Panama city solar energy market

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The Panamanian solar power market is expected to grow significantly in the coming years, driven by several factors, including favorable government policies, declining solar PV costs, rising electricity demand, and surging electricity prices.

Nevertheless, the Panama solar energy sector confronts specific challenges. Primary among these are grid integration and financial considerations. Solar energy projects entail substantial development costs, and securing financing can be a major obstacle for certain businesses and individuals, particularly given the declining investments in the nation"s renewable energy sector.

Panama"s solar energy prospects are quite promising, with the country benefiting from an average daily solar irradiance of 4.8 kWh/m?. This level of solar irradiance indicates the amount of solar energy received per square meter in a day and serves as a key factor for assessing the viability of solar power generation in a region. This irradiance level is relatively high, indicating that Panama receives a substantial amount of solar energy throughout the year.

The southern provinces of Chiriqu? and Veraguas stand out as particularly advantageous areas for solar energy development in Panama. These regions enjoy an even higher average solar irradiance of over 5 kWh/m? per day. This elevated solar resource potential in the south of Panama makes it an ideal location for solar energy projects.

Solar power directly contributes to Panama"s energy security and independence, as well as helping to meet rising electricity demand and carbon dioxide emission reduction goals. Panama has experienced remarkable growth in its solar power capacity, and this trend is set to continue as the nation grapples with increasing energy demands and its dedication to achieving emission reduction goals.

In just under a decade, Panama has witnessed a substantial surge in solar power installations, with installed capacity expanding from a mere 4 MW in 2013 to an impressive 522 MW by the close of 2022. As of July 2023, solar photovoltaic plants accounted for around 11% of Panama"s installed power generation capacity.

The nation has a significant pipeline of solar power projects in the future, which are expected to further bolster its solar energy capacity and contribute to diversifying Panama"s energy mix and achieving its emission reduction goals.

One of the major and most prominent drivers for the market is effective support frameworks. Similarly, the rapid solar photovoltaic installations in Panama are primarily due to ongoing supportive government policies and initiatives.

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To promote clean energy sources, the government has charted Panama"s National Energy Plan 2015-2050, which includes a target for 70% of installed generation capacity to come from renewable energy by 2050. The country"s efforts to promote renewable development include tax policies and duty exemptions.

Panama has introduced several significant incentives and policies to specifically promote solar power generation. Notably, solar photovoltaic equipment enjoys exemptions from import taxes and value-added tax (VAT). Additionally, it qualifies for a tax credit of up to 5% for income tax, along with accelerated depreciation benefits.

In addition to these fiscal incentives, a net metering policy was introduced in 2016, establishing guidelines for setting up self-generation facilities and enabling connection to the distribution grid while allowing the sale of surplus power. Under this policy, credits are accumulated in kilowatt-hours, up to a limit of 25% of a customer"s annual or semi-annual historic consumption. These credits are subsequently refunded to the customer"s electricity account, further encouraging solar power adoption and grid connectivity.

According to the publisher, the outlook for solar PV installation remains strong in the medium term, and the market is expected to expand during the forecast period due to compelling economics and decarbonization commitments by various stakeholders.

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