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Dominican Republic: First Steps to Green Economy

By Charles Arthur

In October, the country's first wind farm, near the western town of Juancho in the province of Pedernales, began generating electricity. The US\$100 million project, built by public and private investors, was opened by President Leonel Fernández, who said that the 33 megawatts of wind power that the farm will generate was the first step toward helping the Dominican Republic reduce its dependence on petroleum imports.

The Los Cocos wind farm consists of 14 turbines, manufactured by the Danish company Vestas, and will produce 33 MW of clean wind power. The Los Cocos project is expected to avoid the emission of 125,000 metric tons of carbon dioxide per year, equivalent to the annual greenhouse-gas emissions from more than 20,000 passenger vehicles in the US.

Officials representing EGE-Haina, the power company operating the farm, say that although a number of wind-power projects already exist in the Caribbean region—in Jamaica, Cuba, Aruba, and Guadeloupe—the Dominican Republic facility is believed to be the largest of its kind so far. EGE-Haina plans to complete a second phase of the wind-farm project in 2012, which will add an additional 52 MW.

Opening the wind farm is the first fruit of a long process to transition the country's energy sector away from reliance on fossil fuels and instead develop the production of cleaner fuels. The aim of the transition is partly a response to the problems that have plagued the Dominican electricity sector, which relies on costly oil imports, for decades. Consumers have suffered frequent power blackouts, and during the hottest months of the year anger about the lack of air conditioning and refrigeration have turned to violent street protests.

The high cost of petroleum imports is another motivation. The Dominican Republic currently imports 155,000 barrels of oil a day, most of it from Venezuela. Dominican Republic President Leonel Fernández has championed the transition to clean energy for many years, and during his second and third terms as president (he was first elected in 1996, and then again in 2004 and 2008) the government has published many policies and laws to incentivize renewable-energy production.

Legislation promotes transition to clean energy

The most prominent piece of legislation was Law 57-07 on Renewable Sources of Energy Incentives and its Special Regimes and its appending regulation, passed in 2007, which set a target of 25% renewable energies in the country's final electricity consumption by 2025. The law also aimed to encourage sustained commercial financing for the renewable sector through financial incentives such as tax exemptions, a feed-in-tariff (FiT), and a national fund for renewable energies.

A new Constitution adopted in 2010 even includes the following provision: "The state shall promote in the public and the private sector the use of clean alternative technologies to preserve the environment." These initiatives, especially Law 57-07, have helped increase investor confidence by sending a clear signal, and the Asociación Dominicana de Empresas de Energía Renovable (ADEER) now comprises more than 40 companies specialized in supplying, developing, or installing renewable energy technologies. However the clean energy sector is still in its infancy.

Héctor Martínez, head of ADEER, says, "I have been developing and installing renewable energies in the Dominican Republic for 10 years now. The main barrier for a larger deployment of these technologies was, and still is, financing. Dominican entrepreneurs see the opportunity and they see the potential, but there is currently no funding available for renewable energies."

Renewable-energy projects need funding to cover upfront investment cost, but Dominican project developers usually lack capital of their own and have no access to borrowing instruments such as soft loans, credits, or grants.

The problem of lack of access to credit is starting to be addressed, and Banco Hipotecario Dominicano, one of the country's top-five banks, has begun developing a credit line to finance renewable energies in partnership with the World Bank's International Finance Corporation (IFC).

But clean-energy advocates say much more needs to be done. The Worldwatch Institute, based in Washington, DC, is one organization advocating in favor of more action by Dominican authorities.

The Worldwatch Institute's Xing Fu-Bertaux is of the opinion that, more than anything else, the Dominican Republic needs to follow through with its plans for a renewable-energy fund. Fu-Bertaux writes, "In countries where the capital market is not ready to finance renewable-energy projects adequately because of a structural lack of capital, awareness, and experience, creating a specialized financial institution is a good way to leverage the amount of private capital necessary for renewable energy, even when short-term gains are not evident."

Alexander Ochs, director of climate and energy at the Worldwatch Institute, says, "While not without its challenges, the Dominican Republic has tremendous potential to exploit its rich solar

and wind resources." He adds, "The declining costs of both wind and solar technologies make the promotion of decentralized energy generation particularly attractive. Many private homes, businesses, and tourist resorts already keep backup generators. The challenge then is to create an environment that encourages the implementation of renewable technologies. The government has adopted a great framework for action and many positive policies. But only the full implementation and better administration of these support mechanisms will bring renewables to their full potential."

Speaking at the Sustainable Development Summit in the Indian capital New Delhi in early 2011, President Fernández said that this is his aim. He told participants that he wants to convert his country into a green economy and that as part of this effort he has entered into an agreement with Germany to help Dominican universities develop models for sustainable economic development.

For Fernández, "Fossil fuels took us from the Industrial Revolution to the present moment, but, in the 21st century, it will be clean energy and a green economy."

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