

SCF Forum “*Climate Finance Architecture: Enhancing collaboration, seizing opportunities*”

Unlocking private finance breakout group

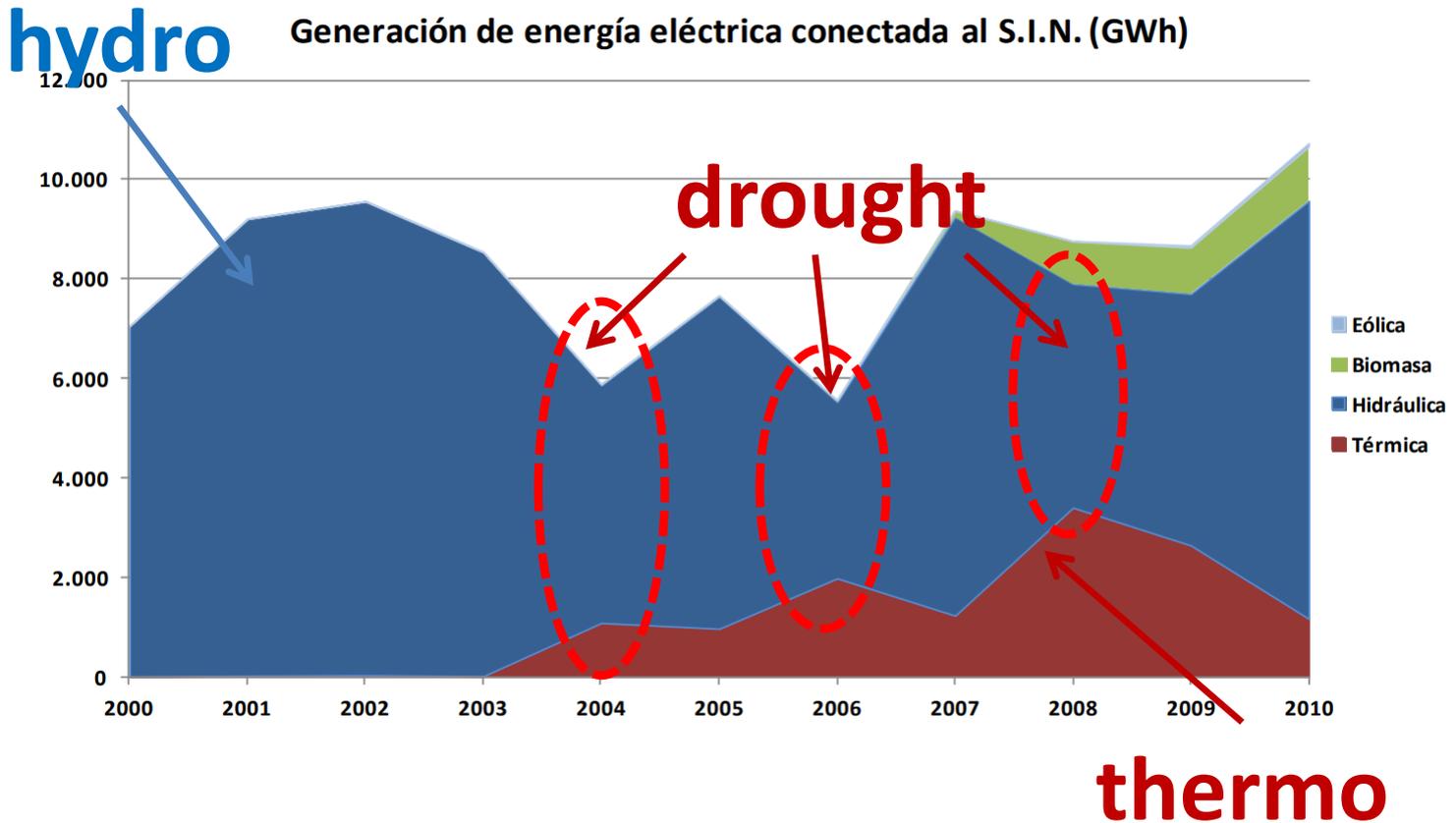
Case Study:

“Fostering private sector investment in non-traditional renewable power supply in Uruguay”

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- Power generation in Uruguay 2000-2010



- Initial estimated power generation costs scenarios

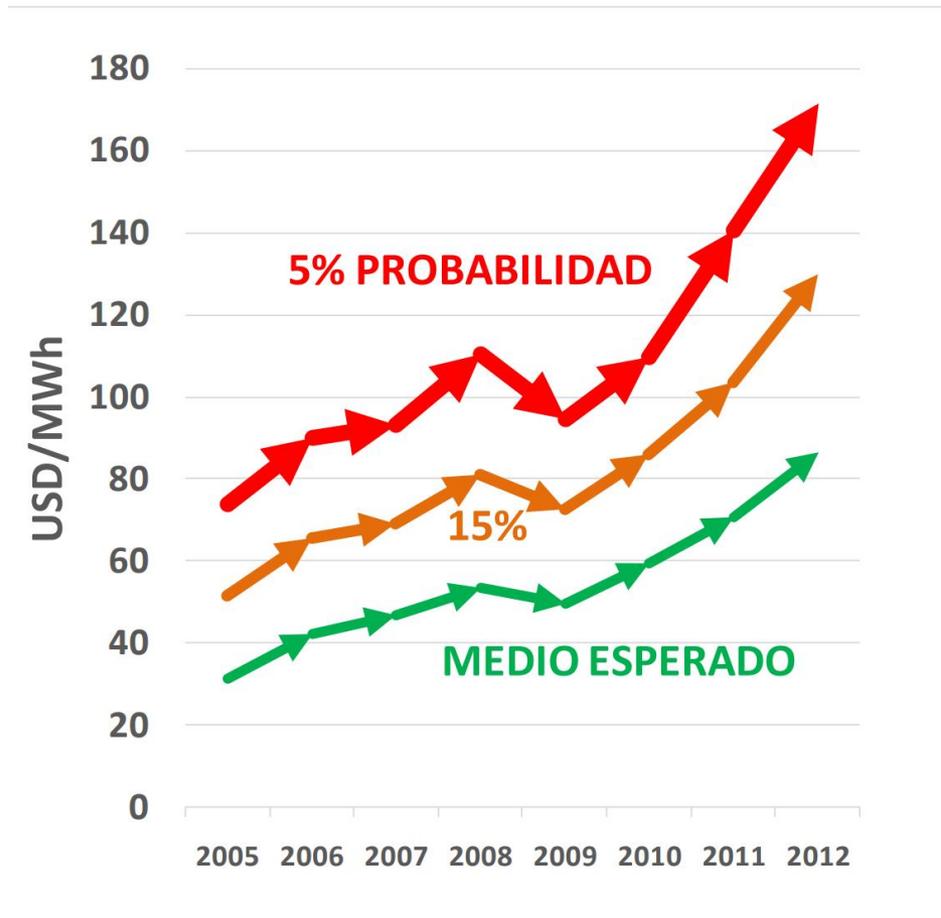
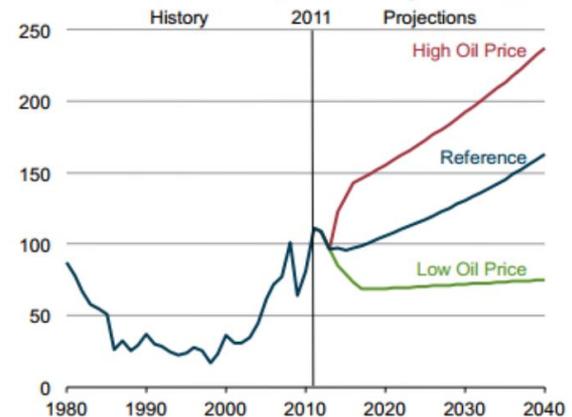


Figure 5. Average annual Brent spot crude oil prices in three cases, 1980-2040 (2011 dollars per barrel)



Institutional and Policy Framework

- Act 16.832 of 1997:
 - Public: Transmission, transformation and distribution (UTE)
 - Public & Private: Power generation (UTE & privates)**
 - Creation of the Administration of Power Market
- Act 16906 – Investment promotion Act and Decrees
 - grants specific **tax incentives** for companies to generate electricity from renewable sources (return tax exceptions)
 - foreign investment receives the same treatment as national investment, there are no restrictions on the repatriation of capital, profits, dividends and interest.
- 2030 Energy Policy of 2008 and confirmed by all parties in 2010:
 - Institutional Axe: **Lead role of the State and private sector participation**
 - Supply Axe: Diversification **increase in non-traditional renew**
(2008: 500 MW Wind, revised in 2012 for 1500 MW)
- 2050 Climate Change National Policy and NDC of 2017

Uruguay Wind Energy Programme

- GEF STAR – UNDP project
- 2007-2010
- 0.9 MUSD



Empowered lives.
Resilient nations.

- Development of an auction mechanism for large-scale renewable energy
- Develop and strengthening of national technical capacities
- Establishing a 5 MW showcase wind farm and creating the conditions to support 30 MW of large-scale wind energy capacity by 2012;

Supporting policies and regulations that enable the private and public ownership of wind energy;

Conducting feasibility studies for wind projects and improving public awareness of the benefits of wind energy;

Improving the technical capacity of the state utility company,

Providing supporting technology, such as wind measuring equipment and data management systems, to industry stakeholders.

Developing a technical post-graduate curriculum

Long Term Wind Public Reverse Auctions

- Long term (10-20 years) Public Utility Reverse Auctions for Private sector specific renewable energy supply contracts (wind 500-1500 MWh)

Prices (UNDP)

- Market prices, which hovered around 200–250 USD/MWh (2011)
- Model reference for private profit 80 USD/MWh
- Initial bid fixed priced of 110 USD/MWh (2014 – premium for speed building and early investors / domestic components)
- The offered prices in the latest bidding process for wind range from approximately 65–85 USD/MWh

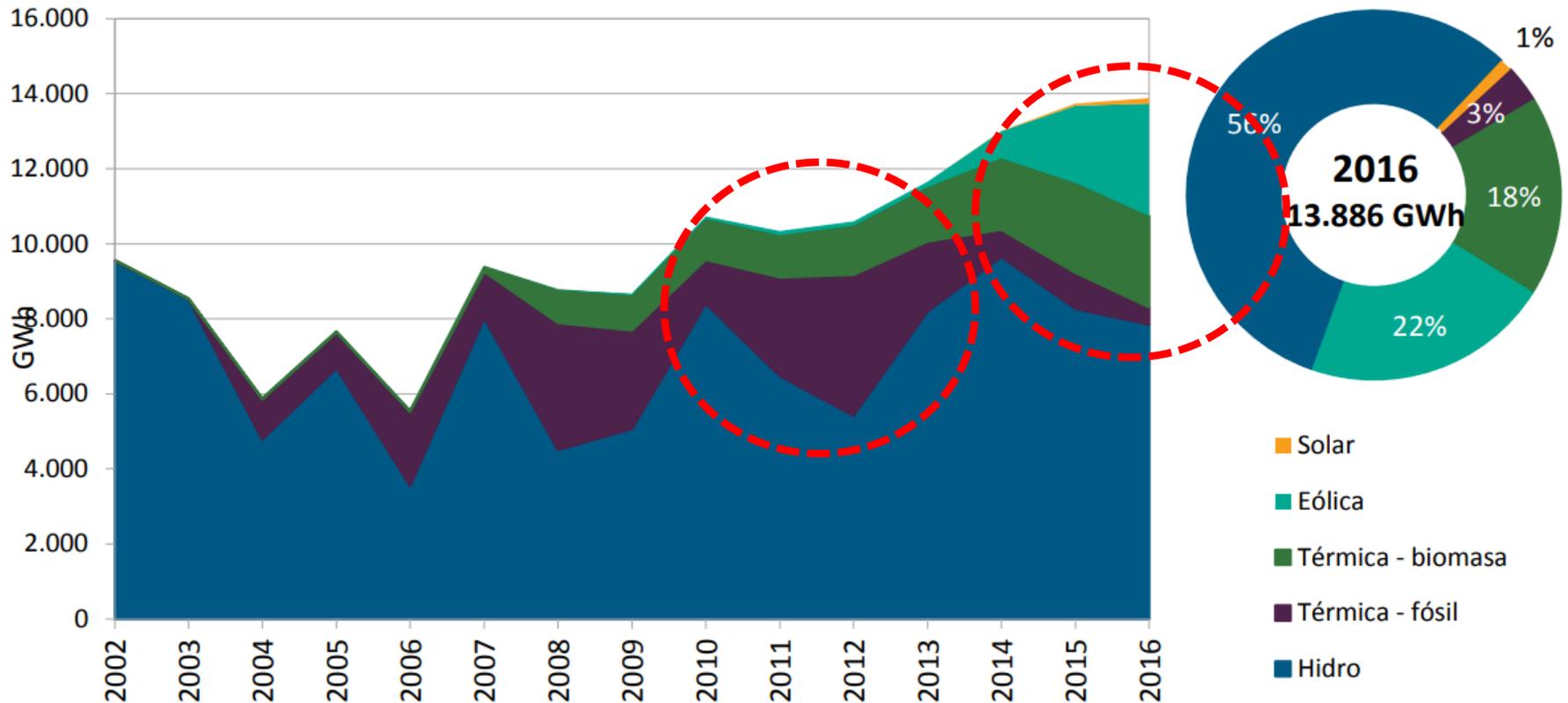
Financial instruments (low risk, mid term finance)

- Trust funds: institutional to small public offering investors (10.000 USD share) / national and international investors (low risk 10-20 year, 10% USD return in some wind farms projects)
- Traditional lending (national private, international private and MDBs)

Investment impact in renewable energy

- Government and private actors have made important investments in the sector, which since 2010 total **more than 7 B USD**
- Uruguay ranks first in Latin America in relation to the quality of electricity supply in the country (WEF-GCI)
- Uruguay in the **3rd place in the world in relation to the level of investments in renewable energies as a percentage of GDP** (REN21 2016 Report) (Last decade Uruguay 2nd LATAM in Foreign Direct Investment).

Current power generation situation



The intensity of emissions in the sector was 119g CO₂/USD, a third of the world intensity (far below the average for OECD countries)

Halve absolute emissions in 2017 compared to 1990 in power subsector, although power consumption has almost tripled. (96% renewable power supply in 2016 Uruguay)

Electricity cost according to rain probabilities

