

Tegucigalpa electricity market

TEGUCIGALPA, Honduras - With Honduran President Porfirio Lobo Sosa as a witness of honor, Finance Minister Wilfredo Cerrato and Inter-American Development Bank President Luis Alberto Moreno signed an agreement for \$22.9 million in financing for a project to upgrade Honduras' power infrastructure and support its participation in Central America's regional electricity market.

The regional electricity market, known by its Spanish acronym MER, was established under a framework agreement among six Central American countries in order to optimize the use of their energy resources and reduce electricity costs by taking advantage of economies of scale.

All six countries are also partners in SIEPAC, the Central American electric interconnection system. The IDB contributed \$271.5 million in loans to finance the construction of the system's 1,793-kilometer power transmission line.

The new financing provided by the IDB to Honduras will support a project to strengthen the regional network by building a permanent link to a line connecting the Honduran and the Guatemalan grids. The project will also finance institutional capacity building to enable the Honduran power utility, ENEEE, to participate effectively in the MER.

Under the project, a new substation will be built for the power line between San Buenaventura in Honduras and Panaluya in Guatemala. This will technically close the loop between the Honduran, Guatemalan and Salvadoran grids, making the regional network more robust.

The IDB financing consists of a 30-year, \$16 million loan with a fixed interest rate plus a 40-year, \$6.9 million loan with a fixed annual interest rate of 0.25 percent.

The multilateral promotes various initiatives to strengthen the electricity subsector, the promotion of renewable energy sources and improvements in efficiency

Tegucigalpa, February 17th, 2023.- Energy is essential for Honduras' social and economic development, which is why the Central American Bank for Economic Integration (CABEI) contributes to strengthening the electricity subsector with competitive and sustainable projects to boost the quality and efficiency of the country's energy supply.

In the last two years, CABEI implemented two Development Policy Operations (DPOs) with the Government of Honduras aimed at improving the subsector's operational and financial performance, including the reduction of losses, as well as increasing inclusive access to energy, strengthening compliance with international agreements on climate change and contributing to the transparency of public information in

related projects.

"For CABEI, the energy sector in Honduras is a priority and we will continue to support it with different initiatives and projects aimed at achieving energy efficiency, expansion of coverage, sustainability and quality of service, incorporating financial mechanisms that strengthen the energy sector to achieve a more competitive and sustainable country," said CABEI Executive President, Dr. Dante Mossi.

Also, through the CABEI-financed Temporary Support Program for the Fuel Crisis, the Government of the Republic of Honduras provides a subsidy on the price of electricity to households with monthly consumption of less than 150 kilowatt hours (kWh) so that their bills remain at zero cost, which has benefited more than 3.8 million Hondurans.

In addition, with resources from Taiwan, the Bank's extra-regional partner country, a US\$550,000 cooperation project is being executed to develop technical, financial and economic feasibility and detailed design studies for a floating photovoltaic solar plant at the Francisco Morazán Hydroelectric Plant, which will directly benefit 24,000 families and generate between 100 and 90 gigawatt hours (GWh) for the country.

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