

Emerging solar markets in 2015



In 2014, a number of countries around the world began to develop into serious solar end markets. Ben Willis asks IHS analyst Josefina Berg to give her tips on the emerging markets to watch over the coming year

PV Tech Power: Which were some of the emerging-market star performers in 2014?

Josefina Berg: There were some very positive developments last year. We saw South Africa really moving ahead quickly, ahead of time; projects that were scheduled to come online in 2015 were commissioned already in 2014. Now however that's going to impact growth in 2015, since South Africa is depending on what's been awarded in previous tenders, so we might see a slight drop in South Africa. And there was even a bit more of a cautious attitude towards renewables at the end of 2014 in South Africa because of problems with the grid, which led to the postponement of round four bidder announcements [under its renewables programme]. So it started cautious then grew quickly, and now there are some new barriers. But overall the growth of South Africa has been very positive.

Another market we saw take off is Chile. It's another of these countries that people have been looking at and talking about for several years, and wondering when it's going to take off. And after SunEdison installed its first project in 2013, we've seen more and more projects taking off there. It's taken a long time for projects to get PPAs [power purchase agreements] in Chile; we've seen some projects are betting on the spot market to get their projects built and they might be looking to get a PPA later on. There's a lot of IFC funding and other multilaterals in Chile; we've also seen some private banks opening up for projects in Chile. Chile will definitely be for 2015 a very strong market. We think it could install up to 800MW, so by the end of 2015 it could have 1GW. But this is the beginning of the year – projects could go faster or slower.

If we're looking at the new markets, we saw some very positive indications from Jordan, which finally closed financing for some of the projects that have been in the pipeline for a while. We think Jordan could install up to 200MW this year.

And Egypt in December awarded feed-in tariff contracts to 2GW of projects. There will be a lot of hurdles for these projects to be deployed, but it definitely raises our outlook for Egypt and we're looking into that now to see how we should assess it – whether it could go like what we've seen in South Africa, or if there will be a lot of hurdles. They've awarded the projects, but they still have to go through the whole processing of PPAs, and it could be like Jordan where it's been a very cumbersome process to get projects ready to build.

Then of course Brazil's solar auction has been very positive news for emerging markets. Brazil has been one of these markets that we feel has to take off at some point. The policy hasn't been there; we've seen the pipeline build up, but in Brazil wind has been the strong renewable technology. So coming out with a solar-specific auction, that's very positive for Brazil.

PV Tech Power: Where else do you expect to see breakthroughs in 2015?

JB: Our recent 2015 predictions paper highlighted the Philippines. We've forecasted over 200MW for the Philippines this year, but in a high-case scenario it could go up to 500MW. We're still assessing how much is going to be installed until the feed-in tariff (FIT) cut expected in March, and then exactly what the FIT is going to be after that. But there are projects being built outside the FIT in the Philippines, so that's definitely a market to look at.

And also in Honduras we saw projects signing PPAs last year with the regulator. They had a plan to install 300MW in Honduras, but they've oversubscribed in terms of the PPAs they've signed. And we've seen already projects starting construction; SunEdison has just received finance for a project, Scatec Solar is also starting a big project there.

PV Tech Power: What are the main factors propelling these markets forward?

JB: The first and most important thing in most markets is policy. Policy has developed; policy-makers are allowing private project development to go ahead. And they're encouraging solar technology – that's what's making the difference in these markets. There's a lot of talk about non-subsidised solar and that solar can stand on its own two feet now. But whatever the power technology you're talking about, it needs to be anchored in policy and regulation, and ideally have some kind of support.

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PV Tech Power: What about the laggards? A number of places get talked up but haven't delivered yet – Saudi Arabia, Turkey and Mexico to name a few. What's holding them back?

JB: Saudi Arabia raised great expectations across the solar industry when it first announced renewable power targets in 2012. The plan to open up tenders in one of the world's wealthiest nations attracted a hoard of developers and manufacturers to Saudi Arabia to develop new business. As regulators have not progressed on the planned tenders, and PV installations have stagnated at less than

Chile was one of the emerging market success stories of 2014 and looks set to carry that good form into 2015.



Credit: SunEdison.

20MW, the PV industry is growing restless. The latest announcement to postpone the target year to 2040 deflates further expectations of near- to mid-term growth.

The past months' extraordinary decline in global oil prices is likely to reframe the Saudi position toward new power generation sources. At current global oil prices, the incentive to save oil for export weakens for near-term deployment. In the long-term, the argument to reduce oil consumption remains valid, for which IHS expects Saudi to deploy the bulk of new PV capacity in the period from 2020 to 2040.

As for the other markets where we see uncertainty, Brazil has made a huge leap forward by holding solar auctions. Now the second step for these projects to move forward is to organise financing and then have a realistic plan for installation. There are still a lot of question marks in Brazil regarding local content and the whole financing situation.

In Turkey it's also about policy. They awarded the first part of licences last year, and they're set to award the remaining capacity this year – auctions are coming up at the end of January. What we've seen from the first round of projects last year is that it's been a slow process from awarding the projects to getting contracts and details implemented; the bureaucracy is holding things back.

Mexico is one of the markets that's more complicated. Financing is a big problem because a lot of the projects there are depending on spot prices and they're competing with wind projects. Solar is still struggling to find its place in the Mexican market.

PV Tech Power: Does sub-Saharan Africa, outside of South Africa, offer much potential this year?

JB: There are a lot of announcements in Africa of very big projects ranging from 100MW up to 1GW of projects, and then a couple of memoranda of understanding, but nothing much beyond that. There have been projects that have been cancelled – Zimbabwe had a big pipeline, but the projects were cancelled or postponed indefinitely. That's very likely to happen in other markets too. There will be some countries where projects are installed, but it will be on an individual basis and not at a programme level or as a general trend. Any power project you want to pursue in the region is going to be quite a challenge.

PV Tech Power: Are we likely to see any surprises this year in terms of new markets opening up?

JB: We'll have to see what's happening in the rest of Latin America. Until now it's been quite concentrated in a few countries. Overall in the rest of Latin America, there are a lot of other power generation sources in the region [for solar to compete against]. But it would be interesting to see which of those countries open up – maybe just even a small programme or tender.

Also Southeast Asia is one of those regions people expected a lot from but aside from Thailand hasn't delivered that much over the past years. Now we're seeing the Philippines taking off and we'll have to see what the other countries in the region are willing or able to move on and accelerate the success of their solar programmes. ■