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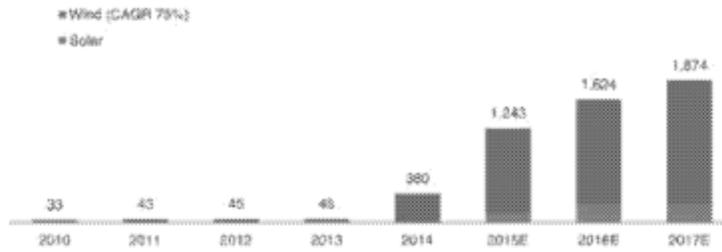
Retail electricity prices have risen in Uruguay at a CAGR of 7% over the past three years. We expect retail electricity prices in Uruguay to continue to rise due primarily to increasing costs of conventional sources of energy and overall demand for energy and the removal of government subsidies available to conventional energy sources.

The cumulative installed capacity of renewable energy sources in Uruguay increased from 1,807 MW in 2010 to 1,836 MW in 2013. Renewable energy accounted for 7% of overall energy capacity growth from 2010 to 2013.

The cumulative installed capacity of solar energy in Uruguay grew from 0 MW in 2010 to 0.5 MW by 2014. The cumulative installed capacity of wind energy in Uruguay grew from 33 MW in 2010 to 379 MW by 2014, or a CAGR of 84%.

The following chart reflects actual and projected growth in Uruguay's cumulative solar and wind energy generation capacity from 2010 to 2017.

Uruguay cumulative solar and wind energy generation capacity (in MW), 2010–2017



Source: Bloomberg New Energy Finance

Key drivers of renewable energy growth in Uruguay

Non-hydro-electric renewable energy only represents 10% of Uruguay's installed capacity. In response, Uruguay established medium and long-term diversification goals through the National Energy Policy from 2005 to 2030, which set a target for clean energy generation to represent 15% of total installed capacity by 2015. As of 2014, Uruguay had achieved the target, with clean energy representing 25% of total installed capacity.

To facilitate the development required to meet the target, six technology-specific auctions were held, with four wind projects and 16 solar projects, representing 934 MW and 199 MW of capacity, respectively, awarded contracts with the state-owned utility. In addition, other renewable energy incentives include a value-added tax exemption for wind generation and an income tax reduction for clean energy and energy efficiency projects.