Renewable Energy

A Top Export Prospect for Dominican Republic

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Overview

The electric power generation and distribution sector is perhaps the most challenged part of the Dominican Republic's economy. The country experiences frequent electrical outages that can last from several minutes to more than twelve hours a day. Supply shortfalls in the sector can be attributed mainly to electricity distribution companies' inability to collect and forward to the generating companies the monies owed them from domestic consumers, as well as from delays in government payments. Small-scale theft of electricity from overhead power lines in poorer residential areas is widespread.

The Dominican Republic's installed generation capacity is over 3,000 MW and the average daily peak demand is around 1,900 MW, thus the supply shortfalls and blackouts appear to be due to systemic problems rather than a lack of generation capacity. Technical and non-technical losses average 30 to 35 percent. The increasing costs of fossil fuel imports have made the development of renewable energy projects a priority for the government.

The DR government's efforts to encourage the generation of clean and renewable energy includes generous tax incentives for investors in the sector, but stop short of commitments to purchase the electricity produced. While the new fiscal reforms plan to reduce these incentives somewhat, the medium- to long-term prospects for renewable energy products and services are very promising.

Legal Framework for Renewable Energy

There are several laws that comprise the legal framework for the renewable energy projects in the Dominican Republic. These include the following:

• **Reform of Public Enterprises Law 141-97**: Provides the legal framework for the partial privatization of the electricity generation and distribution units.

• **General Electricity Law 125-01**: Provides preferential treatment for companies that generate electricity from renewable energy, if prices and conditions are identical to conventional generation. Companies that generate electricity with renewable energy are exempted from taxes for five years.

• **Presidential Decree 139-03**: Provides import tax exemptions for solar panels and wind turbines.

• **Presidential Decree 557-02:** Supports the diversification of sugar mills into energy-producing Independents Power Producers (IPP) industries.

• **Incentive Law:** Promotes industrial development in the border region with Haiti, which includes incentives for wind, solar and all biofuels.

• **Renewable Energy Incentives Law 57-07:** Includes the following incentives:

- Tax exemptions for imports on renewable energy components
- Reduced transmission fees for renewable energy electricity
- Fixed feed-in price for renewable energy electricity
- Grants of up to 50 percent of investment costs (to be decided on a case-by-case basis, for a maximum 5 MW production capacity)
- Income tax exemptions and fiscal incentives for self-suppliers
- Grants of up to 50 percent of investment costs (to be decided on a case-by-case basis, for a maximum 5 MW production capacity)

Hydrocarbon Law 112-00: Provides funding for the promotion of renewable energy and energy saving programs. It started as a 2 percent hydrocarbon tax credit in 2002, and was increased to 5 percent in 2005. This fund and its programs are managed by the DR Ministry of Industry and Commerce.

Opportunities

The passage in May 2007 of the Renewable Energy Incentives Law (57-07) provides a number of incentives to businesses developing renewable energy technologies. This law was passed as part of the Dominican government's efforts to invigorate local energy generation from renewable sources, as well as to promote production of high-value renewable energy products. The incentives include a 100 percent tariff exemption on imported inputs (equipment and materials) and a 10-year exemption from all taxation on profits up to, but not beyond, the year 2020.

Under CAFTA-DR, U.S. imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products started entering the Dominican Republic duty-free on March 1, 2007, while others will receive gradual reductions on the customs duties.

The recent implementation of the tax reform approved by President Medina's administration in 2012 impacted the Renewable Energy Incentive Act. The changes partially reduced the income tax credit received by self-energy producers from renewable energy sources to invest in these systems. The Law 50-07 granted numerous incentives and tax exemptions to investors in renewable energy. However the recent tax reforms have reduced the incentives quite considerably.

The National Energy Commission (Comision Nacional de Energias – CNE) recently approved concessions to foreign companies for the construction of three solar projects to be developed: two in Monte Plata and one in Monte Cristi. A concession was also approved to a U.S. company that will develop a solar project to provide energy to a mining company. Other concessions have been approved for the construction of small hydraulic electric projects.

There are some business opportunities in the private sector for renewable energy, mainly for small solar projects to be developed in military facilities, airports, intelligent buildings, malls, among others other projects.

Web Resources

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