

INVESTMENT OPPORTUNITIES

Energy



Overview

Guided by a policy of modernisation, efficiency and sustainability, the Jamaican energy sector is fast becoming an attractive area for investment. Electricity generation has grown from a few entities to over 10 public and private producers through the national grid operator, Jamaica Public Service Company (JPS). Sources of power range from petroleum products to alternative energy sources including hydropower, wind, solar and bagasse.

Jamaica is receiving international attention for its liberalised energy industry. An open policy allows investors to source their own fuels

for projects and this has helped the mining and sugar industries, heavy users of fuel oils. Policy guidance has improved and provides a

Key Indicators (2016)

Industry Size
Contribution to GDP

US\$349 million

Energy Consumption

19,999,000 BOE

Electricity Generating Capacity

1,020.8 MW

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clear outline of the country's direction in the industry until 2030. The energy policy and diversification, are recognised in the Global Energy Architecture Performance Index 2017, ranked 92nd globally and No. 1 in the English-speaking Caribbean.

Domestic energy consumption for residential and commercial use was provided primarily from petroleum-based products 96.6% and alternative energy sources 3.4%. In fact, as at 2016 petroleum usage was 19.9 million Barrel of Oil Equivalent (BOE). This electricity consumption reached 1,020.8MW and is projected to continue its growth trajectory as more persons subscribe to official providers of power.

In 2016, in a deliberate thrust to adopt the use of renewable energy, the Office of the Utilities Regulation, under the guidance of an Electricity Sector Enterprise Team (ESET), commissioned three projects to develop 80MW of generating capacity from renewable power. In 2018, the ESET was replaced by the Generation Procurement Entity (GPE) responsible for securing: an additional 100MW of renewable energy, 45MW of waste to energy and 30MW of hydro power among other projects.

One fuel source attracting significant attention and investment is Liquefied Natural Gas (LNG) which is now being used in plants locally to power the grid, supporting an estimated 120MW or 11% of total capacity. Two new electricity plants are under construction

to add 292MW of power using LNG as a source fuel. As Jamaica moves to increase its usage of LNG, prospects are available for the country to operate as a hub in the region for distribution of the resource.

Demand Drivers

- **Renewable Energy:** Through the National Energy Policy, the Government of Jamaica has set a target of 30% of electricity generation from renewable sources to supply the national grid by 2030. Since the start of the policy in 2009, the supply from renewable sources has grown to 14.7% in 2018.
- **Global Fuel Prices:** With some 87% of energy sourced from imported fuel oils, Jamaica is highly vulnerable to fluctuations in global oil prices. This increases the demand for alternative sources of energy to supply the national grid at lower costs to consumers.
- **Industry Diversification:** As the Jamaican economy grows, the demand for energy increases, from the general consumer to heavy industries. Electricity generation in the bauxite and alumina industry, hotels, shipping and manufacturing all require affordable energy. The current promotion of Special Economic Zones that favour manufacturing and distribution are also on the radar of the Government of Jamaica.

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Key Trends

- **Costs of Technology:** The costs associated with generating capacity from renewable sources like wind and solar globally have lowered over the last decade and are expected to reach US 1.79 cents/kWh for solar PV and 2.0 cents/kWh for onshore wind.
- **Paris Agreement:** To date 174 countries have become signatory to the historic Paris Climate Accord. This agreement, engaged in 2015 has set in place a global commitment to lower emissions, reduce the rate of temperature rises, improve adaptability and establish sources of financing. The vulnerability of small island developing states necessitates the investment in infrastructure and diversification of energy sources to mitigate the existing adverse effects on the natural environment.

Opportunities

- **Electric Power Generation - Renewable Energy:** Opportunities exist in generating electricity from renewable resources such as, solar, wind, hydro, geothermal, biomass, waste and ocean thermal energy conversion (OTEC) for the national grid. Opportunities are highly dependent on the completion of an Integrated Resource

Plan being done by the Ministry of Science, Energy and Technology (MSET).

- **Trading in Fuels:** Through a liberalised policy, fuels can be imported, grown and/or processed domestically. Opportunities exist in distribution of LNG, processing end of life motor oil, waste to biodiesel, ethanol production and processing of oil crops like castor to make biodiesel.
- **Energy Efficiency and Conservation:** Energy Services Companies (ESCO's) are distinguished from other energy efficiency (EE) or renewable energy (RE) providers by the fact that they offer performance contracting to their clients, such as, guaranteed savings, shared savings, pay-from-savings and asset ownership. The immediate opportunity for energy efficiency and conservation can be found within the private sector of Jamaica. ESCO's are encouraged to target this opportunity first.