

CENTRAL AMERICA

Honduras

GDP: **\$18.6bn**

Five-year economic growth rate: **5%**

Population: **8.1m**

Total clean energy investments, 2006-2013: **\$814.8m**

Installed power capacity: **2GW**

Renewable share: **22.3%**

Total clean energy generation: **1,196GWh**

Top energy authority:

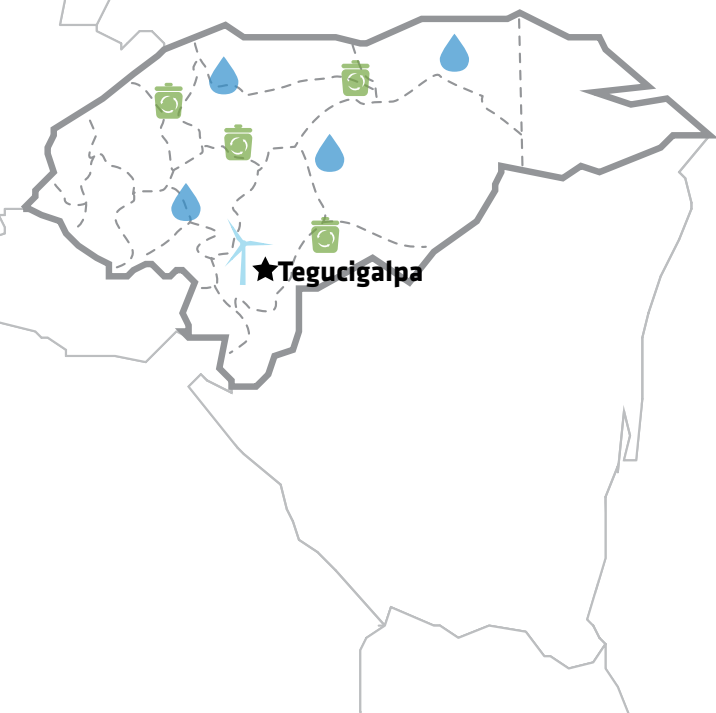
Department of Natural Resources and Environment

OVERALL RANKING
2014

25

OVERALL SCORE
2014

1.15



PARAMETER	RANKING	SCORE
I. Enabling Framework	20	1.29
II. Clean Energy Investment & Climate Financing	22	0.64
III. Low-Carbon Business & Clean Energy Value Chains	30	1.42
IV. Greenhouse Gas Management Activities	20	1.56

SUMMARY

Honduras ranked 25th out of the 55 developing nations surveyed by *Climatescope* 2014, with a score of 1.15. It was also about midway through the pack (11th) among its 25 Latin American and Caribbean peers.

The Central American country relies on oil and diesel-fired power plants for more than half its electricity. Its power sector is in precarious condition: the state-run utility is financially weak, partly owing to the high rate of power loss in its transmission and distribution sectors.

Notwithstanding, in 2013, clean energy (excluding large hydro) represented 22% of the 1.8GW of grid-connected generating capacity. The country has introduced several incentives,

including a price premium (with a special emphasis on solar) as well as tax breaks. The former is expected to drive most of the growth.

Since 2006, a total of \$815m has been invested in clean energy, a significant sum given its relatively small \$19bn economy. Development banks are playing a key role, given the country's high risk profile.

In 2014, Honduras approved a new electricity law aimed at increasing private participation in the power sector. If successfully implemented it should boost confidence among private developers and investors and will therefore foster greater clean energy deployment.

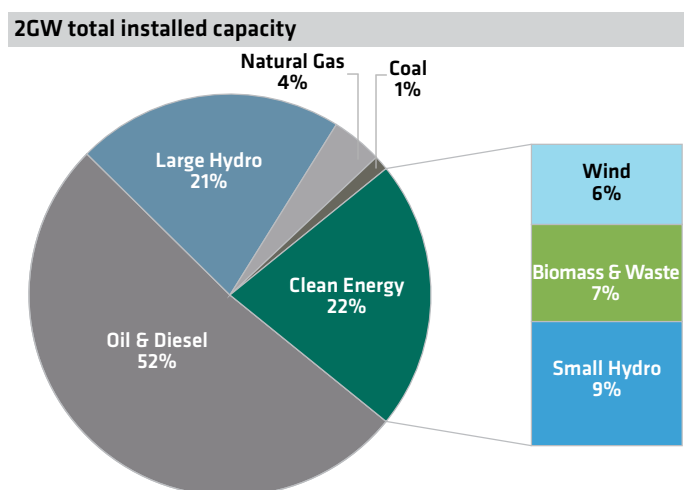
For further information, access www.global-climatescope.org/honduras

PARAMETERS AT A GLANCE

Honduras' power sector is going through a period of transition. Currently, it is centralized around state-owned Empresa Nacional de Energía Eléctrica (ENEE), which controls generation, transmission and distribution. The company has accumulated a high level of debt given power subsidies and late payments, in addition to power losses averaging 32%. In early 2014, legislation was approved that promises to tackle these problems by reforming the structure of ENEE and increasing the participation of private players in all power segments. The separation of the national utility in commercial units is due to be rolled out from July 2015.

Honduras' clean energy policy incentives and 24.5% growth in clean energy generation from wind and small hydro in 2013 (relative to 2012) helped the country achieve 20th place on Enabling Framework Parameter I.

INSTALLED POWER CAPACITY BY SOURCE, 2013 (%)



Source: Bloomberg New Energy Finance, Empresa Nacional de Energía Eléctrica Honduras

Honduras ranked 22nd on Clean Energy Investment Parameter II. In 2013, \$73m was invested in the country's renewable power market. The bulk of it went to finance the 24MW second phase of the Cerro de Hula wind farm, adding to the 102MW already installed. Once commissioned, it will be the largest wind complex in Central America. Still, given the risk to investors, finance in Honduras is not cheap: swap rates and the average cost of debt stood at 7% and 20%, respectively, in 2013. On the microfinance side, there are four institutions that offer loans for clean energy systems, which have reported some 335 transactions.

KEY POLICIES

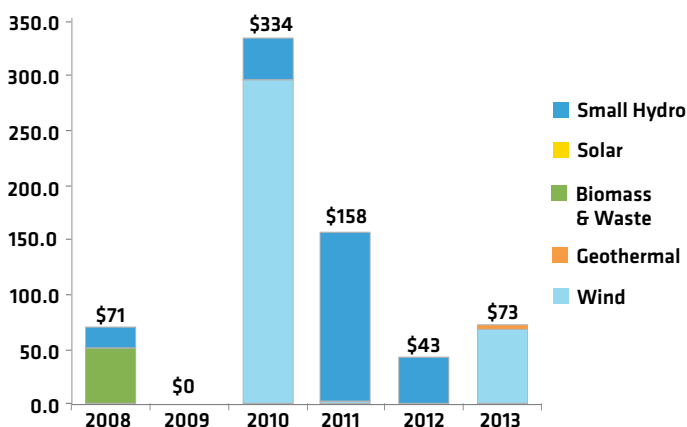
Feed-in Tariff	A 10% price premium for renewable projects and 15% for solar projects that sell electricity to the government-owned and operated electrical power company (ENEE).
Auction	ENEE has held one auction, awarding contracts to 37 renewable projects, from small hydro (257MW), geothermal (35MW), and biomass & waste (33MW) for 20 to 30-years contracts.
Tax Incentives	Import duty exemption to clean energy equipment and machinery and import and sale tax exemption to renewable generators.

Source: Bloomberg New Energy Finance Policy Library

In common with other low-income countries, Honduras has a fairly limited network of renewable energy service providers, being mostly developers and engineering firms. As a result, it ranked a relatively weak 30th on Clean Energy Value Chains Parameter III.

ANNUAL INVESTMENT IN CLEAN ENERGY, 2008-2013 (\$m)

\$814.8m total cumulative investment



Source: Bloomberg New Energy Finance

Notes: Total investment includes: Asset Finance, Corporate Finance and Venture Capital / Private Equity Commitments.

On GHG Management Activities Parameter IV, Honduras finished in 20th place, a comparatively strong position that highlights its 35 GHG offset projects, 25 of which are focused on reducing emissions from power generation. These are significant, given the country emits 8.1m tons of CO₂ per year.