

CRITICAL UNCERTAINTIES

Economic growth continues to be a problem in Panama due to the slow economic reactivation of certain industries and sectors, as well as the commodity prices high volatility which have leaders in great uncertainty. Despite it being over a year since the beginning of the COVID-19 pandemic around the world, the economic recovery or rebound to pre-pandemic levels are not as fast as expected which creates uncertainty for the entire year. The possibility of new COVID variants and how this will impact economic recovery is a major concern for energy leaders in Panama. Oil and gas prices, the main commodities that affect energy scenarios, also have an impact on the forecasting and planning of the following months due to their high volatility currently.

Panama is trying to further their public policy on climate change through efforts such as the national climate change strategy 2050, the climate change adaptation strategy and their Nationally Determined Contribution of the commitments of the Paris agreement. However, an important effort is required to share the information of these proposals more widely, to enable their execution and the achievement of the expected results.

Despite the efforts of the National Energy Secretariat of Panama to establish a roadmap for a new design and regulation of the market, this is perceived with low confidence in the entities in charge of proposing these changes, as well as in the results that will be obtained. In addition, a stronger participation of the regulator is required with respect to promoting regulatory improvements to achieve more flexible energy markets. This is especially relevant towards the integration of disruptive digital technologies and new energy production within the sector.

The current provisions established in the strategies of distributed generation, electric mobility, and the transition agenda of the current government, aim to incorporate more digital technology for the operation of the energy sector. This will undoubtedly generate uncertainty in a future based on the advanced decentralisation of the production and distribution of energy with small players who will be less prepared than large operators in the face of potential cyber risks and vulnerabilities.

ACTION PRIORITIES

Panama has been working exhaustively on its Energy Transition Agenda for 2030. This agenda includes strategies to keep an important share of renewable energy generation vis-à-vis firm capacity required for the system; moving forward with electric mobility; developing more actions towards energy efficiency; improving the quality of energy and innovation to the national power system – where digitalisation is key to achieve the goals that Panama has been setting for their Energy Transition and consequently, in the actualisation of their Nationally Determined Contributions.

For instance, in the case of electric mobility, important steps have been taken to come up with proper regulations and in 2021 Panama saw a spike of charge stations installed nation-wide, with 96% of them installed in one year and plans from the private sector to triple this number by 2022. Electric mobility is important for Panamanians, as currently they are highly dependent of fossil fuels for transportation, thus, migrating to electric vehicles (EV) in a country where there is good solar energy potential to charge the EVs is promising. In this aspect, the installed capacity for self-consumption solar energy systems has increased by 20% compared to last year. Furthermore, during 2021, Panama generated 82.7% of its electricity from renewables, and efforts to eliminate fossil fuel power stations (carbon, diesel and bunker) are on its way, as a second LNG power plant will start construction in 2022.

It is important to point out that energy efficiency is still the base of the energy transition. The National Energy Secretariat has been working on ensuring that only equipment with energy efficiency labels (residential refrigerators and air conditioners with inverter technology) enters the country. Furthermore, the members of the governmental energy administrator program are gathering data and developing their institutions' short-term energy efficiency plan.

Still pending is the pressing issue of ensuring electricity and cleaner forms of cooking is brought to the Panamanians living in the rural and indigenous parts of the country. In order to achieve this, the government is proposing several actions in the Universal Energy Access Strategy, with the goal to achieve 100% electrification by 2030.

