

Research Note

By MAKE Consulting

July 2010

Wind auctions trigger WTG OEM investment in Brazil

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Brazil's economic growth continues to drive the country's demand for energy. Traditionally reliant on hydroelectricity, concerns over predictable rainfall and an interest in diversifying the country's generation mix have created opportunities for other power sources. Wind energy has been at the forefront of this movement, with national wind auctions put in place to spur demand. Development of Brazil's 250 GW of potential wind resources is expected to secure an increasing share of the country's generation mix as demand for clean power increases.

Localization has been a key focus of Brazil's policy endeavors supporting wind adoptions. Lower cost finance options from domestic financial institutions require locally-produced components, which has helped to stimulate growth in Brazil's supply chain. Following the inaugural wind auction held in December 2009, several leading WTG OEMs announced intentions to site local production facilities in Brazil. WTG OEMs are competing aggressively to secure orders from the 1.8 GW of projects announced in the auction.

Brazil's growth prospects are encouraging, however risks remain. Lower than expected prices for electricity awarded in the auctions have put many established global developers on the sidelines. A lack of experience could impact the ability of new developers to meet the 2012 install deadline. Furthermore, limited financing options could constrain sustainable growth. Two additional wind auctions, however, are scheduled for August 2010 and provide further evidence of Brazil's commitment to support wind power capacity growth.

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