



Strengthening the RE Policy and Regulatory Framework (FOMPIER) Phase II

Country / Region: **Honduras** | Project Id: **XSREHN080A** | Fund Name: **SREP** |

Comment Type	Commenter Name	Commenter Profile	Comment	Date
Comment 1	Simon Ratcliffe	United Kingdom	<p>Dear Mafalda,</p> <p>The UK has a number of questions for the project team related to this project proposal. These are:</p> <ul style="list-style-type: none"> • The proposal notes that the 2016 Climate scope report scores Honduras positively recognising the countries progress and ranking it 8th out of 58 countries in different regions around the world, the document also notes that this is "reflected by the unprecedented uptake of RE during the last few years". Given this proposal is targeting the issues around the uptake of RE and identifies it as an issue faced by Honduras, what is causing this unprecedented uptake in the last few years? Please could you explain the SREP additionality in this context. And are the market conditions already in a place where Honduras is on track to meet its goals in regards to renewable energy? Therefore is this project needed to address this issue if uptake is already happening? Or does it expect to help with other issues around this? It is also not clear why the Energy Ministry requires institutional strengthening. Could you please elaborate? It is not clear why the Energy Ministry needs TC related to the diversification of its energy mix when it is already "carrying our a systemic process to diversify the generation mix based on the exploitation of RE resources", please could you elaborate? 	Nov 15, 2017
Response 1	Claudio Alatorre	IDB	<p>Apologies for the delay in submitting these responses. The social unrest period in Honduras, and then changes in the government team (in particular, the appointment of a new Energy Minister and a new Manager of the National Electric Power Company, the entity that will be in charge of executing the technical cooperation) delayed the preparation of the responses.</p> <p>Honduras has indeed made substantial process in the promotion of RE (the installed capacity of NCRE grew from 98MW in 2007 to 1,164 MW, or 45% of the total installed capacity, in 2017, while the generation contribution increased from 5% to 38%). However, the country is now reaching the limit in terms of penetration of variable RE generation (wind and solar).</p> <p>Going beyond the current level to reach the target of the GoH (reaching 60% of RE in its energy matrix by 2022, and 80% in 2038) will be challenging. Many stakeholders in Honduras question the high costs that RE development has implied for the nation (in terms of fiscal support) and for the public utility (for example, hydropower plants now need to provide ancillary services at higher operational costs).</p> <p>SREP resources are at this stage essential to support the GoH in defining a strategy to continue increasing the participation of RE, including key issues such as dispatch, distributed generation, bidding processes for RE projects, and private participation in transmission investments.</p> <p>As the eyes of many actors in the region and beyond are turned towards Honduras—as a laboratory for rapid RE deployment—, it is very important to show that a pathway for large-scale RE deployment is possible and cost-effective.</p> <p>Summing up, the uptake of RE in Honduras in the past does not imply a "checkmark" for Honduras in terms of its RE policy framework. As we have seen in several countries around the World, RE policy development is a never-ending endeavour.</p> <p>Finally, the FOMPIER project is also addressing the off-grid sector. Honduras has one of the lowest rates of electricity access in Latin America, with only 81% of the citizens having access to electricity (56% in the rural areas). The GoH is committed to increase electricity access with renewable energy, but this requires work in terms of institutional capacity, changes to the regulatory framework, enhancements in operational efficiency and financial sustainability, and adoption of clean energy policies.</p> <p>SREP resources will be entirely focused on increasing RE use both on and off-grid.</p>	Mar 21, 2018



Finally, with regards to your question on institutional strengthening, the IDB has accompanied the GoH in the power sector reform process since 2014 through a programmatic policy support (see the latest Loan Proposal (<http://bit.ly/HO-L1189>), approved in December 2017). Honduras has suffered a weak institutional set up that has affected its capacity for planning, regulating and operating the power sector. The former Ministry of Natural Resources, Energy, Environment, Forestry Development and Mines, who was in charge of energy policy and planning, did not have the human and financial resources needed to comply with its main responsibilities. Honduras thus had a quantitative target for RE penetration but lacked a strategic approach to reach it.

The Ministry of Energy (SEN) is the new institution in charge of energy policy and of regional and international energy integration. SEN is tasked with proposing the National Energy Strategy and the policies related to the integral and sustainable development of the energy sector. SEN is also in charge of the formulation, planning, coordination, execution, monitoring and evaluation of the strategies and policies of the energy sector, which, among other matters, include (i) the rational use of natural resources for the harnessing and sustainable development of renewable energy sources; (ii) the access to clean and reliable energy sources; (iii) the design of energy efficiency and renewable energy programs nationwide; and (iv) regional integration. The Government has prioritized the energy reform process and the strengthening of its institutional set up for an adequate policy development with SEN, with the support of the regulatory agency that was also created under the power sector reform process.

SREP grant resources will be used to support the effort of the GoH to implement the committed changes in terms of RE development.

Response 2 Karl McAlinden United Kingdom

Mar 26, 2018

Dear Mafalda,
The UK is happy to approve this project.
Please convey our thanks to the project team for their responses to our queries.
Kind regards,
Karl