

# CLIMATE INVESTMENT FUNDS

August 11, 2017

---

**[APPROVAL BY MAIL]: HONDURAS: ERUS UNIVERSAL ENERGY ACCESS PROGRAM  
(SREP)(IDB)- XSREHN010A-**

**COMMENTS FROM UNITED KINGDOM**

Firstly, we would like to thank the project team for looking at our questions and providing in-depth responses to them, it's been very useful. We find the project very interesting, however we would like to check our understand with a few follow-up comments and questions.

- 1) The LCOE for the mainland is approximately \$0.14/Kwh; one of this projects' stated objectives is to reduce LCOE to levels that allow competitive socio-economic development in the participating areas, at what level would you deem this objective to be achieved? Under the analysis provided the LCOE are \$0.347/Kwh for Guanaja and \$0.482/Kwh for Brus Laguna, this is still much higher than the mainland average; will this project effectively address the identified market failures? We note the installed capacity is relatively small scale, have other options been considered to suggest this is the most effective option to reduce the LCOE through renewable energy and as such have the biggest impact on reducing the market failure? What are the constraints behind building more capacity or the same capacity for a lower investment?
- 2) We would like to understand a bit more about your calculations for the NPV. Does it only take into account revenue flows, or does it factor in the value of other benefits, for example GHG savings and how are these benefits been valued and discounted?"
- 3) Are the costs of diesel likely to be volatile at these two separate sites? Given that a slight change in the diesel cost can push the NPV to be negative; what is the likelihood of this happening? Secondary to this, what are the factors that make the cost of diesel in Brus Laguna so much higher compared to Guanaja?
- 4) As an additional comment, a 25% capacity factor for small scale solar is slightly high, what evidence is this based on?
- 5) Regarding the answer to our previous Q4, it is stated that public consultations have not yet taken place. This answer seems to miss the point of the original question, regarding the measures that were (or will be) taken to ensure that participants are able to make informed decisions. Who will be represented? What interests do they represent? How will less educated, or less vocal people be heard? Will the decisions taken be robust?
- 6) Regarding the answer to our previous Q6, mention is made of subsidies to the upfront investments. How has/will the level of subsidy be determined? How long will these subsidies be necessary?