

How Voltalia plans to reach new Brazil milestone

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French power company [Voltalia](#) is on track to reach a new milestone in Brazil with the expectation of surpassing 1GW of installed capacity in 2021, local CEO [Robert Klein](#) tells BNamericas.

Among the highlights mentioned by Klein in the interview are the Canudos 1 wind project, where Voltalia is investing over 500mn reais (US\$86.2mn), the Serra Branca and Oiapoque hybrid projects, and a 20-year solar power PPA with telecom giant Telefónica.

BNamericas: Voltalia recently started the construction of the Canudos 1 wind farm with 99.4MW in the state of Bahia. How much energy has the project sold so far?

Klein: Canudos is a cluster with the potential for 1GW of installed capacity. We are building a 50km transmission line there, it is an ambitious project, where we are replicating our experience at Serra Branca [wind, solar hybrid park in Rio Grande do Norte], whose construction works are underway. Canudos 1's power has been entirely sold to Cemig through a 20-year PPA, while Serra Branca has a PPA signed with Braskem.

BNamericas: What is the forecast investment for Canudos?

Klein: Over 500mn reais.

BNamericas: What is the company's total installed capacity in Brazil and expansion forecast?

Klein: Today, we have 686MW in operation and 348MW under construction. By the end of 2021 we are expecting to surpass 1GW in operation, and we have another 5.1GW in the pipeline.

BNamericas: Which are the main projects underway?

Klein: Besides Canudos and Serra Branca, we are building the Cafezoca small hydroelectric power plant [7.5MW] in Oiapoque, in Amapá [state]. It is part of a hybrid generation system, also comprising a thermoelectric [12MW] and a solar power plant [4MW]. This project was contracted by the government at a tender in 2016, calling for a gradual reduction of the use of the thermal plant and increased participation of renewable energy sources.

BNamericas: Does the company have plans to participate in this year's electric power tenders?

Klein: I believe that demand [for power generation contracting] at the tenders will be weak, but we have registered some GWs of wind and solar projects, basically for the new energy auctions [greenfield projects] since our existing projects have most of their energy hired [Aneel will also hold tenders for projects that are already operating]. We are still evaluating the isolated system auction [for areas not connected to the power grid].

BNamericas: How does Voltalia plan to grow in the free power market?

Klein: We are participating in several tenders, looking at new PPAs to enable the construction of wind and solar projects. Off takers, energy traders and consumers are willing to buy renewable energy, which remains competitive despite the depreciation of the [Brazilian] real and the raw material price

hike. Long-term contracting is increasingly attracting medium-sized companies and large consumers as a way to reduce operating costs. And there is also the ESG [environmental, social and corporate governance] agenda, which is gaining significant strength within companies.

BNamericas: In January, Voltalia won a tender held by [Telefônica](#) Brasil to provide distributed energy generation for the buildings and stores of its Vivo unit. Will there be similar tenders during the rest of 2021?

Klein: This is a big contract, calling for the construction of 16 solar plants. We are seeing some smaller contracts being tendered as most consumers prefer to split their demand among different auctions.

BNamericas: What is Voltalia's financing strategy in the Brazilian market?

Klein: We use [federal development bank] [BNDES](#)' infrastructure debentures and also BNB [[Banco do Nordeste](#)]. We have not been able to sign PPAs in dollars yet because of the depreciation of the real.

BNamericas: The government is studying ways to correct imbalances between the regulated and free market amidst the expansion of the latter in the country. An example is the end of subsidies for distributed generation. Do these changes concern Voltalia?

Klein: Not really. This is the natural course of history. In Europe, our governments initially subsidized renewable energy but, after the financial crash of 2008, had to withdraw part of the support. This, however, did not prevent the renewable energy segment from reinventing and becoming more competitive. In Brazil, the support came via tenders and the TUSD/TUST [distribution and transmission fares] discounts. It was not much, but sufficient to make them grow competitive. The free power market prices are already more expensive compared with the pre-pandemic scenario, but renewable sources remain competitive as we are constantly adapting, aiming for efficiency gains.

BNamericas: What is your outlook for hybrid projects and green hydrogen in Brazil?

Klein: People often criticize renewables for the intermittence risks. This can be offset with hybrid and green hydrogen initiatives, reducing the thermoelectric power footprint in the energy matrix. Besides, we must take into account the huge impact renewable energy has produced in the northeast region, fostering a new economy with billions in investments and local universities educating technicians and engineers.