

## Research note

By MAKE Consulting

December 2009

### Tender encourages development in Brazil

#### Contents

- **Tender at a glance**
- **Drivers and barriers**
- **Supply chain**
- **Market outlook**

Brazil held its first wind auction on 14 December 2009 and contracted over 1.8 GW of wind power. Through the tender, 71 projects will receive 20 year power purchase agreements that will go into effect 1 January 2012. The contracts hold a value of approximately R\$19.6 Billion. If fully realized, the projects will increase Brazil's installed capacity by 400% by the end of 2012.

The response to Brazil's first wind auction exceeded expectations. However, the average contract price of R\$148.39 is well below the average off-take price for projects under the PROINFA scheme, the government-sponsored incentive program that precedes the tender. The lower power rates could make projects unviable.

Market conditions in Brazil have marginally improved. A 14% import tax was lifted recently, but the two main banks that finance wind projects in Brazil maintain a local content requirement. With only two WTG manufacturers with facilities in Brazil, developer profit margins will likely be squeezed until long-term policy can attract more concrete investment in Brazil. A more mature and diversified supply chain, stable policy and higher off-take prices will help drive growth in Brazil. We anticipate that market conditions will continue to improve, thereby supporting growth in the Brazilian market.

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Tender encourages development in Brazil

Wind Power Sector

December 2009

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