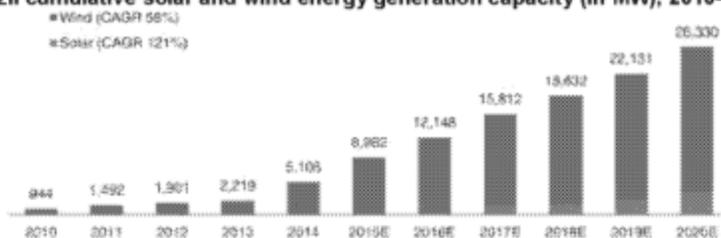


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Brazil's cumulative solar energy generation capacity grew from 14 MW in 2010 to 37 MW in 2014, and its cumulative wind energy generation capacity grew from 930 MW in 2010 to 5.1 GW in 2014, a CAGR of 53%. The chart below shows the historical and forecasted cumulative solar and wind energy generation capacity in Brazil from 2010 to 2020:

**Brazil cumulative solar and wind energy generation capacity (in MW), 2010–2020**



Source: Bloomberg New Energy Finance

*Key drivers of renewable energy growth in Brazil*

Energy demand in Brazil has increased over the past couple of years due to improving standards of living and overall macroeconomic growth. In addition, the Brazilian government is seeking to diversify the country's electricity mix. We expect wind and solar generation to experience continued growth supported by high energy prices, continued generation-focused federal auctions and an increasing shift towards a more balanced generation mix. The Brazilian government's renewable expansion plan forecasts that 22.4 GW of wind and 3.5 GW of solar capacity will be installed by 2023.

Federal generation auctions are the main driver of clean energy investments in Brazil. In 2014, Brazil's federal government held five generation and two transmission auctions, contracting 2.2 GW of wind and 1.0 GW of solar projects with 20-year contracts, projected to reach COD in 2017. For 2015, the government has announced that at least three generation auctions for new build projects will be held. We expect the Brazilian government to keep its commitment to hold an increasing number of auctions.

Fundamentals for wind development remain strong. Wind speed characteristics in Brazil are among the best in the world for energy generation, and transmission constraints for new wind developments have started to ease, which, coupled with the federal generation auctions, should continue to drive new wind installation. Increasing interconnection availability allowed a record amount of 2.7 GW of wind capacity to come online in 2014. Solar projects secured contracts for the first time in the federal auction held in October 2014. The auction was the first to feature a carve-out specifically for solar projects, and the government request for 1 GW of solar projects surpassed market expectations.