

Environmental and Labor Issues:

Environmental Classification: This is a category III project according to the IIC's environmental and labor review procedure because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The principal environmental and social issues related to this project include environmental management, noise, landscape, natural resources management, and occupational health and safety. The project has a significant positive environmental impact given that it will generate electricity from a renewable resource and will result in a reduction in greenhouse gas emissions in Nicaragua.

Environmental Management: Blue Power & Energy has hired an environmental specialist (regente ambiental), who will ensure that the construction and operation of the wind farm is in compliance with local environmental, health, and safety requirements. Blue Power & Energy requires that all construction contractors comply with local environmental and health and safety standards, as specified in the construction contract. Blue Power & Energy's environmental specialist will inspect construction sites during regular visits to the wind farm.

An Environmental and Social Impact Assessment (ESIA) of the Project was completed in February 2008. The terms of reference for the ESIA were agreed with the Ministry of Environment and Natural Resources (MARENA) prior to undertaking any environmental studies. The ESIA includes a project description and definition of the project area. Relevant social and environmental baseline data for the area under consideration is generally provided along with adequate identification of potential receptors. The study also includes an explanation of the applicable laws and regulations. The ESIA report identifies the key positive and negative impacts associated with the wind farm and covers risks and impacts for the construction and operational phases.

In addition, Blue Power & Energy has developed an Environmental Management Plan (EMP), which details mitigation measures during construction to minimize environmental impacts. These include measures to control erosion, reduce dust, and manage solid waste and occupational health and safety impacts, particularly during construction. Other measures to protect avifauna and reduce impacts on the landscape are also included.

An environmental permit was awarded to the Company on June 4, 2009, for a proposed 40 MW project. This license is supplemented by MARENA's Resolution 011-09, which provides a range of conditions.

Air emissions: Overall, the project has a positive impact on air emissions given that it will generate electricity from a renewable source offsetting 104,026 tCO₂e annually of greenhouse gas emissions. Earthworks and vehicular traffic will generate dust; however, this will be minimized by applying water to the works and construction areas, minimizing fugitive dust emissions. Given that there are very few residences in the project area, impacts on any local persons will be limited. As some access roads will need to be improved and other new short access roads to individual turbines will be established, the company shall take action to ensure that its contractors implement proper drainage and erosion management during construction.

Noise: There are very few potential receptors (approximately five dwellings) in the project area, which is a rural area. Noise levels emitted from the wind farm are not anticipated to exceed 36.9 dB (A) at the nearest receptor. The nearest dwelling to the site is approximately 600 m. The company will ensure that noise levels are within applicable IFC norms. The project will have a system of automatic monitoring in place during operations and if noise exceeds the standards, rotor rotational speed and pitch will be adjusted based on wind conditions—a system known as Optispeed.

Landscape: Given that the windmills will be located in a rural area that is relatively unpopulated—a distance of approximately 5 km to the nearest community (La Virgen)—visual impacts are not anticipated to be an issue. In addition, the windmills will be a light color that will blend in with the background reducing any impacts on sky-line views. The nearest existing wind farm (Amayo) to the sites is 13 km away from the project site. Therefore, the cumulative visual effects are not expected to be an issue. In addition, given that the minimum distance to a home is at least 600 m, shadow flicker is not anticipated to be an issue.

Natural Resources Management: The project area is of very limited ecological value as it has historically been used as pasturelands for cattle. The sites have scarce vegetation and limited tree cover. There are no wetlands or significant water courses on the sites. The sites are not located in a bird migration corridor, therefore impacts on bird population are not likely to be significant. Given the limited tree cover for roosting areas for bats, significant impacts on bats are not anticipated. A minimum distance of 200 m will be maintained between towers to reduce potential impacts on avifauna due to collisions or electrocution. Other measures, such as maintaining the site area free of dead animals and waste, are examples of other measures to be taken to deter birds from entering the project area. Storm water management measures to be implemented will also help to avoid creating attractions such as small ponds, which can attract birds and bats for feeding or nesting near the wind farm. Bird and bat monitoring will be undertaken at each site during construction and operation as part of the environmental monitoring program.

Solid Waste: Solid waste generated at the project area during construction (packaging, plastics, filters, etc.) will be collected and disposed of in accordance with Nicaraguan requirements and international best practices.

Occupational Health and Safety: Blue Power & Energy will monitor occupational health and safety during construction and operation of the wind farm. An occupational health and safety officer on staff will supervise the construction contractors who will be required to use the appropriate personal protective equipment and have the necessary training, particularly for working at heights, which is necessary for the assembly of wind tower components and general maintenance activities during operations.

Labor: Blue Power & Energy will adhere to the local labor requirements, as well as those required by the IIC. Blue Power & Energy will contract armed security guards, who will be trained consistent with IFC's Performance Standard 4 to ensure any response to threats to the project/personnel are in proportion to the threat. Contractor contracts will contain a requirement to comply with this international standard.

Monitoring and Reporting: Blue Power & Energy is committed to implementing the necessary mitigation measures included in the EMP for the construction and operation of the wind farm, as well as an Environmental and Social Action Plan (ESAP) to ensure compliance with the IIC's environmental and workplace health and safety requirements. An annual environmental monitoring report shall be submitted to the IIC on the implementation status of the ESAP