

The Honduras Energy Security Pact

Coordinating US Tools for Industrial Growth in the Western Hemisphere

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BLUF: With aims to nearshore manufacturing for its own domestic economic security and become the regional partner of choice for energy supply, the United States seeks to develop Central American energy markets that can support industrial development and expanded trade ties with the US. Honduras — emerging as a strong regional ally with a power sector in need of significant reform — would benefit from an Energy Security Pact (ESP) that couples technical assistance with a clear pathway for US energy investment. This ESP would help the United States meet its strategic objectives in the region while delivering affordable and reliable electricity to Honduras.

What is an Energy Security Pact?

An Energy Security Pact is a bilateral investment package by the US government, alongside private partners, in the energy system of a strategic priority country. The partner country must commit to co-investing alongside the United States and undertaking structural or regulatory reforms. The US government and the partner country jointly assess the biggest barriers to energy security, prioritize investments, and co-invest in critical energy infrastructure. The Pacts coordinate US tools across technical assistance, direct investment, private sector participation, and US technical expertise to grow priority energy markets while supporting partner countries' economic growth. These Pacts enable the United States to make targeted investments that advance both energy goals and core foreign policy priorities.

Why Honduras?

With the second-highest unemployment rate in Central America, 60% of its population living below the poverty line, and one of the Western Hemisphere's lowest industrial electricity access rankings, Honduras needs reliable and affordable electricity to boost domestic economic growth. Market-oriented President Nasry Asfura campaigned on power sector reforms to fix the debt-riddled national utility and attract foreign investment in energy-intensive, job-creating industries like textiles, automotive manufacturing, and medical devices.

Since assuming office in January 2026, President Asfura has actively courted US investment through high-level visits and commitments to investment-oriented reforms. He discussed trade and investment in energy and infrastructure during a January visit to Washington and, most recently, in May when hosting [Assistant Secretary of State Caleb Orr and Development Finance Corporation CEO Ben Black in Honduras](#). Alongside ongoing revisions to the country's national electricity law, the Asfura administration is revising a 1500 megawatt (MW) generation tender to be released in 2027, allowing new competitive bidding opportunities for US firms.

What Would the United States Gain?

- **Energy security for US companies and nearshoring manufacturing.** President Donald Trump and Secretary of State Marco Rubio have prioritized nearshoring industries from Asia

into the Western Hemisphere, with an emphasis on light manufacturing and critical infrastructure. Manufacturing firms require affordable, reliable electricity to operate.

- **Export market for US energy solutions.** Stabilizing Honduras' grid and addressing commercial and regulatory barriers creates export markets for US energy resources and technologies, including liquified natural gas, energy storage, and geothermal.

How Would an ESP with Honduras Work?

- **Negotiation & Design**
 - Millennium Challenge Corporation
 - Undertake diagnostic analysis to prioritize energy investments and policy reforms. The analysis uses MCC's [constraints-to-growth](#) framework to identify the most serious impediments to energy security. MCC has the ability to undertake diagnostics without having a threshold program or compact with a partner country.
 - State Department
 - Lead bilateral negotiations to ensure coherence with US foreign policy objectives and adherence to prerequisite conditions that come from the diagnostic.
 - Signal US commercial and strategic interest to the private sector and align agencies around common goals.
- **Technical Assistance**
 - State Department
 - Implement assistance on power sector reform, grid reliability, and market development.
 - Department of Commerce
 - Implement assistance on contract transparency and commercial law development to attract US investment.
 - US Trade and Development Agency
 - Support pre-feasibility studies for priority energy projects.
- **Direct Investment**
 - Millennium Challenge Corporation
 - Invest in priority grid upgrades, transmission, and system infrastructure to improve reliability, especially for key offtakers and targeted industries. Direct investment is contingent on an energy-focused MCC threshold program or compact.
 - Development Finance Corporation
 - Finance bids for US firms competing in Honduras' upcoming generation tender.
 - Export-Import Bank
 - Provide US engineering expertise for energy infrastructure projects in coordination with US technical assistance from other agencies.

- **Commercial Diplomacy**
 - Department of State
 - Facilitate high-level and economic engagement with US industry and Honduran stakeholders.
 - Conduct study tours to familiarize US energy stakeholders with the Honduran market and vice versa.
 - Department of Commerce
 - Coordinate industry associations, Foreign Commercial Service, American Chambers of Commerce, and other business groups to familiarize US stakeholders with the Honduran market.
 - US Trade and Development Agency
 - Conduct focused trade delegations to familiarize US energy stakeholders with the Honduran market and vice versa.

- **Policy Engagement**
 - State Department, Department of Energy, and Millennium Challenge Corporation
 - Advocate for market reforms and regulatory standards that enable US investment.