

## RECHARGE WIND



Eletrobras' Mangue Seco 2 project. Photo: Eletrobras

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# What price Eletrobras sell-off for Brazilian wind?

ANALYSIS | Federal power company's retreat from sector may dampen interest in new wind, commentators fear

The sale of Eletrobras's 524MW of wind assets may have helped it pay down its huge debts, but the process could affect investor interest in new greenfield projects in Brazil if the federal power group decides to continue selling stakes in wind companies that still add up to over 1GW, commentators fear.

"Why should anybody invest in greenfield [developments] if Eletrobras is selling relatively new projects for half the price of new ones," said Roberto D'Araújo, power sector analyst at Instituto Ilumina.

At the end of September, Eletrobras sold its 49% stakes in three wind complexes for R\$470m in a tender that aimed to raise just over R\$2bn from the sale of 2.1GW wind assets – but most were not taken up. By contrast, most of the transmission offered was sold, which helped Eletrobras raise R\$1.3bn to pay down some of its R\$17bn net debt.

Eletrobras is selling assets as part of deep restructuring and debt-reduction exercise. Some analysts say this will allow the country's largest power company to recover its capacity for investment, while others expect the asset sale and debt restructuring to be a prelude to the outright privatisation of the business.

“Although you cannot call it an excellent result, it was good for the company because it will help it pay down its debt and reduce its investment commitments. As for the assets sold, the buyers will now be able to continue investing in them,” said Claudio Sales, president of power sector consulting group Instituto Acende, referring mostly to transmission lines that were unfinished.



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All the wind assets put up for sale, however, were fully operational and injecting power in the grid, according to National Grid Operator (ONS) data.

The exit of Eletrobras from its special purpose companies did not attract new players into the wind sector. The buyers of the assets are the current stakeholders in the three wind farms that were sold, which exercised their

'tag along' rights, taking over Eletrobras' stakes for the minimum price.

This means that these companies –local construction and power groups PEC Energia, Brennand group and J Malucelli – paid just under R\$2m per megawatt. By comparison, Capex estimated for new projects sold in the A-6 tender in early August is about R\$4.7m per MW.

After the tender, Eletrobras CEO Wilson Ferreira told local press that the company will study the possibility of holding another tender to try to sell the remaining assets. In fact, in its long-term plan the company aims to sell stakes in over 100 of its 137 special purpose companies in the power sector – including wind and other power generation technologies.

Instituto Acende's Sales believes that Eletrobras enjoyed very low returns when it won the tenders for wind projects, which explains the low prices, and the fact that most of the wind assets on offer were not bought.

Eletrobras has been a key investor in wind in Brazil. When tenders for greenfield wind power capacity started in 2009, Eletrobras was one of the main bidders in the sector. Bidding mostly as a 49% minority stakeholder in projects, the company helped build over 1GW of wind, in a sector that was still relatively unknown in the country. Wind accounts for about 2% of the company's 47GW installed capacity – 32% of the country's total capacity – and it is still currently investing in around 400MW of wind.

By 2013, Eletrobras had reduced its presence in the tenders as interest and, consequently, competition increased.



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For D'Araújo, the decision by the government and Eletrobras not to invest in new projects, and the uncertainty about future demand, could reduce the speed of investment in new wind generation capacity by all players, risking power supply in coming years. He says Eletrobras is a reference for new investments by private companies in Brazil's power industry. But as investors are now

flocking to the non-regulated market to shun the low prices in the regulated sector, he says Brazil could face supply problems.

“Without Eletrobras, who in the private sector will be motivated to invest [in new wind capacity]?”

According to D'Araújo's projections, although there is currently very low demand, Brazilian hydro-reservoirs are still depleted and a growing wind capacity is essential to keep supply, especially when demand bounces back when the economy starts growing again.

“Brazil needs 2GW of new capacity a year and wind is very much complementary to hydroelectricity in Brazil,” he says.

Eletrobras didn't confirm to *Recharge* whether it will try hold another tender to sell the remaining wind assets.