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Key drivers of renewable energy growth in Honduras

The Honduras energy matrix is reliant on liquid fossil fuels for power generation; therefore, Honduras' power prices are sensitive to oil price fluctuations. The government of Honduras has been focused on changing the country's energy matrix, fostering the development of renewable energy generation. Under the Honduras National Plan 2010-2022, the government has set a goal that 60% of Honduras' electricity demand be met by renewable energy generation by 2022. To achieve this goal, the Honduran government gives preferential tax treatment for renewable energy projects (tax exemption from income tax, import duty and sales tax) and provides a 10% payment bonus for MW solar PV projects (less than 50 MW) installed by year-end 2015.

Costa Rica

From 2010 to 2013, the installed base of energy generation capacity in Costa Rica has increased from 2.4 GW to 2.7 GW or a CAGR of 4%. The chart below shows Costa Rica's generation capacity fuel mix as of year-end 2013:

Fuel type	Percentage
Hydro-electric	64.6%
Oil	22.9
Geothermal	8.1
Wind	2.9
Biomass	1.5
Total	100.0%

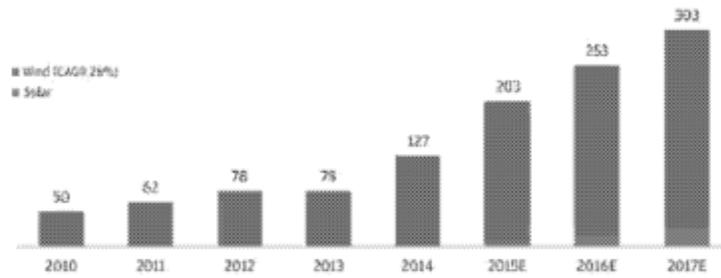
Retail electricity prices have risen in Costa Rica at a CAGR of 11% over the past seven years. We expect retail electricity prices in Costa Rica to continue to rise, primarily due to increasing costs of conventional sources of energy and overall demand for energy and the removal of government subsidies available to conventional energy sources.

The cumulative installed capacity of renewable energy sources in Costa Rica increased from 1,743 MW in 2010 to 2,064 MW in 2013. Renewable energy accounted for 117% of overall energy capacity growth from 2010 to 2013, in part, displacing fossil fuel capacity, which has declined 7% over that time period.

The cumulative installed capacity of wind energy in Costa Rica grew from 50 MW in 2010 to 127 MW in 2014, or a CAGR of 27%.

The following chart reflects actual and projected growth in Costa Rica's cumulative solar and wind energy generation capacity from 2010 to 2017:

Costa Rica cumulative solar and wind energy generation capacity (in MW), 2010-2020



Source: Bloomberg New Energy Finance