

Flash Note

By MAKE Consulting

September 2011

Brazil Tender Pricing Continues to Plunge

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Brazil held its annual A-3 and Reserve power auctions at the end of August 2011. This year's auctions saw over 1.9GW of wind power projects awarded PPAs. This brings the total amount of contracted wind projects to nearly 6GW since wind power projects began to be included in Brazil's tenders in December 2009.

Confirming fears that were rumored in prior weeks, pricing for new wind projects dipped below the R\$100/MWh (~USD 63/MWh). Pricing for many of these projects beat out several natural gas-fired projects and came in below hydroelectricity projects in a parallel auction. The majority of projects were successfully bid by large, experienced developers however a sizeable number were won by companies without previous experience in the market.

This year's auctions were preceded by a flurry of activity within the country's development space. Brazilian utilities have been particularly active in acquiring development pipelines and bidding new wind projects. One transaction converted utility CPFL into the country's largest wind asset owner.

This continuing downward pricing trend will have several important implications for the Brazilian market. This FlashNote examines the A-3 tender and current market dynamics. The research provides insight into potential scenarios that may unfold in Brazil's emerging wind power market.

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