Tegucigalpa solar industry

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The government of the Central American country with the highest installed PV capacity wants to renegotiate contracts awarded in 2015 under an incentive regime. While domestic companies have reportedly agreed to reduce tariffs, international investors are said to be in no mood to capitulate.

With around 511 MW of installed PV capacity at the end of 2018, Honduras has been a success story for Latin American solar with the technology supplying 19% of its power generation capacity of 2,682.3 MW, according to the latest available statistics from state-owned utility the National Electric Energy Company (ENEE).

The nation"s clean energy reputation was mostly gained in 2015, which brought 400 MW of new PV deployment - for a cumulative 455 MW - under a FIT scheme launched two years earlier that included tax incentives.

Since then, however, solar growth has been limited, with last year"s 60 MW of new generation capacity something of a highlight. That capacity came in the form of two large scale projects - one of them a 35 MW facility built by Norway"s Scatec Solar - both of which were developed under the FIT regime.

Among the projects selected for the incentive program - the first 300 MW of which that entered service before August 1, 2015 received a further bonus - were a 100 MW-plus plant built by Cohessa and Soposa in the department of Nacaome and the 61 MW Aura Solar 2, developed by Mexico"s Gauss Energ?a in the Choluteca department. With the early start bonus rolled in, those projects secure a tariff of around $0.18/kWh.

In early October, however, the Honduran government announced it had reached an agreement with banks and the private sector for reform of the electric system, including renegotiation of the contracts awarded under the incentive scheme.

The domestic companies affected have agreed to reduce their tariffs by $0.03/kWh, according to Honduran media reports, but international investors are reported to be firmly against any retroactive measure.

According to a recent report from the Inter-American Development Bank (IADB), ENEE was able to reduce its fiscal deficit from 1.8% of Honduras" GDP in 2013 to 1.3% by November 2018 while also reducing the scale of grid power losses from 30% in 2013 to 27.3% four years later. "These inefficiencies reduce the government"s fiscal space for investment in other sectors, as ENEE requires substantial capital transfers to ensure a stable power supply," said the IADB in its report.

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