REC markets, it was again successful in recouping funds for further investment in renewable energy facilities in Massachusetts," said Ian Springsteel, senior manager, industry investment and development for the MRET, in an Oct. 8 [news release](#). "The Massachusetts market, in particular, is evolving as expected given increases in available RECs. While the 2009 RECs on offer received attention from four bidders, pricing was not strong enough to sell the RECs forward at this time."

Bids were about \$10 per 2009 REC, according to a source familiar with the matter who asked not to be named. Springsteel declined to comment on details about the bidding process.

This latest REC auction indicates the dynamics of the New England REC markets have significantly changed, according to Andrew Kolchins, director of renewable energy markets at Evolution Markets. "An increase in the supply of Massachusetts RECs, continued regulatory uncertainty, and credit concerns have contributed to a drop in prices from their historical levels at or near the Massachusetts Alternative Compliance Payment. The same is true for Connecticut RECs prices, which continue a downward trend. These prices reflect natural swings in the supply and demand balance in New England REC markets, as the traditionally high prices have at last stimulated additional supply," he said in a statement.

Kolchins was not available at press time for further comment.

Failure to sell the RECs also likely reflect the heightened uncertainty that prevails throughout the broader global markets. Renewable energy projects will likely languish if the credit and lending markets remain frozen. That, in turn, might give RECs an advantage.

"Although RECs markets may be coming off in the near term, like most financial and real assets, I think ultimately a slower economy is highly bullish for the concept of RECs as a fungible commodity," said Jeremy Weinstein, a California attorney who led the effort to create a [standard contract](#) for RECs. "RECs are a great way to achieve the most cost-effective development of renewable resources, in the locations and by the parties who can develop those resources most efficiently. With money being scarce, cost is more likely to outweigh other lofty goals such as localizing renewable resource development, or the self-flagellating 'supplementary' debate. RECs offer a way for regulators to continue to achieve RPS program goals while avoiding having to raise rates, which will be increasingly less palatable."

Aside from regulatory and general uncertainty in the financial markets, Section 105 of the [Green Communities Act](#) may have also been a factor in the lack of suitable bids for the 2009 RECs. The act raises RPS mandates and promotes long-term contracts as well as municipal/utility ownership of renewables, which is expected to boost the supply of renewable energy.

"If there is no imposition of the capacity and greenwashing limitations, then prices for Mass RECs will go even lower," said a source who asked for his name to be withheld. "No one wants to be stuck with high-priced RECs when you can get them for nearly nothing in six months or less."

Although others familiar with the auction agreed that the Green Communities Act will shift the supply and demand balance of renewable energy and impact the REC markets, they were skeptical that such concerns played a role in this particular auction of

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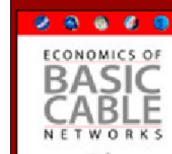
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2009 RECs.

Massachusetts Renewable Energy Trust REC auction results			
Lot	Quarter produced	Quantity	Winning bid (\$)
Vintage 2008 Massachusetts RECs			
1	Q1 or Q2'08	2,000	32.00
2	Q1 or Q2'08	2,000	30.00
3	Q1 or Q2'08	2,743	30.05
Total		6,743	
Vintage 2008 Connecticut RECs			
1	Q2'08	940	24.50
Vintage 2009 Massachusetts RECs			
1	2009	5,000	NA
2	2009	5,000	NA
3	2009	5,000	NA
4	2009	5,000	NA
5	2009	2,000	NA
6	2009	2,000	NA
7	2009	2,000	NA
Total		26,000	

Source: Evolution Markets Inc.

This story was amended at 3:24 p.m. ET Oct. 9, 2008, to note that Andrew Kolchins, director of renewable energy markets at Evolution Markets Inc. was not available for further comment.

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