**Why the New Jersey Solar Market Just Got Hot Again**

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New Jersey has long been a cautionary tale of the boom and bust cycles of solar renewable energy credit (SREC) programs. In 2009, New Jersey’s SREC values were close to $700 per megawatt hour. Then, in fall 2012, prices dipped to the $70 mark, demonstrating the true volatility of SREC markets. However, a recent rebound in SREC prices offers owners several profitable ways to profit from their SRECs.

After a lull period, the [New Jersey SREC prices](http://www.solsystemscompany.com/our-resources/srec-prices-and-knowledge) have ticked up once again. No, they are not back at $700 (and likely will never be again). However, we have traded as high as a healthy $170 per SREC in the last month on behalf of our SREC portfolio management clients.

In addition to the spot market rally, we have also seen increased interest from SREC buyers for fixed price strips at terms of 3, 5, or 10 years. This may indicate buyers expect SREC volatility to abate in future years. What this certainly means is that solar owners, developers, and investors can lock into a fixed price for their SRECs to secure a guaranteed stream of income for a given number of years. A fixed price strip guarantees a predetermined rate per SREC, even if (and when) spot market prices fall.

This newfound availability of fixed price contracts is essential for developers hoping to [secure financing for their commercial solar projects](http://www.solsystemscompany.com/our-services/project-financing-services/). Investors’ interest in projects in SREC states typically wanes when a developer has been unable to lock in an SREC strip, as this is viewed as uncontracted revenue that can hurt an investor’s returns.

What’s the reason for New Jersey’s SREC rally? Well, much of the recent spike in prices can be attributed to [solar legislation that passed in New Jersey](http://www.solsystemscompany.com/blog/2012/07/11/market-effects-of-new-jerseys-s1925/) in the summer of 2012. This legislation shifted the renewable portfolio standard (RPS) requirement from a fixed megawatt hour requirement to a percentage of retail load, adjusted the alternative compliance penalty (ACP), and capped grid supply projects at 80 MW.

Plus, SREC pricing has been so much lower in the past, and developers have been unable to make as many projects pencil, meaning build rate has slowed. The tepid project development in New Jersey has alleviated much of the downward pressure on prices, especially when compared to years past. Together, legislative changes and a slower build rate have helped to stabilize the once sluggish New Jersey SREC market.

Looking into the future, there is a strong case to be made that New Jersey SREC pricing will remain much more stable. However, it is important to keep in mind that New Jersey is still an oversupplied market. What will happen next in New Jersey? Stay tuned.