

Honduras grid modernization

In Honduras, with the election of the new president, hope for a transition towards a renewable-based and non-corrupt energy sector arises. The whole sector requires rebuilding and infrastructural expansion is urgently needed. Though the odds seem positive, open questions remain. Rebecca Bertram discusses perspectives and obstacles.

Last November, Hondurans elected their first female president, Xiomara Castro of the left leaning Libre Party, amid high hopes for real change in the country. In particular, Castro had promised to generate 70 percent of the country's electricity needs from renewables.

Will she be able to keep her promise, and what will her overall energy policy look like? Her renewable energy target is a tall order in itself even for industrialized countries. How much more so for Honduras, where 73 percent of the population is living in poverty, and where according to World Bank a total of 7.2 percent - some 720 000 people - have no access to electricity at all. For years, the sector has been underfunded and undermined by corruption.

To many onlookers, it did not come as a surprise that within days after taking office in January, President Castro declared the National Electricity Company (ENEE) bankrupt. This year alone, the state company braces for losses of 1 billion USD. Almost 60 percent of these result from fraud and non-technical failures, making Honduras' ENEE one of the most inefficient energy providers in Latin America.

In a recent interview, Honduras' new Energy Secretary outlined how his government is in touch with a number of industrial countries, such as Japan, Germany and the United States to gain further financial aid for its overall infrastructure, electricity transmission and distribution. Yet these are just preliminary talks, and given Honduras' corrupt traditions, it remains unclear whether any foreign money will actually flow into the much-needed infrastructure.

After all, these stakeholders have a strong interest both in a steady and affordable electricity supply and in a sustainable regulatory framework. And what is perhaps more important, Honduras' entrepreneurs have long realized that corruption has a damaging effect on their business. They could thus be important allies for the government if and when it gets its act together, bearing in mind that this strategy alone is unlikely to solve all energy related problems but could be an important strategic starting point to the discussion.

Honduras, a Central American country with a rich cultural heritage and diverse landscapes, faces significant challenges in providing a reliable and accessible electricity supply network to its population. Frequent power outages and voltage fluctuations are common.

The electricity sector in Honduras is primarily regulated and managed by the National Electric Energy Company



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(Empresa Nacional de Energí?a El?ctrica or ENEE). Despite its efforts, thecountry's electricity infrastructure faces several hurdles, including inadequate capacity, high transmission losses, andfinancial constraints.

One ofthe main challenges facing theelectricity supply network inHonduras is its high dependency on imported fossil fuels, particularly oil. Most electricity generation is derived from thermal power plants that rely on expensive imported fuel. This reliance exposes thecountry tofluctuations inglobal oil prices, impacting theaffordability andstability ofelectricity tariffs.

Toaddress this issue andenhance energy security, Honduras has been working on diversifying its energy mix byinvesting inrenewable energy sources. Thecountry has significant potential for renewable energy, including hydroelectric, solar, andwind power. Inrecent years, several renewable energy projects have been implemented toreduce thedependence on fossil fuels andpromote sustainable electricity generation.

Despite these efforts, theelectricity supply network inHonduras still faces reliability challenges. Frequent power outages are common, andareas outside major urban centers often experience inadequate electricity supply. These issues are attributed tovarious factors, including ageing infrastructure, equipment failures, andinsufficient investment inmaintenance.

Furthermore, thefinancial stability ofthe state-owned ENEE has been alongstanding concern. Thecompany faces financial losses due toinefficiencies, non-payment, andelectricity theft. These financial challenges hinder ENEE's ability tomake necessary infrastructure upgrades andmodernization investments.

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