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Key drivers of renewable energy growth in Peru

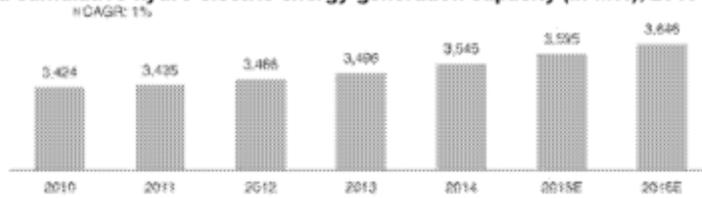
Energy demand in Peru has increased significantly due to rapid industrialization, a growing population and the expansion of the energy-intensive mining sector. The current capacity mix is already primarily composed of clean energy sources, with natural gas representing 29% and hydro-electric representing 39% of the installed capacity in 2014. To further promote generation from renewable sources, Peru offers several policy incentives, including priority grid dispatch, 20% accelerated tax depreciation and technology-specific auctions for renewables.

The Peruvian government established renewable technology-specific auctions in 2008 to support growth. At each auction, the Ministry of Energy and Mines, or the "MINEM," defines the proportional participation of each type of renewable technology and awards 20-year PPAs to developers who offer the lowest tariff for a given technology. There have been four auctions since its introduction and 58 biomass, hydro-electric (less than 20 MW), solar and wind projects, representing 882 MW of capacity, have been awarded PPAs through the auction mechanism. The fourth auction is expected to be held in August 2015. In addition to the incentives outlined above, Peru is one of the few countries in Latin America with a specified renewable energy target. The current target, which was last set in 2008 and subject to revision at the next review in May 2015, is set at 5% of Peru's total electricity consumption.

Hydro-electric

The size of the hydro-electricity market in Peru has remained stable at above 3.2 GW over the past five years and presents substantial acquisition opportunities.

Peru cumulative hydro-electric energy generation capacity (in MW), 2010–2016



Source: Bloomberg New Energy Finance

Uruguay

Since 2010, the installed base of energy generation capacity in Uruguay has increased from 2.7 GW to 3.1 GW in 2013, or a CAGR of 5%. The chart below shows Uruguay's generation capacity fuel mix as of year-end 2013:

Fuel type	Percentage
Hydro-electric	49.5%
Oil	40.9%
Biomass	8.1%
Wind	1.5%
Solar	0.02%
Total	100.0%