



How can renewable energy auctions adapt to support an inclusive energy transition?

Ana Amazo
Scaling up Renewable Energy (SURE)
Managing Consultant at Guidehouse
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USAID Auctions Assistance Map

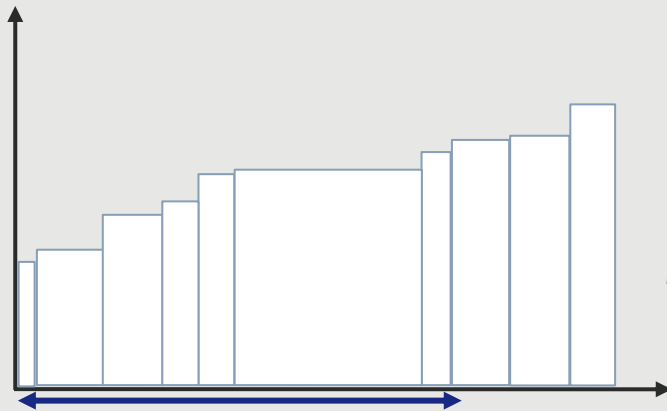


— Agenda

1. What is a renewable energy auction?
2. Adapting the renewable energy auction design: design elements and country examples
3. Adapting the policy framework: examples

An auction is a market-based allocation mechanism to competitively procure renewable energy

Tariff



Volume of the bids = supply

Qualified bids are ranked from lowest to highest price

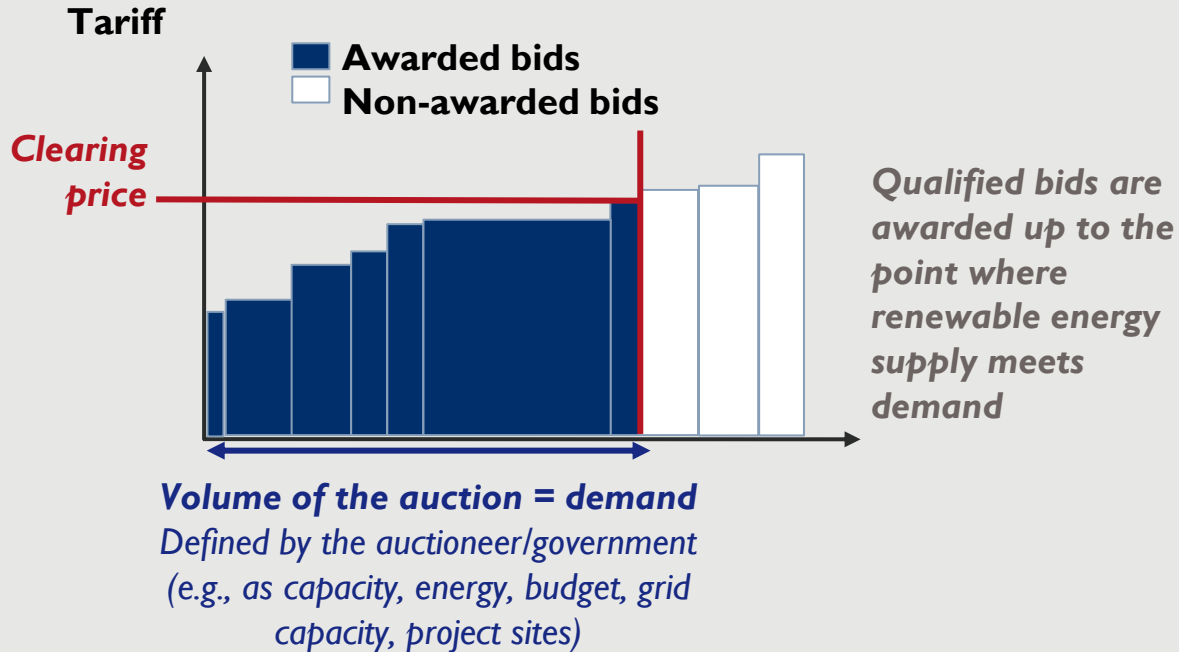
Volume of the auction = demand

*Defined by the auctioneer/government
(e.g., as capacity, energy, budget, grid
capacity, project sites)*

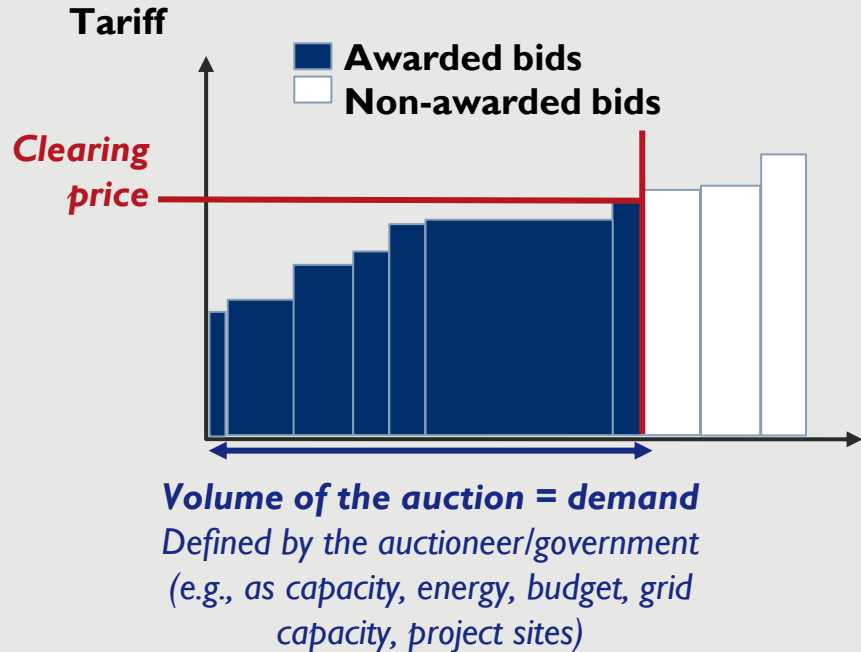
Terminology

“Auction”, “tender”, and “competitive procurement” will be used as synonyms in this presentation.

The auction matches the volume demanded with the most competitive offers supplied



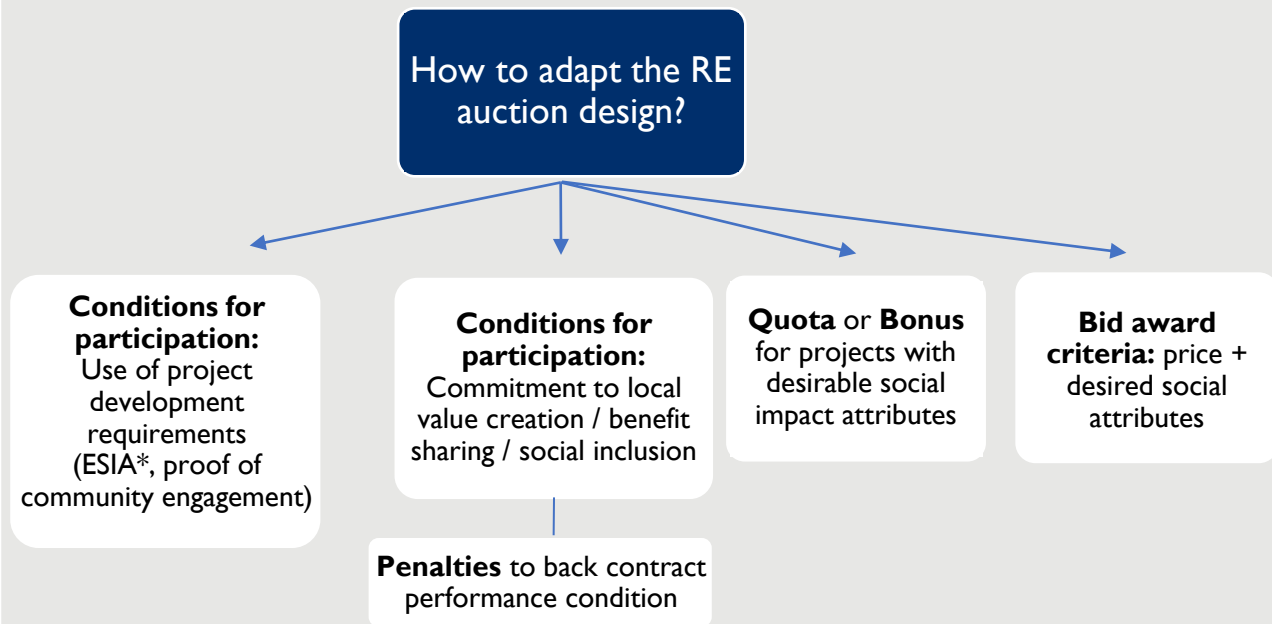
Auctions focused purely on price capture RE cost decline but do not address issues around an inclusive energy transition



Key trends

- 54.3 GW awarded via auctions in 2021. By 2020, 116 countries had held auctions.
- Auctions have captured RE cost decreases and become a powerful tool to scale up RE.
- Adoption of policy objectives beyond price, e.g., enhancing social impacts of awarded RE projects

Auction design can help mitigate adverse and enhance beneficial social impacts of awarded RE projects



*ESIA: Environmental and social impact assessment

ESIA and proof of community engagement represent evidence of project development progress

How to adapt the RE auction design?

Conditions for participation:
Use of project development requirements (ESIA*, proof of community engagement)

- ESIA*: required in several countries.
- Mexico: Social Impact Assessment considered
 - Australia (state of Victoria): evidence of community engagement



Adobe Stock

*ESIA: Environmental and social impact assessment 8

Auction participation can also require commitment to social inclusion, benefit-sharing, local value creation

How to adapt the RE auction design?

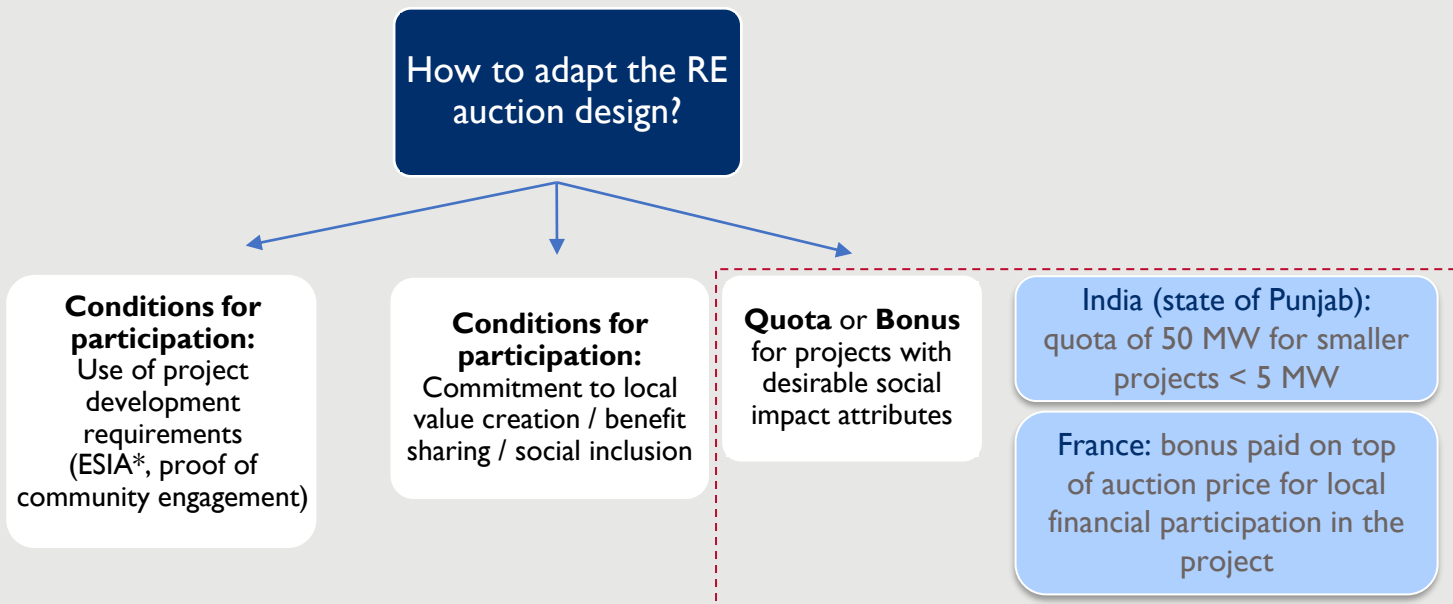
Conditions for participation:
Use of project development requirements (ESIA*, proof of community engagement)

Conditions for participation:
Commitment to local value creation / benefit sharing / social inclusion

Namibia: social inclusion requirements
Turkey: employment local engineers
Ireland, El Salvador: % of revenue to local community

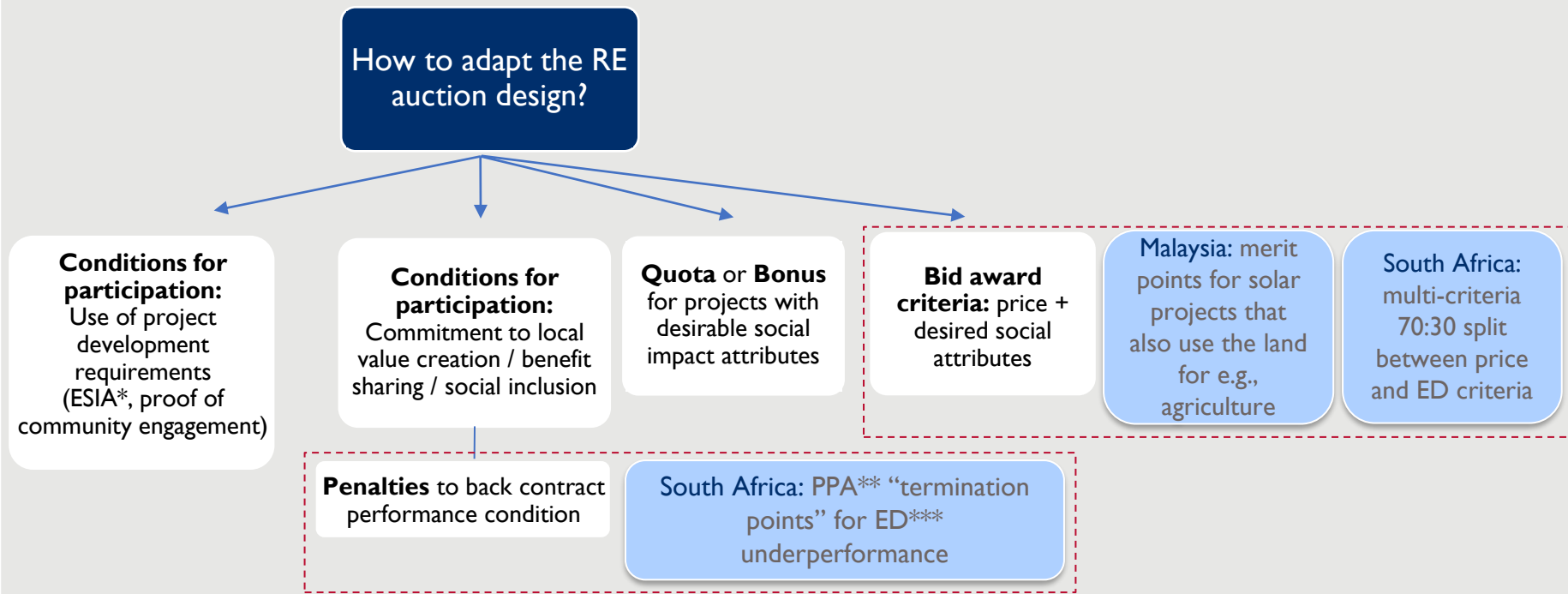


Preferential quota or bonus increases likelihood that projects with desirable social impact attributes win the auction



*ESIA: Environmental and social impact assessment

Social impacts can be addressed both in price-only and multi-criteria auctions



*ESIA: Environmental and social impact assessment

**PPA: Power Purchase Agreement

***ED: Economic Development criteria in South Africa's RE auctions

A supportive policy framework enhances the effectiveness of design elements supporting social impact objectives



How to adapt the broader policy framework?

Mexico: Recommendations to increase the effectiveness of the social impact evaluation

Define **social impact regulation** to send clear signal to bidders on expected scope & community engagement requirements

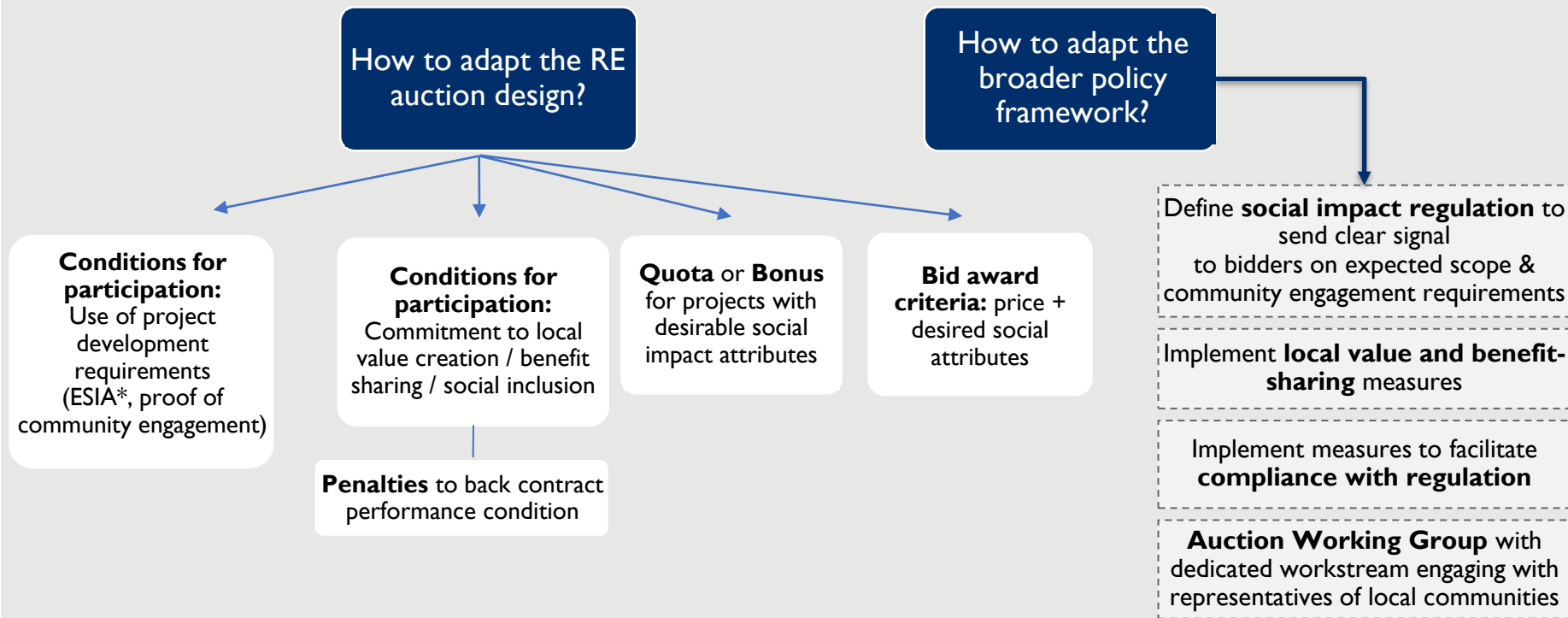
Implement **local value and benefit-sharing** measures

Implement measures to facilitate **compliance with regulation**

Auction Working Group with dedicated workstream engaging with representatives of local communities

Colombia: Multisector initiative for the province of Guajira
Chile, Australia (state of Victoria): best practice guides on participatory and community engagement and benefit-sharing, respectively.

Summary of RE auction design and policy framework measures



*ESIA: Environmental and social impact assessment

Thank you!

Guide on how to adapt RE auction design to address social impacts:
<https://www.usaid.gov/energy/auctions/social-impacts>

Please visit and share the Renewable Energy Auctions Toolkit:
<https://www.usaid.gov/energy/auctions>