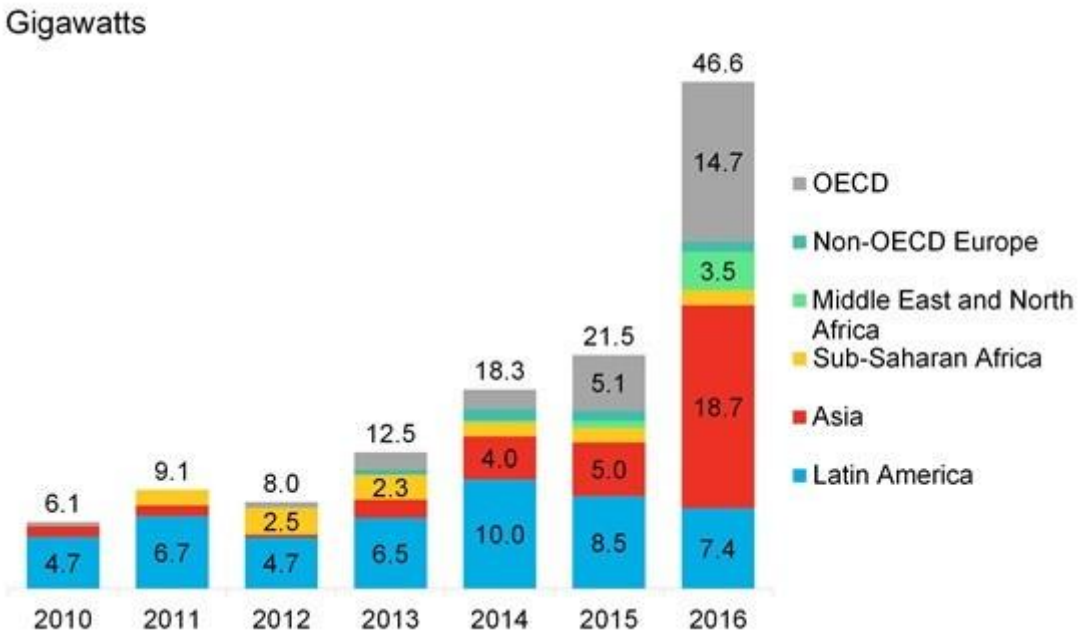
CLEAN ENERGY AUCTIONS: FROM LATIN AMERICA TO A GLOBAL PHENOMENON

The popularity of clean energy auctions has grown globally to developing and developed nations alike, but the trend clearly began in emerging markets (Figure 1). Contracts auctioned globally more than doubled from 12.9GW in 2015 to 34.2GW in 2016, and the 2016 volume was already matched in the first six months of 2017.

Figure 1: Cumulative global auctioned capacity



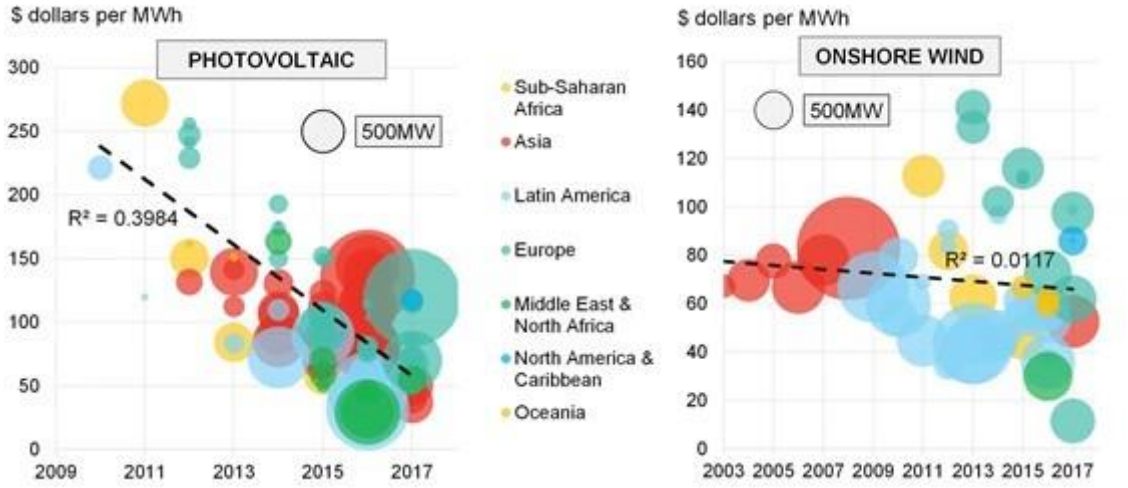
Source: Bloomberg New Energy Finance

Policy-makers and developers alike are generally attracted to well-organized auctions because, at their best, they offer transparency, foster competition, and produce affordably-priced power contracts. This has resulted in dramatic cost reductions across the vast majority of the markets where they have been introduced (Figure 2). Auctions for solar

power delivery contracts in particular have allowed governments to reap benefits from continued cost declines from the trend toward commoditization of photovoltaic modules.

Progress for onshore wind sector has trended similarly to larger infrastructure projects as wind project costs are more linked to local operating conditions, which can often be difficult in emerging markets. Nevertheless, it is important to note that clearing prices alone do not show the full extent of the progress made in the wind industry which has delivered remarkable improvements in capacity factors thanks to ever bigger turbines and better wind forecasting.

Figure 2: Global clean energy auction clearing prices and awarded contract volumes



Source: Bloomberg New Energy Finance

Brazil ambitioned to fuel what was an economic boom from 2002-2011 at least in part with clean energy and introduced a program to hold auctions for clean power delivery contracts. Such tender systems are rapidly becoming the norm in top tier markets around the world.

The Ministry of Mines and Energy approved the Decennial Energy Expansion Plan 2026.

Under the plan, Brazil expects an expansion of around 41 gigawatts in installed capacity for power generation by 2026, with a predominance of wind and solar power plants, account for almost 19 gigawatts in the period.