A conversation with Fernando Zúñiga

with Kali Persalll

Fernando Zúñiga

More than a quarter of primary energy in Latin America and the Caribbean currently comes from renewables — or twice the global average. Nestled in that picture of progress is Panama, which aims to transform 50 percent of its generation capacity to renewables by 2050. **Kali Persall,** *editor of Institutional Investing in Infrastructure (i3), spoke with* **Fernando Zúñiga,** *managing director, Latin America & Caribbean at MPC Energy Solutions (MPCES), about the state of the renewables market in Panama and Latin America more broadly. Zúñiga has more than 12 years of experience in the renewable energy industry as a consultant, principal investor and project developer.*

In May 2023, MPCES entered Panama's market with new developments focusing on ground-mounted solar photovoltaic. What initially drew you to this region, and what projects are you currently working on?

Our decision to enter the Panamanian market in May was primarily motivated by the country's increasing emphasis on sustainable energy and its leading role in energy transition in the region. Panama's commitment to diversifying its energy mix and harnessing renewable resources aligned well with our mission to contribute to the global transition to clean energy. MPC Energy Solutions also has an office in Panama and presence through its sister company MPC Capital since 2017.

Currently, we are actively involved in two ground-mounted solar photovoltaic projects: El Abuelo with 10 megawatts alternating current (AC) and Santa Teresa, a project on the range of 40 megawatts to 90 megawatts. Panama boasts a well-established energy market with more than 17 percent market share, diverse participants and numerous opportunities, especially with large clients and distribution companies. We anticipate a significant energy auction soon, further opening avenues for growth.

What makes Panama stand out from other Latin American countries, and what types of renewable-energy projects are particularly well-suited for the region?

Panama distinguishes itself in the Latin American landscape due to its strategic location, economic stability, commitment to sustainable development and a dollarized economy. The country has a robust legal framework supporting renewable-energy projects, making it an attractive destination for investments in the clean energy sector. Furthermore, Panama's increasing electricity demand and focus on reducing reliance on traditional energy sources create a favorable environment for the flourishing of solar projects. In Panama, solar energy projects, especially those organized as mini projects with a capacity of 10 megawatts, are particularly well-suited. These projects not only take advantage of the abundant sunlight in the region but are also structured to be cost-effective and operationally efficient. Panama offers fiscal incentives for such projects, making them even more attractive for investors. Additionally, these mini projects benefit from operational incentives, including exemptions from certain operational costs, further enhancing their viability and contribution to the country's renewable-energy goals.

How is the renewables market in Panama and Latin America, more broadly, faring?

The renewables market in Panama is thriving, with more than 66 percent of the installed capacity coming from renewable sources (hydropower plants, wind and solar), surpassing the Latin American regional average of 59 percent. Panama's strong commitment to renewable energy is further exemplified by the impressive

achievements of countries like Uruguay and Costa Rica, which have reached the remarkable milestone of being 100 percent reliant on renewables. These successes reflect the positive momentum in the renewables market across Latin America, with several countries actively transitioning to more sustainable energy sources.

Are there any challenges to meeting sustainability or energy-transition goals in Panama and Latin America?

The primary challenge in Panama, as in many other regions, is addressing the intermittency of certain renewable technologies, such as solar and wind. Mitigating the operational challenges posed by this intermittency on the grid is essential without increasing the cost of renewable projects. Furthermore, adapting the regulatory framework to accommodate these operational solutions is a key challenge.

In Latin America as a whole, challenges may vary from country to country, but common issues include financing hurdles, regulatory complexities, and the need for grid modernization to accommodate increasing shares of renewables.

What does it take to find success in this market?

To succeed in the Panamanian solar market, it is necessary to have a multifaceted approach. A profound understanding of the local regulatory environment and energy policies is paramount. Building strong partnerships with local stakeholders, including government entities and communities, is crucial for navigating regulatory processes and ensuring the successful implementation of projects.

Additionally, the experience in renewables development and project financing that MPCES brings to the table further enhances our ability to navigate the intricacies of the market. Indeed, positioning us for success in contributing to Panama's sustainable energy future.

What is the government's level of involvement in expanding Panama's green energy sources? Are public-private partnerships playing a part?

Panama has developed a robust energy market where private investment has played a pivotal role in its expansion. The Panamanian government is actively engaged in promoting the growth of green energy sources. It provides incentives for renewable projects, offering fiscal benefits that make these projects more financially appealing for investors. Additionally, the government takes an active role in facilitating the necessary infrastructure for renewable energy projects through its electrical transmission company, ETESA (Empresa de Transmisión Eléctrica, S.A.). An exciting development in this regard is the construction of a new transmission line by ETESA, which is structured as a public-private partnership (P3) project.

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What is the outlook for renewable energy in Panama?

The outlook for renewable energy in Panama is indeed optimistic. With a substantial portion of its energy already sourced from renewables and a dedicated emphasis on solar projects, Panama is in a favorable position to advance its transition toward a more sustainable and environmentally friendly energy future. As the country takes on the challenges of intermittency and refines its regulatory framework, it is poised to significantly expand its renewable-energy capacity.

Panama's aspirations are clearly reflected in its ambitious targets. The goal to increase the wind and solar installation capacity from the current 11 percent to 20 percent by 2030 demonstrates a strong commitment to renewable-energy growth. This forward-looking approach positions Panama as a notable player in the transition to cleaner and more sustainable energy sources, and it aligns with global efforts to combat climate change. ❖