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Nicaragua's Energy Crisis Stirs Calls For Nationalization Of Sector

by LADB Staff

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A worsening energy crisis in Nicaragua has brought protesters into the streets to demand an end to ongoing blackouts and the departure from the country of the Spanish company Union Fenosa, contracted to distribute electricity. The Coordinadora Civil and the Asociacion de Consumidores y Usuarios de Nicaragua, whose membership comprises several civil organizations, organized the latest protest in front of the Instituto Nicaraguense de Energia (INE), the state regulatory agency, in Managua. They not only hold Union Fenosa responsible for the power outages but are also incensed that the company has raised rates while power has been going out for periods of from four to 12 hours for months.

The protesters, most of whom came from Granada, Leon, and Managua, have asked that newly elected authorities, soon to take office, return electricity-distribution responsibilities to the state. Managua Mayor Dionesio Marengo acknowledged "very serious problems," and said the situation would get worse before it gets better, but it will get better as a result of a deal struck with Venezuela. That country will be delivering eight generating plants that will add 120 megawatts to the present capacity, but they will not begin to come on line until January.

December, he said, "will be a very difficult month. Nicaragua's Minister of Energy Emilio Rapacciolli said four of the plants would arrive Dec. 20. Rapacciolli accompanied President-elect Daniel Ortega on his recent trip to Venezuela, when the deal was made. He said the modules would start operations sometime in January and would cover the deficit in Managua, with luck in time for Ortega's assumption of office on Jan. 10. The remaining four plants will not arrive until June.

Rapacciolli is a long-time energy official, having served in the first Ortega Sandinista government (1979-1990) and in the succeeding Violeta Chamorro government (1990-1996). He said the additional 120 MW would be a "great help," but the short-term outlook is dark. "Between August and September we will emerge from the crisis," he estimated. The generating plants are part of the deal brokered in Caracas in April (see NotiCen, 2006-04-27) between the Asociacion de Municipios de Nicaragua (AMUNIC), Sandinistas all, and the state-owned Petroleos de Venezuela S.A. (PDVSA). The deal bypassed the government of President Enrique Bolanos but will become a state-to-state arrangement when Ortega takes office, according to the minister.

Rapacciolli called the situation "critical," pegging the deficit at 100 MW-hours per day throughout the country. He said Venezuela will help to alleviate the shortfall, but he called for the promotion of local alternative energy sources to cut dependence on oil, which currently supplies 80% of national electricity. He said the country has hydroelectric, geothermal, and wind-generation capability.

At present, some 600,000 Nicaraguans are affected by the blackouts. Contributing to the situation are lack of money to buy electricity from the Central American grid and low water levels in Lake

Apanas, a hydroelectric generation site. The country consumes 495 MW-hours per day but generates only 475 when all sources are running to capacity. Meanwhile, INE the groundwork for a serious look into Union Fenosa's operations.

The agency has asked the Congress for money to fund an audit of the private company. They seek to determine the reasons for huge losses of power and money. INE went to the legislative Committee for Evaluation of the Energy Sector only after a request to the World Bank for financing a technical audit was turned down and a request for support of the audit from the private sector was denied. Union Fenosa has taken the position that it would consent to an audit only by a private accounting firm, contending that INE would not be fair and impartial.

The company and the regulatory agency have been at odds. INE has sought to charge the company with breach of contract. A decision to bring the case to arbitration is pending in the Juzgado Primero de lo Civil. The court is expected to rule on naming a third and final arbitrator to hear the case. One arbitrator for each side has already been selected. Whether this move can be interpreted as a step toward renationalization of electricity distribution in Nicaragua under the incoming Sandinista government remains unclear.

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