

Solar energy for businesses maldives

World Bank-financed projects ASPIRE and ARISE support the Maldives' energy ...

In late November, the government launched a five-megawatt solar project that will ...

This publication serves as a guide for Maldives' energy transition—from being powered by costly and polluting fossil fuels to being sustained by clean and efficient renewable energy sources.

Maldives has no proven fossil fuel reserves, but it has abundant renewable energy sources such as solar, wind, and ocean (tidal, wave, and ocean thermal)—with the potential to produce green hydrogen fuel. The coronavirus disease (COVID-19) pandemic has impaired the economy and severely affected the tourism industry, which is one of the main economic drivers of Maldives. The country's recovery largely depends on the rapid transformation and diversification of its economic activities. Renewable energy offers a promising alternative as Maldives embarks on a transformation challenge.

The Asian Development Bank (ADB) is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. It assists its members and partners by providing loans, technical assistance, grants, and equity investments to promote social and economic development.

Hulhumale Link Road installation ceremony with Minister of Environment and World Bank officials under the second phase of the ASPIRE Project

The task team collaborates closely with the South Asia Gender and Energy (SAGE) and Women Practitioners' Network in the Energy Sector (WePOWER) team to ensure gender mainstreaming and female participation in energy projects. Over 170 women will work in technical roles across the utilities through the two projects.

The local utilities, STELCO (State Electric Company) and FENAKA Corporation Ltd, can manage power generation assets independently of global fuel price fluctuations, reducing their reliance on imported and subsidized diesel. In general, the projects will benefit the people of Maldives and the government by lowering electricity prices and providing quasi-budgetary support.

Maldives' dependence on tourism and fossil fuel imports makes its economy particularly vulnerable to external shocks. In 2020, when COVID-19 hit, real Gross Domestic Product (GDP) contracted by at least 34 percent. In 2022 high global crude oil prices caused by inflation and Russia's invasion of Ukraine pushed the import bill to around \$500 million. Without a pipeline of bankable solar projects for consideration by the private sector, it was essential to establish a program of risk mitigation to attract private investment. Challenges facing such projects include integrating solar with existing power sources on the grid, off-taker



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risk, weak procurement, and planning capacity.

The objective of the ASPIRE project is to increase photo voltaic (PV) generation in Maldives through private-sector investment. Approved in 2020, the ARISE Project scaled up this process.

The approach is based on a robust risk mitigation package developed by the World Bank Group to provide investors with confidence in the case of non-performance by a power utility and to ensure that the investor does not incur a loss through guarantees and financing.

First, Multilateral Investment Guarantee Agency/International Development Association (MIGA/IDA) guarantees were offered to cover the risk of termination of purchase power agreements (PPAs). Second, a payment security mechanism was set up through an established escrow account to cover any PPA payment delays. Third, a US dollar denominated PPA and currency convertibility clause was established.

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