



# El Salvador

GDP: **\$24.3bn**

Five-year economic growth rate: **3%**

Population: **6.3m**

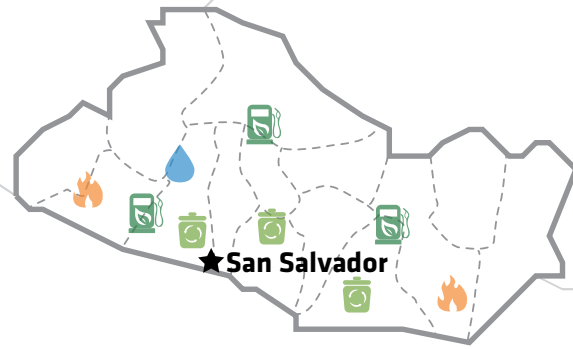
Total clean energy investments, 2006-2013: **\$243m**

Installed power capacity: **2GW**

Renewable share: **22.1%**

Total clean energy generation: **1,691GWh**

Top energy authority: **National Energy Council**



OVERALL RANKING  
2014

**27**

OVERALL SCORE  
2014

**1.12**

PARAMETER	RANKING	SCORE
I. Enabling Framework	14	1.33
II. Clean Energy Investment & Climate Financing	05	1.12
III. Low-Carbon Business & Clean Energy Value Chains	46	0.84
IV. Greenhouse Gas Management Activities	36	0.85

## SUMMARY

El Salvador scores 1.12 in *Climatescope* 2014, finishing 27<sup>th</sup> overall and 12<sup>th</sup> among its Latin American peers. The country's score was boosted by clean energy's considerable participation in the country's grid, high local power prices and the growth in clean energy investment, both for large- and micro-scale capacity development.

Renewables play a key role in El Salvador's matrix with geothermal and biomass projects currently providing the most clean generation. However, it is solar that is poised to become the flagship technology. In 2013, El Salvador saw \$51m invested in

one pilot photovoltaic power plant. Another 94MW of capacity was contracted in 2013 through the country's first renewable energy supply contracts tender and is expected online in the next two years.

El Salvador has the highest retail electricity tariffs in Central America, at an average of \$0.23/kWh. Given these prices, distributed renewable generation could be a cost-competitive alternative to reduce electricity bills. The government is expected to develop a net metering policy in the next year or two that could spur distributed capacity in the country.

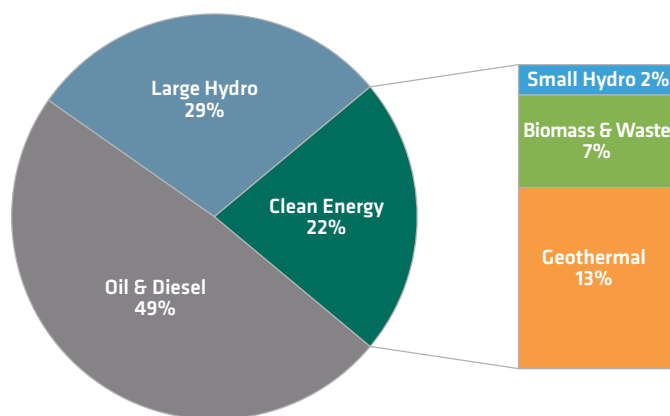
For further information, access [www.global-climatescope.org/elsalvador](http://www.global-climatescope.org/elsalvador)

## PARAMETERS AT A GLANCE

El Salvador's *Climatescope* 2014 score is largely due to its performance on the index's first two parameters, where it ranked at 14<sup>th</sup> and 5<sup>th</sup>, respectively. The country scored well on the power sector structure indicator in Enabling Framework Parameter I as reforms have led to a system now open to private sector participation. El Salvador is also an active participant in the Central American regional market (MER), where it is the second largest power exporter and largest importer.

### INSTALLED POWER CAPACITY BY SOURCE, 2013 (%)

#### 2GW total installed capacity



Source: Bloomberg New Energy Finance, Consejo Nacional de Energía

While renewable capacity represents 22% of El Salvador's 1.5GW installed capacity, the country still leans heavily on fossil-fueled thermal generation. In 2013, 40% of its 5.8TWh generation was sourced from oil and diesel plants.

In an effort to cut its reliance on imported fuels and reduce generation costs, El Salvador held its first reverse auction for renewable energy supply contracts in July 2014. That tender resulted in 94MW of future PV capacity contracted at an average price of \$116/MWh under 20-year agreements. Given that El Salvador's wholesale spot prices averaged \$173/MWh in 2013, the newly contracted clean generation is potentially quite competitive.

### KEY POLICIES

<b>Tax Incentives</b>	Import duty exemption to clean energy equipment and machinery and income tax exemption to renewable generators.
<b>Auctions</b>	Distribution company Del Sur held the country's first auction and contracted 94MW of solar PV at an average price of \$116.2/MWh.

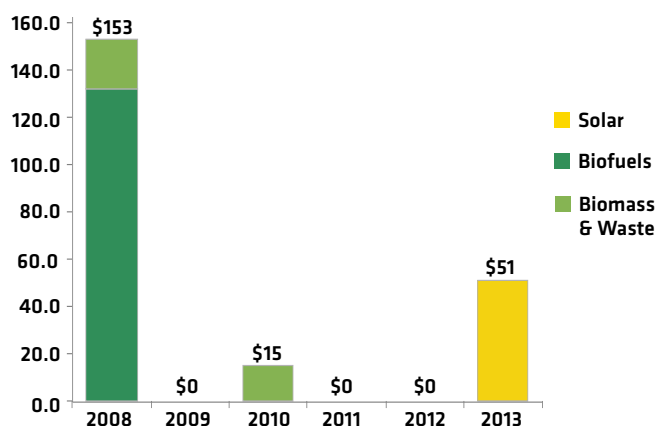
Source: Bloomberg New Energy Finance Policy Library

In 2013, El Salvador attracted \$51m for the 14MW CEL 15 de Septiembre pilot project, the country's first large-scale PV plant. More investment should start to trickle in next year, as the tendered PV plants get financed. In addition, El Salvador has a significant green microfinance network, with four organizations active and over 700 borrowers throughout the country.

Due to its small market, El Salvador does not have a substantial clean energy value chain, which explains its relatively low score on Parameter III, ranking at 46<sup>th</sup> place. Local developers are expected to rely on companies established in neighboring countries to supply its projects. Additionally, there is relatively little activity related to greenhouse gas management initiatives (Parameter IV) and as a result, the country ranked at 36<sup>th</sup> place. El Salvador has seven offset projects registered in international programs, but no major emission reduction policies on the books.

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

#### \$243m total cumulative investment



Source: Bloomberg New Energy Finance

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