

## **Renewable Energy Auctions: Objectives beyond lowest price**

## Auctions trends, weaknesses and strengths







## What are the latest trends in price?





### Global weighted average of solar PV and onshore wind prices

- Solar prices continues to fall, albeit at a slower rate, as PV auctions increasingly expand to newcomers
- Wind edged out, due to higher prices in countries where the majority of volume was auctioned

# Factors that impact the price resulting from auctions



Country-specific conditions	Investor confidence and learning curve	Policies supporting renewables	Auction design
<ul> <li>Potential of renewable energy resources</li> <li>Financing costs</li> <li>Installation and building costs (land, labour, energy, etc.)</li> <li>Ease of access to equipment</li> <li>Foreign exchange rates</li> <li>General fiscal legislation</li> </ul>	<ul> <li>Credibility of the off-taker and additional guarantees</li> <li>Presence of a stable and enabling environment that is conducive to market growth</li> <li>Past experience with auctions for both auctioneer and developers</li> <li>Clarity and transparency of auction documentation* and project bankability</li> </ul>	<ul> <li>Renewable energy targets and national plans that provide a trajectory for the sector</li> <li>Fiscal and financial incentives for RE projects</li> <li>Grid access rules</li> <li>Risk mitigation instruments</li> <li>Policies to promote broader development objectives (incl. socio- economic benefits and industrial development)</li> </ul>	<ul> <li>Trade-off between lowest price and other objectives</li> <li>Auction demand (auctioned volume, off-taker, regularity of auctions)</li> <li>Qualification requirements</li> <li>Winner selection method and criteria</li> <li>Risk allocation (compliance rules, distribution of financial and production risks)</li> </ul>

Price resulting from an auction

## **Objectives of auctions beyond price**









Achieving the lowest price

Ensuring timely project completion

Supporting the integration of VRE

Supporting a just and inclusive transition

## Auction design elements to consider



### The design of the auction considering trade-offs:

- Ensuring project timely delivery and price
- Ensuring grid integration and price
- Contributing to the just and inclusive transition and price



## **Ensuring just and inclusive transition**



#### Inclusion of small and new players



### Predetermined volume set for local, small and new players

- Technology-specific auctions and limited project size
- Preferential treatment (e.g. discounted bid bond) and less strict qualification req.
- Less strict compliance rules

#### Development of local industries and job creation



- Local content requirements and commitments for local job creation
- Winner selection criteria
- Regularity of auctions that support local industries

#### Subnational development and community benefits



- Zone-, site-, or project-specific auctions, can pre-select the sites and regions that best suit policy objectives
- Proof of land-use rights, grounded in solid documentation that is binding on auction participants

# **Risks of underperformance at each stage of the auction process**





• Incentives for early project completion

# **IRENA's policy framework for the energy transition**

International Renewable Energy Agency





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Thank you!