

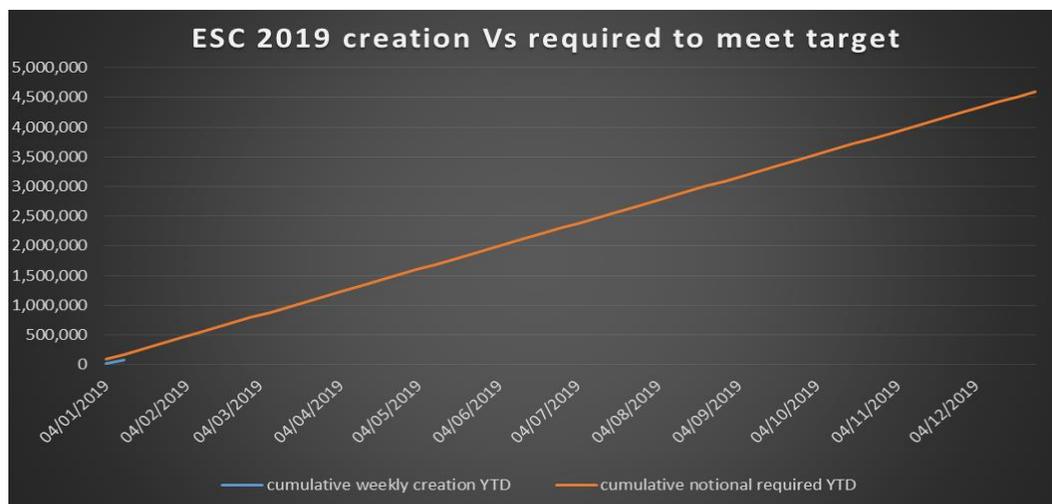
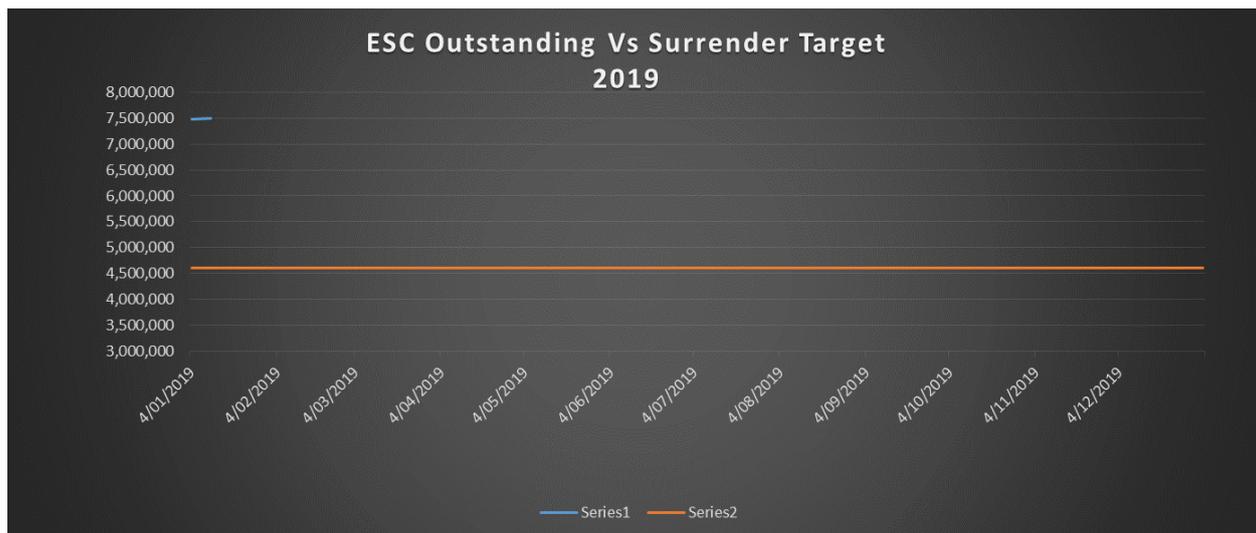
NSW ESCs

The ESC market opened the year on a lacklustre note with 23,300 new certificates created and a decline in the spot price.

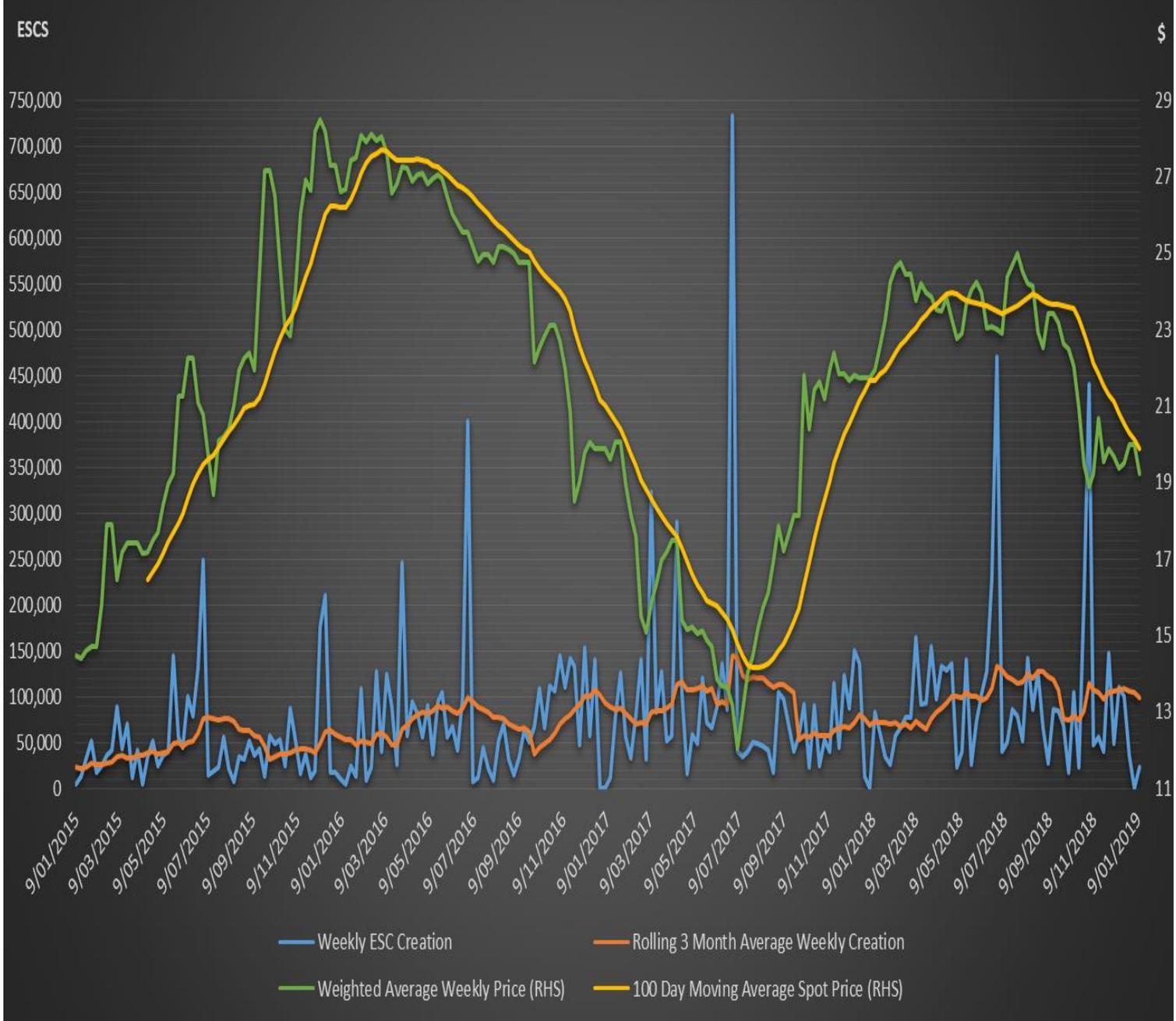
Over the first two weeks of the New Year 60,000 ESCs traded in the spot, opening 50 cents lower than the last close, at \$19.50, and falling to a finish at \$19.25.

In the forward market 40,000 certificates dealt for delivery between March and May 2019 at prices flat to the prevailing spot level.

With nearly 70% of this year’s surrender target already created it will be difficult to see a sustained rally in market prices unless there is a considerable drop off in new registrations. It remains to be seen whether the changes to the Commercial Lighting method will be sufficient to cause such a substantial drop.



WEEKLY ESC CREATION - ALL SOURCES

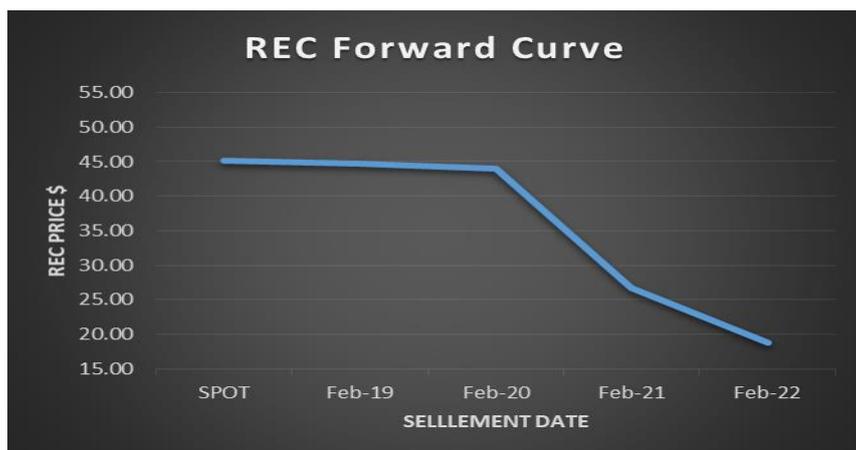
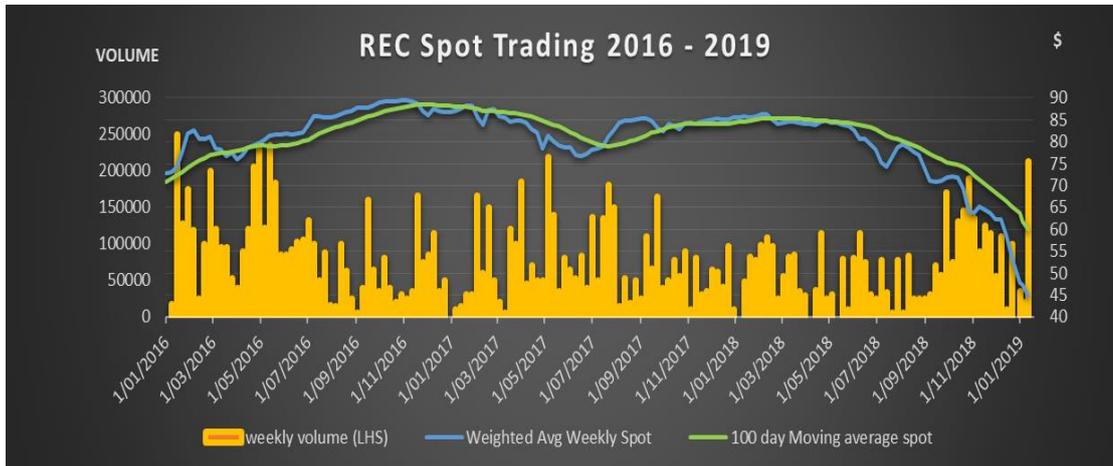
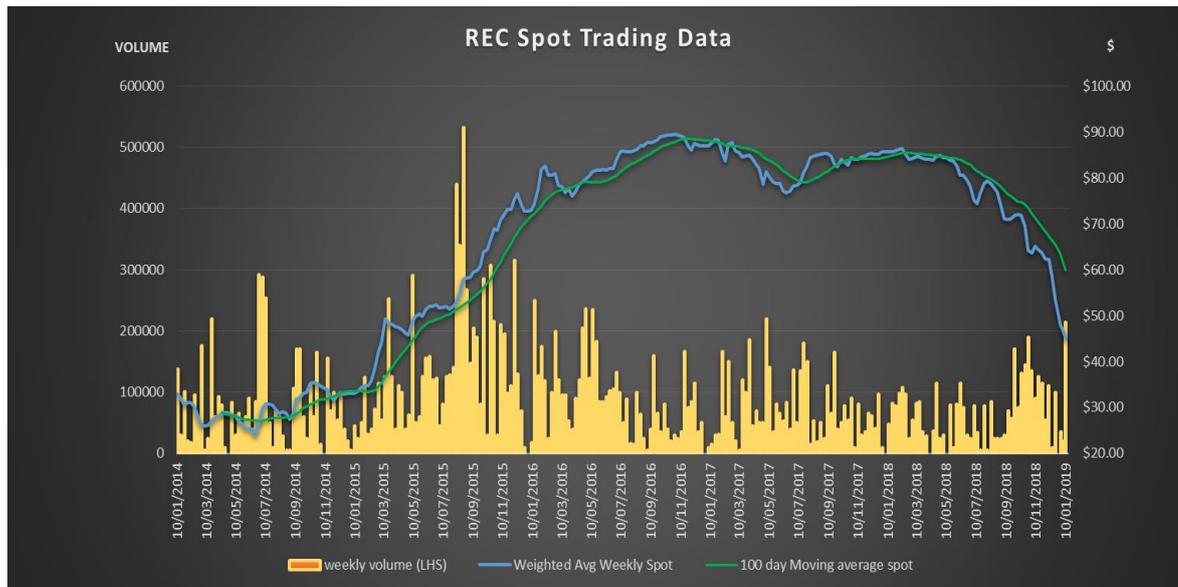


Renewable Energy Certificates

The LGC spot price tumbled again at the start of the year as sufficient supply of certificates for surrender led to selling pressure.

Spot trading opened at \$47.00, a drop of \$1.00 from the previous close, and sellers kept pushing prices lower until we eventually saw a low of \$43.50 before buyers stepped in and brought us to a close at \$45.10 on turnover of 233,000 certificates.

Forward trading was relatively subdued with the Calendar 2018 (February 2019 delivery) following the spot down to close at \$44.75, a drop of \$4.75 from its' last finish on turnover of 19,000 LGCs. The 2019 contract gained \$1.00, opening at \$43.50 and closing at \$44.00 on volume of 35,000 certificates. The Calendar 2020 contract was untraded but was quoted as being unchanged at around \$26.00.

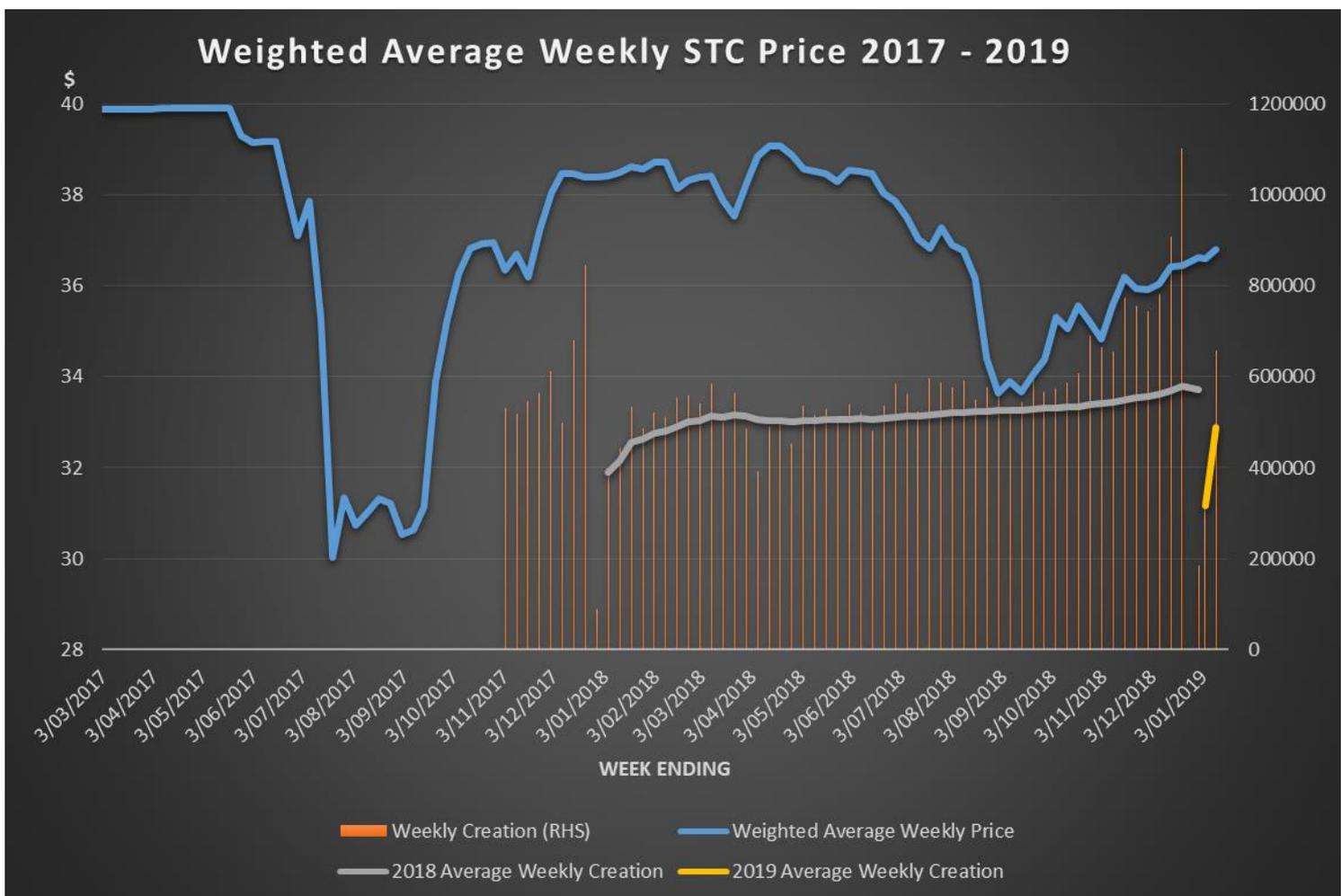


Small Technology Certificates (STC)

STC creation started the year reasonably strongly with 974,000 certificates submitted to the CER for registration in the first two weeks of the year.

Spot trading saw prices rise, especially in the last week, as we moved from an unchanged opening at \$36.60 to close at \$37.00 on turnover of 447,000 STCs. This is being credited to electricity retailers buying certificate to meet the February surrender deadline.

All attention now turns to the setting of the surrender target for this year. Taking into account a surplus from 2018 of around 7 million certificates and the weekly creation rates of 800,000 plus at the end of last year, a case could be made that the target could be set as high as around 46 million, a rise of over 16 million from last year, adding another \$700 million to the cost of the scheme to consumers. Will the government pass on such an impost in an election year? Will they reduce the cost of the scheme via a cut to the Clearing House price? Will the current rate of creation continue in to the new year? There are many questions to be answered in the next few months.



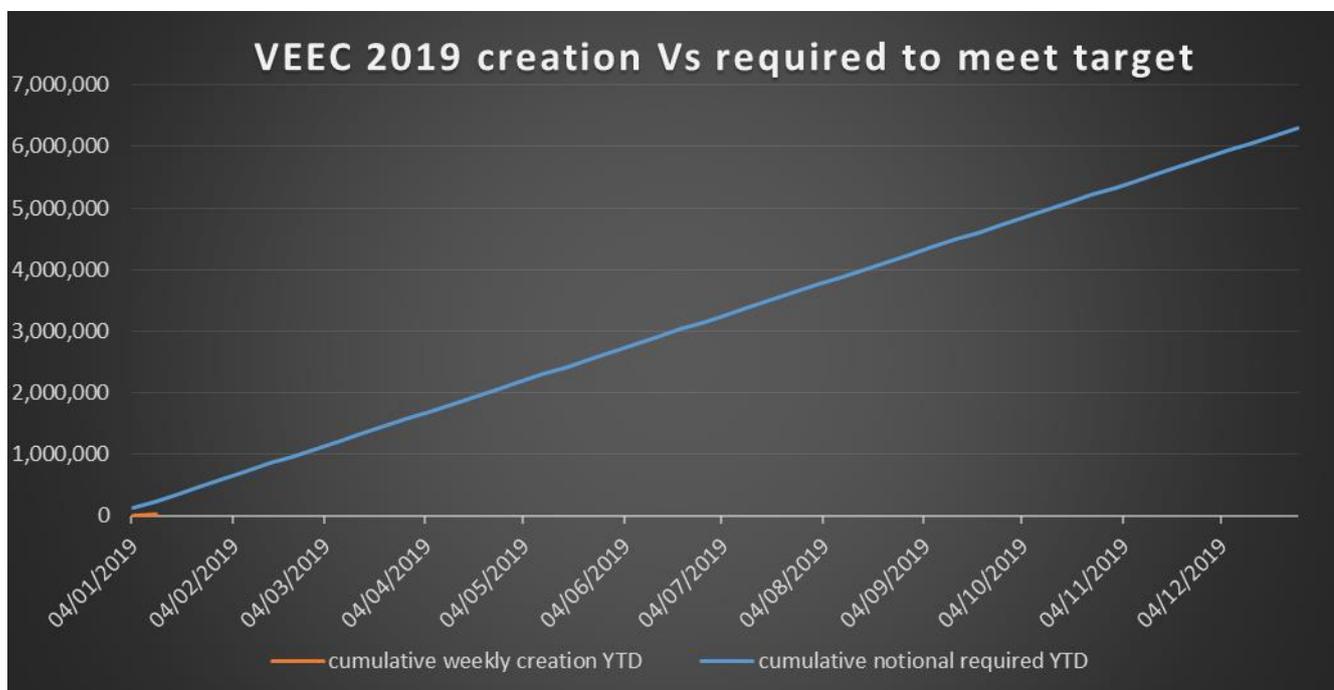
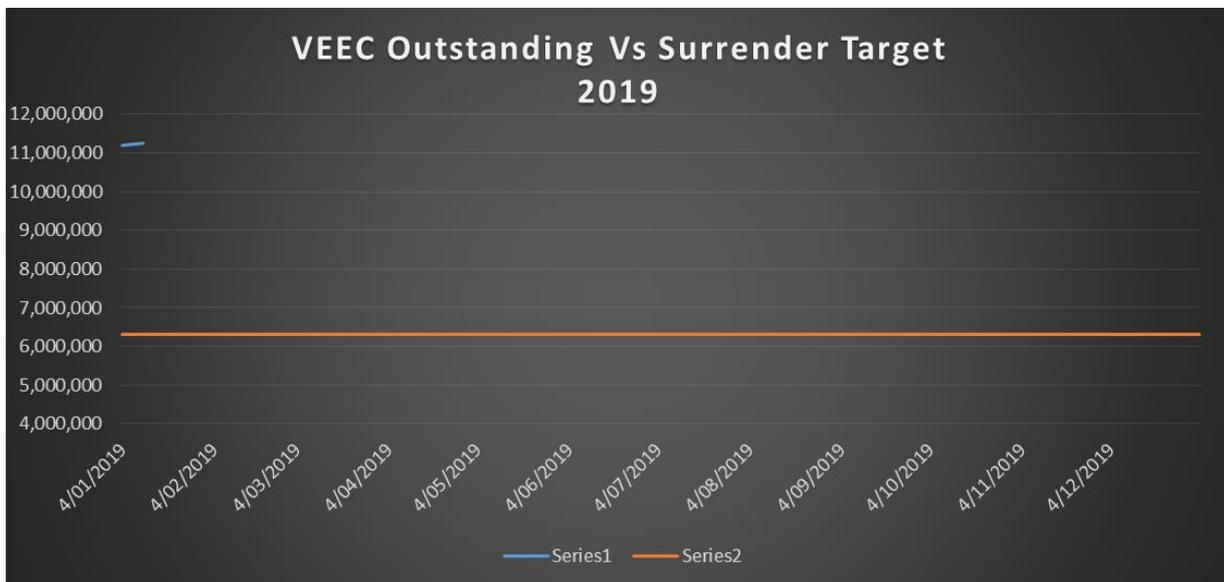
VIC VEECs

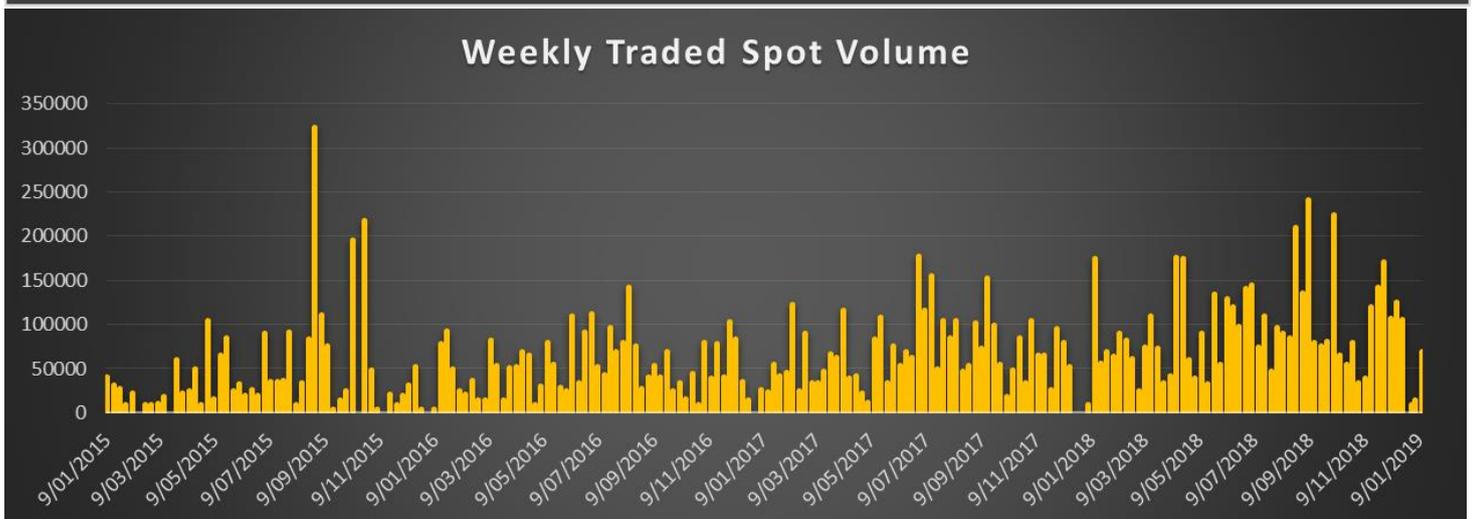
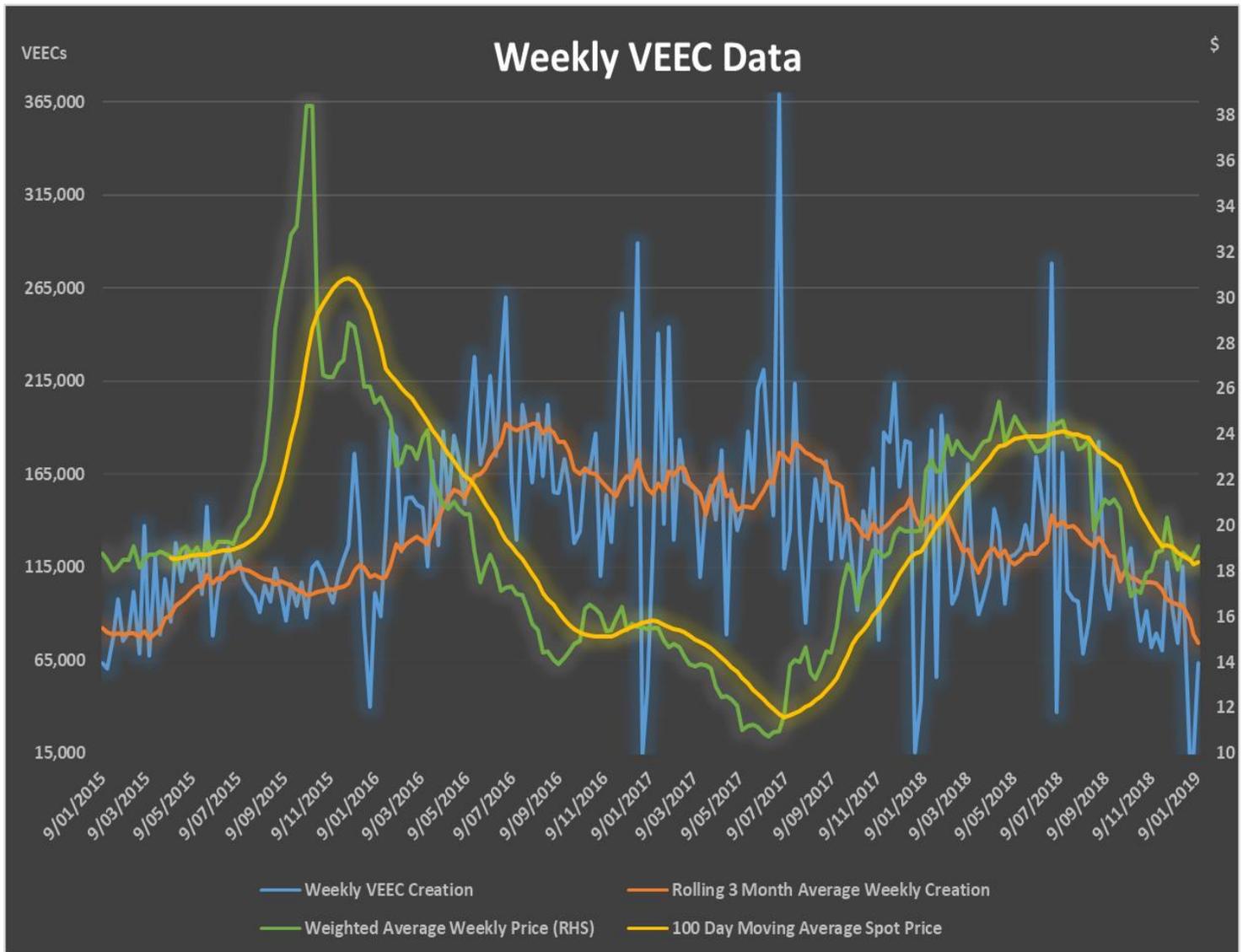
VEEC creation came in at 73,700 for the first two weeks of the year, a reasonably solid performance in such a holiday influenced time.

Spot prices rose, opening unchanged at \$18.50 and rising to \$19.25 before closing at \$19.00 on turnover of 85,000 VEECs.

The forward market saw 185,000 certificates deal for delivery between later this month and January 2020. Trades settling in January and February this year dealt flat to the prevailing spot level while March to June attracted a premium of 15 cents and trades for July 2019 onwards gained 45 cents.

With 80% of this year's surrender target already created it will be hard to see market prices advance significantly this year. However, the Victorian government is slated to announce its plans for the scheme post 2020 and this may change the market dynamics and add upward impetus to prices.





PO Box Q1251 QVB Post Office NSW 1230

Suite 606, 65 York Street, Sydney, NSW 2000

Phone + 61 2 9279 4704 www.demandmanager.com.au