

Box 6.1: Geothermal development set to reduce energy costs

Most Caricom countries remain dependent on costly imports of fossil fuels. Through the Green Climate Fund and other partners, the previously stalled development of geothermal reserves was revived in 2016 by an investment of US\$ 190.5 million benefiting five East Caribbean states: Dominica, Grenada, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines.

The eight-year project is financed through loans and reimbursable grants. It is addressing financial, technical and institutional barriers to the development of vast geothermal reserves in the five countries. Through the project:

- a production well will be drilled in St Vincent and the Grenadines and a power station will be built in Dominica;
- 60 MW of geothermal power generation capacity will be installed through facilitated or financed schemes;
- 722 000 fewer barrels of oil will be imported by participating countries for electricity generation;
- US\$ 50 million will be saved on oil imports (at an oil price of US\$ 70 per barrel); and
- the average cost of electricity generation will drop. As long as these cost savings are passed on to customers, this should lead to an average decrease in tariffs from US\$ 0.35 per kWh in 2015 (at a fuel price of US\$ 70 per barrel) to US\$ 0.28 per kWh.

By the end of the project, greenhouse gas emissions from these five countries are expected to have dropped by 9.4 million tonnes (tCO₂eq).

Source: <https://www.greenclimate.fund/projects/fp020>