
INSTITUTO COSTARRICENSE DE ELECTRICIDAD (COSICE / ICE) —

“STATE OWNED ELECTRICITY & TELECOMMUNICATIONS COMPANY”

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Instituto Costarricense de Electricidad (Cosice / ICE) is a Costa Rican state-run electricity and telecommunications services provider. In the electricity industry Cosice is a monopoly in charge of constructing, developing and operating an electric power generation, transmission and distribution system. In the telecommunications sector, Cosice is a dominant player. According to Fitch ratings, as at December 2022, Cosice accounted for 72% of the National Electric System's installed capacity and produced 84% of the total electricity consumed in Costa Rica. **Cosice’s mobile market share, in terms of subscribers, was approximately 41% as at the same time period (December-2022).**

ICE’s dominant position in both markets, combined with its ownership structure, ensures that, in any period of financial distress, **there is a high probability of government intervention to support the entity**. Based on the above, Fitch ratings caps the Long-Term Foreign Currency and Local Currency Issuer Default Ratings (IDRs) of ICE at “BB-/ Stable” which is in line with the sovereign’s rating and outlook.

ICE proposes electricity tariffs for consumers / Costa Rican citizens to the regulatory authority on an annual basis. The tariff is set via quarterly adjustments of variable costs of electricity generation combined with a review of the company’s operating costs. The company is often criticized for its high regulatory / government intervention due to a lack of transparency and clarity in the process of determining rates. However, despite the criticism, ICE has a captive market and an almost constant stream of revenue inflows, given its dominant market position.

Telecommunications, electricity and internet services are now viewed as necessities for all countries. In early to mid-2022, Costa Rica’s tax, customs and healthcare systems suffered a cyberattack. This had the potential to derail growth, and while it did not, the authorities had to upgrade its digital infrastructure, retrain staff and hire more skilled personnel.

Costa Rica’s improved economic performance, argues well for Cosice / ICE. **Pre-covid (2016-2019), GDP growth averaged 3.4% despite the fiscal challenges, while post-covid (2021-2022), growth has averaged a robust 6.1%.** Private investment, manufacturing exports from free trade zones via DR-CAFTA and recovery in tourism would have driven the post-covid performance. Going forward, GDP growth is forecasted to average about 3.2 to 3.3 percent between 2024 and 2026. Therefore, given that household consumption represents 64% of GDP composition by end use, consumers / households should have the capacity to continue to demand electricity and telecommunications services.

Based on the above, we assign to COSICE / ICE the same rating as the sovereign, Costa Rica; **MARKETWEIGHT**.

Source: [fitchratings.com](https://www.fitchratings.com); [JMMBIR](https://www.jmmbir.com); [Capitaliq.com](https://www.capitaliq.com)

PLEASE READ THIS REPORT **IN CONJUNCTION WITH** THE REPORT ON THE SOVEREIGN ATTACHED

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

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