

Argentina's plan for 20% green energy by 2025

Argentina has come up with some innovative plans to raise its renewable energy contribution to the national grid from 1,8% to 20% in only nine years.



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The government is aiming to add 600MW of wind power, 300MW of solar power, 65MW of biomass, 20MW of hydroelectric plants and 15MW of biogas by 2025.

Public auction

The first step is a public auction to purchase 1,000MW of renewable energy through an innovative programme called RenovAR, which includes a green trust fund to provide security and confidence to investors, a [Renewable Energy World report](#) says.

The trust fund, known as FODER, has been designed to provide payment guarantees for all tendered power purchase agreements as well as project financing assistance. It has been allocated around the equivalent of \$778m, and operates two separate accounts.

Two trust accounts

The project finance account comprises a mix of treasury funds, public offerings, ANSES (the Argentine government-administered pension fund) and multilaterals, and will be used to offer long-term project loans, interest rate subsidies and equity contributions to renewable energy generation project companies.

A separate payment guarantee account will be used to secure payments for electricity under all power purchase agreements (PPA) tendered through the RenovAR programme. This account must always have on deposit at least 12-months' worth of payments due by the offtaker under the PPAs.

Although this account is primarily funded by a specific charge to consumers, if at any point FODER does not have enough funds, then Argentina's Ministry of Finance has an obligation to replenish the account.

“Put” option

FODER also provides the winning bidder with an option to “put” the power project back to the government that can be exercised in any of six situations.

Namely if the government fails to make payments over a certain period, it breaches an Argentine court judgment under the dispute resolution clause in the PPA, the Argentine currency becomes inconvertible or non-transferable, there is a change in certain Argentine laws, the project is expropriated, or there is an early termination of the PPA, the World Bank guarantee or the FODER accession agreement.

If the situation cannot be resolved within a specified “cure” period, the winning bidder can sell the project to FODER in exchange for payment in US dollars of a pre-determined amount.

The amount is the book value, without depreciation, of the project assets based on the winning bidder's most recent audited financial statements. This FODER purchase payment will be guaranteed by the World Bank up to \$500,000 per MW of capacity contracted for from the particular project.

On the other hand, FODER has a purchase option over each tendered project that it may exercise in the event that the PPA defaults, such as missing a crucial milestone. The fund has the right to acquire the project, as is, in exchange for a payment in US dollars to the winning bidder for 70% of the book value.

Law change paves the way

The August tender follows a legislative change last September, called Law No. 27,191, which lays out the mandatory framework for achieving the country's renewables goals. These include financial incentives such as import duty exemption, accelerated depreciation of assets, VAT refunds, minimum deemed income tax and dividend tax exemption, extension of income tax loss credits to 10 years (from five years), a tax deduction for all financial expenses and a tax credit on locally supplied capital expenditures.

There are also local supply chain incentives, including FODER sector-specific development credit line and an import duty exemption for equipment parts and supplies. If independent power projects purchase locally, then they will receive priority access to FODER project financing and a 20% tax credit on locally supplied capital expenditures (subject to certain terms).

Tender process

The tenders will be allocated according to five criteria - price (in US dollars per MWh), the location of the project and interconnection node, the committed date to reach commercial operation, compliance with the requirements in the bid documents and compliance with the requirements to obtain the certificate of inclusion. There will also be an electricity price ceiling for bids.

Bidders will need to submit their offers by August 22, 2016, the winning bids are expected to be announced on September

28 and the PPAs and guarantee contracts between FODER and the winning bidders will be signed on October 28, 2016.

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