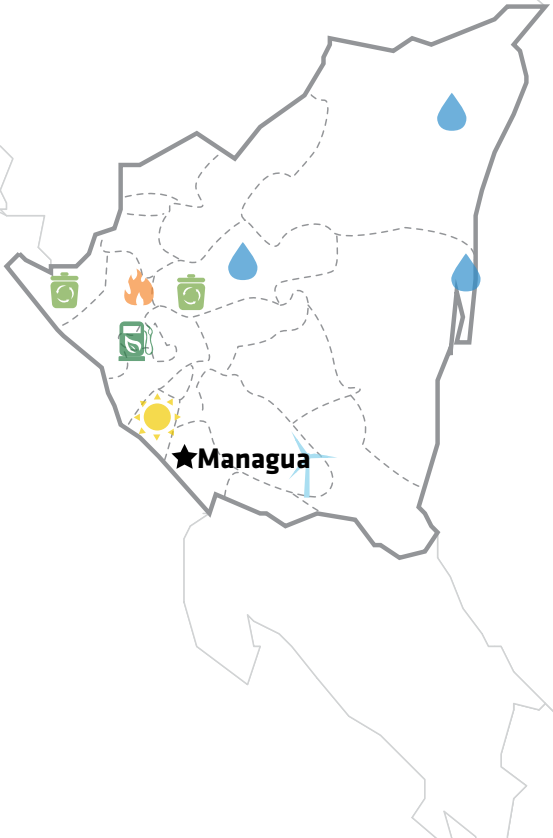




Nicaragua

GDP: **\$11.3bn**Five-year economic growth rate: **6%**Population: **6m**Total clean energy investments, 2006-2013: **\$1.6bn**Installed power capacity: **1GW**Renewable share: **31%**Total clean energy generation: **1,442GWh**Top energy authority: **Ministry of Energy and Mines**OVERALL RANKING
2014**14**OVERALL SCORE
2014**1.37**


PARAMETER	RANKING	SCORE
I. Enabling Framework	06	1.51
II. Clean Energy Investment & Climate Financing	04	1.16
III. Low-Carbon Business & Clean Energy Value Chains	36	1.16
IV. Greenhouse Gas Management Activities	18	1.61

SUMMARY

Nicaragua finished 14th out of the 55 countries assessed for *Climatescope* 2014, with a score of 1.37. The relatively small \$11bn GDP economy beat out much larger countries, including Nigeria and Argentina. Among the 26 LAC countries in the index, it finished in 8th position and would have fared even better had clean energy investment there not fallen from its 2012 peak. The country was also negatively impacted by a re-weighting of the parameters of *Climatescope* 2014 from prior years. The change increased the importance of clean energy value chains in the overall score.

The country has the smallest power sector in Central America, at 1.3GW of installed capacity, and is connected to its neighbors through the regional electricity market. It has one of the highest

clean energy penetration rates in the region, with 39% of its national capacity coming from geothermal (12%), wind (11%), biomass (11%) and small hydro (5%). Nonetheless, it relied on oil and diesel for almost half the 4TWh generated in 2013, showing that there is still considerable potential for clean energy to make further inroads.

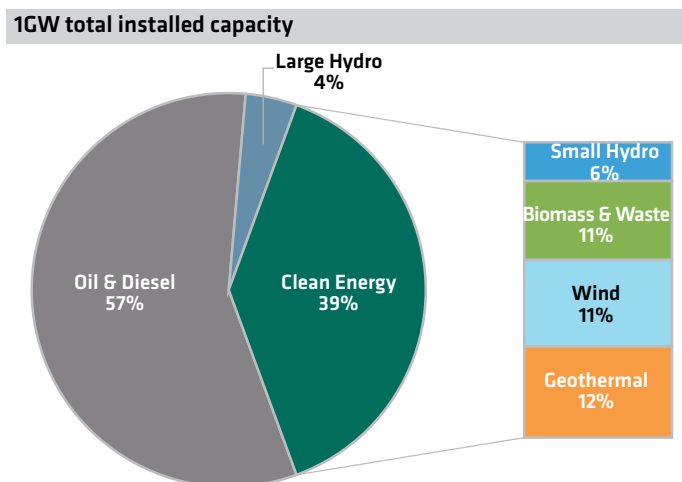
Nicaragua has attracted \$1.6bn of clean energy investment since 2006. Last year, in 2013, there was a significant decline to \$129m, from \$290m the year before. Such fluctuation is not surprising given the small size of the power sector. Looking ahead, the government has an ambitious plan to almost double its clean energy installed capacity (including large hydro) in the next 15 years, and to shift away from thermal generation towards a renewable energy-based system.

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

PARAMETERS AT A GLANCE

Nicaragua took 6th place on Enabling Framework Parameter I. In 2013, three new clean energy projects were added to the nation's grid: a 12.5MW small hydro plant, a 44MW wind farm and a 1.3MW PV project, the first such utility-scale plant in the country. These took the share of clean energy to 39% of the total 1.3GW installed. Nicaragua has a relatively open power sector: private players may participate in generation and distribution, but transmission is controlled by state-owned Enatrel. Electricity tariffs are high for retail consumers, averaging \$0.25/kWh in 2013.

INSTALLED POWER CAPACITY BY SOURCE, 2013 (%)



Source: Bloomberg New Energy Finance, Agencia de Promoción de Inversiones de Nicaragua PRONicaragua

Nicaragua has one of the lowest electrification rates in Latin America, at 79% of the country's 6m population; however the situation is rapidly improving. In the first half of 2014 alone, some 15,000 families were connected through a public scheme. Nicaragua's recent selection to the Scaling Up Renewable Energy (SREP) climate investment should give additional support to the clean energy electrification effort.

KEY POLICIES

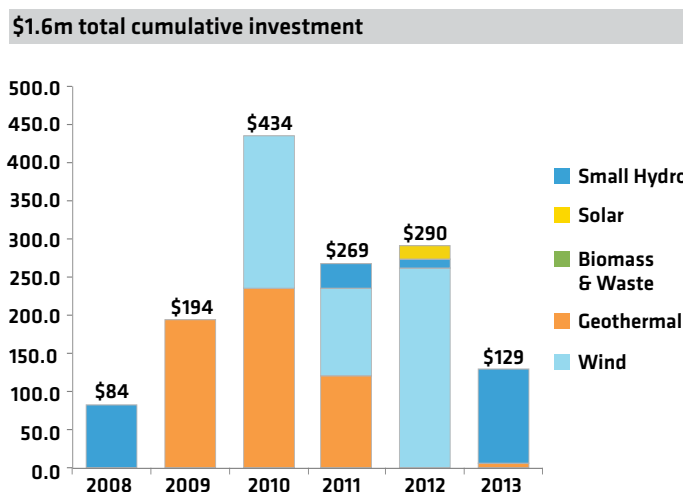
Energy Target	94% renewable installed power capacity (including large hydro) by 2017.
Tax Incentives	Import duty exemption for clean energy equipment, VAT, income tax, and natural resources tax exemption to renewable generators

Source: Bloomberg New Energy Finance Policy Library

The country's best performance was on Clean Energy Investment Parameter II, reaching fourth place globally. Despite falling in 2013 compared with the previous year, the level of investment is high in relation to its \$11bn economy. Green microfinance also plays an important role. There are four organizations offering finance for clean energy projects, and to-date they have completed more than 635 transactions.

Nicaragua did not perform well on Clean Energy Value Chains Parameter III, as its small renewable market does not justify the presence of equipment manufacturers; however, there are project developers in all six clean energy sectors assessed. As a result, it finished in 36th place.

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



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 Nicaragua took 18th place. There are 16 GHG offset projects registered in the country, 12 of which are in power generation. Nicaragua has considerable potential for further such activity, including the development of REDD programs for forest management.