



Paraguay's 2022 Issues Monitor shows two distinctive sets of concerns under the critical uncertainties and action priorities board. Like other countries in the region, the political and economic variables remain on the uncertainty quadrant mainly because of the effect of COVID-19. On the other hand, the top priorities for energy leaders are related to development of sustainable energy sources and infrastructure expansion.

Consistent with the advent of contract renegotiations at Itaipu Binacional power plant between Paraguay and Brazil, Geopolitics represent the main uncertainty among leaders' views, with an almost unanimous level of agreement on the high impact of this momentous event for the country's future. Provoked mainly because of the asymmetrical forces at play. However, a multidisciplinary advisory commission was assembled to oversee the process and evaluate the alternatives to reach the best possible agreement of mutual benefit for both parties. Furthermore, it is worth noting that Regional Integration and Cross border trade become key elements to build Paraguay's strategy of negotiation, strengthening its position, once the possibility to open regional markets and trade its surplus energy to neighboring countries is considered.

Despite the economic shockwaves caused by COVID-19 globally, Paraguay recorded the lowest GDP contraction in the region by adopting well-coordinated monetary and fiscal stimulus, among other policies to cope with the impact the pandemic wreaked. These strategies enabled a quick rebound to Economic Growth as reflected by the increasing demand of products and services across sectors, with a GDP growth of 5% in 2021 reported by Paraguay's Central Bank (BCP). As an active agricultural exporter, Commodity Prices are an important concern for the economy. Currently, the high prices in soybean support this growth, although this comes with an obvious caveat of being subject to these fluctuations.

To address the growing energy demand and the need to diversify Paraguay's energy matrix, energy leaders agree that Renewable Energies and Hydrogen represent important areas to develop. In line with current efforts led by the Vice ministry of Energy and Mines, there are several projects in the pipeline, such as: utility scale solar PV deployment; establishing the framework to monetize decentralized private energy generators; electrification of transportation; development of biofuels, among others. In the area of hydrogen, Paraguay offers great opportunities given its clean energy surplus to produce green hydrogen, reinforced by growing regional interest to create a green hydrogen hub. Paraguay's interest in developing a sustainable energy system, and mitigating risks related to climate change are particularly crucial, given its reliance on natural resources.

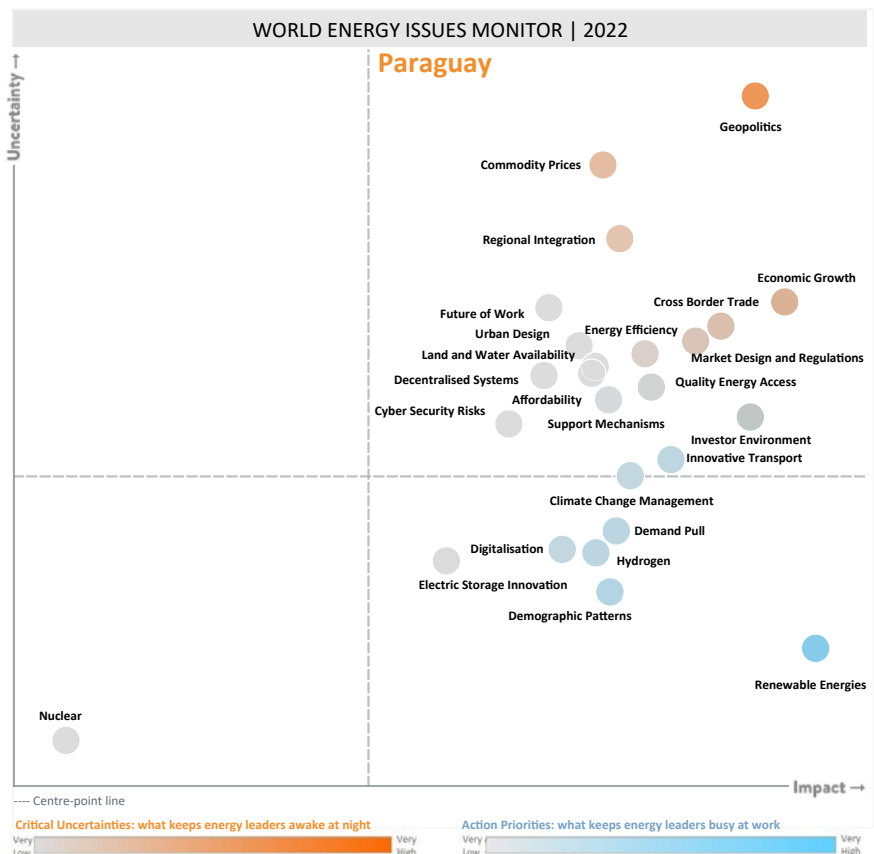
To accommodate for this economic growth, the National Administration of Electricity (ANDE) approved an ambitious generation and transmission expansion masterplan not only to cope with the increasing demand, but to also build up energy security. Additionally, there are several ongoing projects to install new transmission infrastructure and retrofit the power distribution system.

In consent with the physical improvements of infrastructure there are huge opportunities to advance in Digitalisation as means to achieve higher levels of service and enable a formalisation of the market.

Altogether, Paraguay faces several challenges, but in turn offers a wealth of opportunities to achieve sustainable development and leap towards a more inclusive and secure energy system.

KEY TAKEAWAYS

- The advancement of negotiations involving the terms of agreement of Itaipu Binacional’s operations is paramount for the upcoming energy landscape in Paraguay.
- Exploring and deploying of renewables are main concerns for Paraguay’s mid and long term agenda.
- Power infrastructure retrofit and development is planned to accommodate the growing energy demand pushed by economic growth.



WORLD ENERGY COUNCIL

Acknowledgements

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