

Opportunities in LATAM solar energy markets

Government programmes and private PPAs

18 July 2018

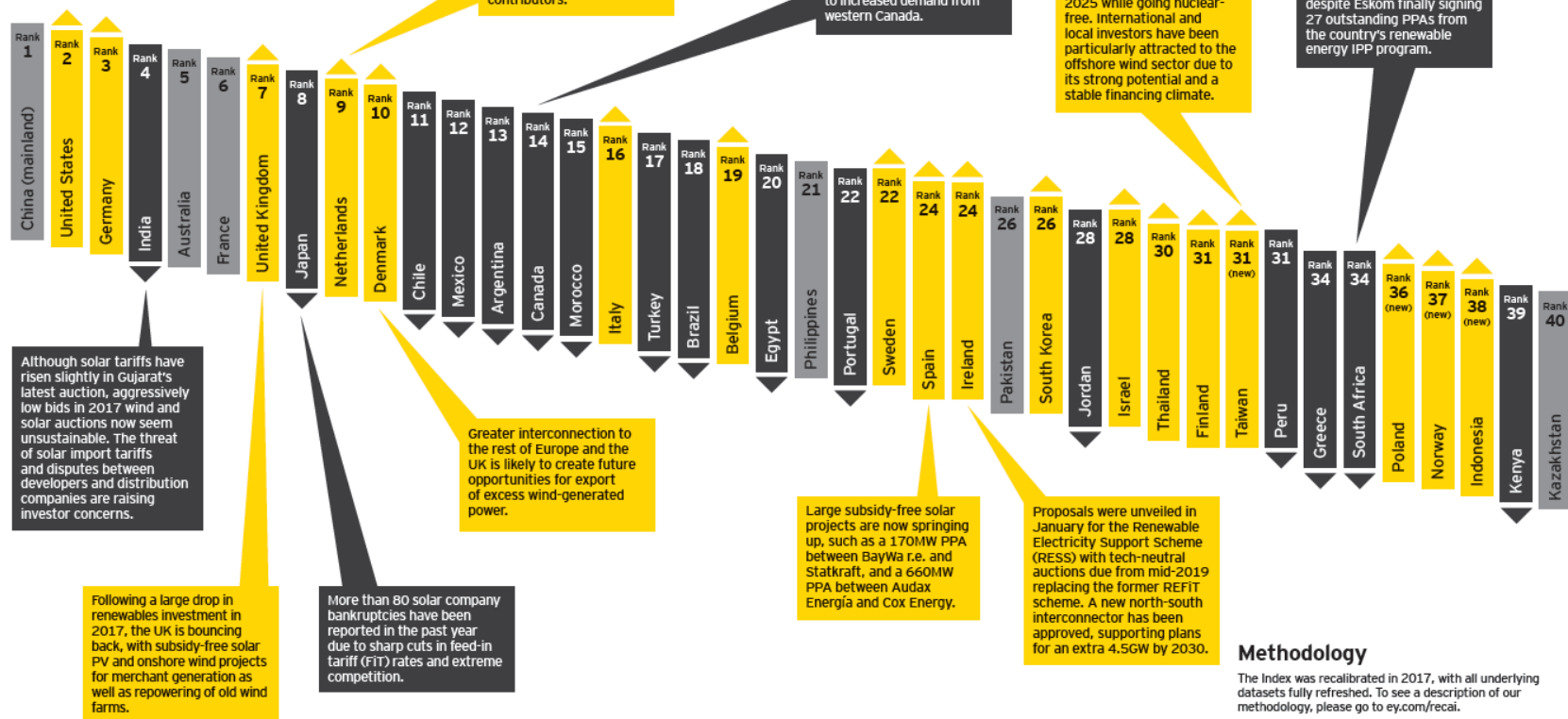
Stephen Hill

Energy & Infrastructure Partner



recai

May 2018



Methodology

The Index was recalibrated in 2017, with all underlying datasets fully refreshed. To see a description of our methodology, please go to ey.com/recai.

Legend

- ▲ Increased attractiveness compared with previous index
- ▼ Decreased attractiveness compared with previous index

EY's RECAI report can be downloaded here: <https://emeia.ey-vx.com/4864/106523/landing-pages/recai---issue-51--download-full-report.asp>

Government incentives for renewable energy in Latin America

Country	Government Incentives	Upcoming Tenders
Argentina	<ul style="list-style-type: none"> no feed-in-tariffs. The sovereign renewable energy investment fund (FODER) is ultimately guaranteed by the World Bank anticipated VAT return for capital goods purchased extension to 10 years of the period for income tax loss carry-forwards dividends or profits arising from projects will not be subject to income tax in certain cases tax certificate regime where a project has over 60% of materials sourced locally 	Round 3 of RenovAr auction of electricity generated by renewable energy set to be conducted by the end of 2018.
Brazil	<ul style="list-style-type: none"> import tax exemptions for solar PV generation equipment as long as there is no equivalent local production state tax exemptions for wind and solar PV energy biofuel projects attract significant import/export tax deductions 	<p>Five energy generation tenders were held in 2017, which included renewable sources. One tender specifically for hydro, wind, solar photovoltaic and biomass sources was held in April 2018 and is still ongoing.</p> <p>Tender A-6 – for power generation from new enterprises – has been authorized by the Ministry of Mines and Energy and shall be held between May - August 2018.</p>
Chile	<ul style="list-style-type: none"> renewable energy certificate system, large companies penalised if renewable energy quota not met carbon tax on emissions from power plants of 50MW or more (except biomass) streamlined regulations for small power projects (up to 9MW) such as automatic grid connection and exemptions from toll payments a policy aimed at addressing challenges faced by the Chilean energy sector 	<p>Contracts worth around 600 MW were awarded by the Chilean government in the 2017 renewable power tender process.</p> <p>There are seven ongoing tenders which will conclude in December 2018, December 2019, December 2022 and June 2035.</p>
Colombia	<ul style="list-style-type: none"> 50% per cent annual deduction of taxable income for the first five years of investment in renewable energy projects VAT exemptions for equipment and machinery for use in renewable energy projects exemption of import taxes on imported equipment and machinery for use in renewable energy projects 	Tenders are expected within the next year due to a new regulation to implement a long-term contracting mechanism for power generation projects (mainly renewable energy).
Mexico	<ul style="list-style-type: none"> no feed-in-tariffs but net metering and preferential access to the grid to renewable energy developers exemptions from import/export tax and tax credits in relation to corporation tax - accelerated depreciation of 100% for investments in equipment and machinery for electricity generation through renewable sources if certain conditions met implementation of a tradable Clean Energy Certificate market, which sets a target for all suppliers and qualified users of the grid to source 5% of all energy generation from renewable sources the government has funds to support the development of clean energy projects 	<p>Mexico's fourth auction of electricity generated by renewable energy was called by the government on 28 March 2018 and is currently ongoing.</p> <p>This fourth auction will allow the purchase of power, electric energy and clean energy certificates.</p>

Private PPAs market in Latin America

What are the general drivers?

- Offtaker liquidity (generator)
- Price certainty (generator and corporate)
- Green credentials (corporate)
- Security of supply (on-site) (corporate)

Private PPAs market in Latin America

What the drivers in emerging markets like Latin America?

- Route-to-market → by-pass Govt/utility
- Creditworthiness → corporate vs Govt/utility
- Policy delays → by-pass Govt/utility

Risk Items

What are the issues to be addressed and their mitigants

- Counter-party strength / Credit-worthiness
 - aggregation model
- Obligation to deliver
 - Hybrid locations
- Less established
 - Global counter-parties have greater experience

Solar opportunities in Latin America

Download our comparative table on opportunities in Latin America here:

<http://www.eversheds-sutherland.com/documents/sectors/energy/Opportunities-in-Latin-America.pdf>



Stephen Hill

Energy & Infrastructure Partner
stephenhill@eversheds-
sutherland.com

eversheds-sutherland.com

This information pack is intended as a guide only. Whilst the information it contains is believed to be correct, it is not a substitute for appropriate legal advice. Eversheds Sutherland (International) LLP can take no responsibility for actions taken based on the information contained in this pack.

© Eversheds Sutherland 2018. All rights reserved.