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Argentina is the third largest power market in Latin America. The Argentinian power landscape is still dominated by fossil fuels, which, according to the International Energy Agency, represent 87 per cent of the total energy mix. Until 2010, Argentina was a power exporting country. However, increased consumption combined with a steady decline in the development of new power projects and a decline in the extraction of natural gas have meant that Argentina now imports power (and natural gas for thermal power plants) from neighbouring countries.

Argentina is facing a significant power deficit which has triggered various ambitious Government initiatives to install additional capacity in the short and medium terms. One of these is the RenovAr programme to develop Argentina's renewable energy sector.

Argentina has committed itself to 20 per cent renewable energy generation by 2025, representing 10 GW of additional capacity.

In October 2015, Argentina issued Law No. 27,191 (an amendment to Law No. 26,190) which is the framework legislation supporting the RenovAr programme.

The new Law sets out the basis for the national utility company CAMMESA to hold auctions for independent power projects, to make allocations for different technologies and geographic locations in those auctions and set the terms of the Power Purchase Agreements (PPAs) to be entered into by successful bidders with CAMMESA.

The new Law also established the basis for the creation of a Renewable Energy Trust Fund (FODER). FODER is to be mainly financed by the National Treasury, and will support the renewable energy programme and, importantly, provide guarantees for certain payments under those PPAs (described further below).

The new Law also introduced a number of fiscal incentives for renewable energy generation. The key fiscal incentives are as follows:

RenovAr started its first round auction in May 2016 with an auction to add 1,000MW of renewable energy to the grid, comprising 600MW of wind, 300MW of solar, 65MW of biomass, 20MW from small dams and 15MW from biogas. Each project will need to be built in no more than 24 months after the execution of the PPA. Investment between US\$1.5 and US\$2 billion is expected for the first round of projects.

This first auction round was approximately six times oversubscribed, leading to speculation that the

Government might increase the 1,000MW capacity on offer in this first round or accelerate a second auction round. From recent discussions with Sebastian Kind (Undersecretary of Renewable Energy of Argentina) it was clear that these measures were being considered, together with other key factors like ensuring that there is adequate funding available for the FODER and sufficient grid capacity to do this.

It was announced on September 30, 2016 that of the 123 bids submitted in the first round, 105 bids (representing 5,209MW of proposed capacity) satisfied the technical criteria and qualified to go forward for economic assessment on the basis of price and some other economic factors: the main assessment criterion was the electricity price offered, but in addition, local content and geographic location of the project were also determining factors (local content was not a mandatory requirement for bids, but may have been a deciding factor where competing bid prices were the same).

Having completed the economic evaluation, on October 10, 2016 the Government announced the final results of the tender awarding just over 1,100MW of wind, solar and biogas. Only 1.2MW of biogas was awarded with wind and solar projects taking most of the quota for this first tender. Government officials stated that given the strong interest received for this auction they decided to raise the amount of solar and wind by allowing the auction to award 1,100MW instead of the initial 1,000 MW envisaged.

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