

General Information and Overview of Scope of IDB Invest E&S Review

IDB invest conducted the E&S due diligence for this project in collaboration with FMO, the Dutch development bank. The due diligence was supported by a specialized, international consulting firm. A site visit was conducted in early March, 2018, and included meetings with the project management team, local community members, and community representatives.

Environmental and Social Categorization and Rationale

According to the IIC Environmental and Social Sustainability Policy, this is a Category B project: potential environmental and social risks and impacts are limited to the project site, largely reversible, and can be mitigated via measures that are readily available and feasible to implement in the context of the operation. Risks and impacts related to this project are typical of the construction, operation and maintenance of a large photovoltaic (PV) plant. These include, but are not limited to the following: generation of dust and road-safety risks from vehicle and equipment traffic; risks to health and safety of construction workers; and generation of significant quantities of solid waste (particularly when the project is ultimately decommissioned). The project is subject to additional risks, mostly related to worker and community security, from the strong presence of criminal gangs in the project region.

Environmental and Social Context

The project is composed of a 100 megawatt PV solar plant and a 115 kV electric transmission line. The transmission line will be 8.7 kilometers in length, running along existing roads to its connection with the ETESAL Ozatlán substation. The plant will be developed in Puerto El Triunfo and Jiquilisco Municipalities, and the t-line will pass through Jiquilisco and Ozatlán Municipalities, all in the Department of Usulután. The site is located in a rural area, more than 100 km to the Southeast of San Salvador city.

The solar plant is split among three land plots, altogether totaling 279 hectares. The land was previously used for sugar cane crops, under lease by Compañía Azucarera Salvadoreña (one of the largest sugar producers in the country). Neighboring land use is typical of that in the region: dominated by sugar cane fields. There are two communities close to the site: Colonia María Auxiliadora and El Sitio Santa Lucía.

Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

Assessment and Management of Environmental and Social Risks and Impacts

Two Environmental and Social Impact Assessments (ESIAs) were undertaken: one for the PV plant and another for the power line. The authorities subsequently issued the environmental license for the PV plant. The license for the transmission line is still outstanding. Neoen will need to obtain this license and develop a mechanism to track the status of all licenses and authorizations prior to the signing of the loan contract. This and all other agreements to address gaps in compliance with IDB Invest policies have been codified in the project's Environmental and Social Action Plan (ESAP), which is presented at the end of this summary. The ESAP will ultimately form an integral part of the loan contract.

An Environmental Management Plan was developed as part of the PV plant's ESIA. Neoen, however, has committed to developing a construction phase Environmental and Social Management Plan (ESMP) specific to project construction (for both the P plan and t-line)—which aligns more fully with

the IFC Performance Standards. Neoen has also committed to developing an environmental and social management system (ESMS). This ESMS, in combination with the ESMS of the Engineering, Procurement and Construction Contractor (“EPC Contractor”), will link together and make operational all of the project’s E&S management procedures and plans. Neoen will prepare a separate ESMS for the project’s operational stage.

Neoen has a person in-country responsible for all project related Environmental and Social (E&S) aspects. This same person is also in charge of the E&S aspects of another of Neoen’s solar parks in El Salvador—Providencia Solar (also financed by the IDB Group), and so has the appropriate experience to perform the job well. To assist this person in implementing the project’s ESMS and ensuring compliance with the E&S policies of IDB Invest, Neoen will create an E&S management team composed of qualified E&S professionals.

Public consultations were undertaken as part of the preparation of the ESIA. The E&S due diligence confirmed that local communities, local authorities and other stakeholders were properly informed about the project. Meetings continue to be held regularly with the communities and the municipalities, during which information about the project is exchanged and project staff have the opportunity to manage community expectations. To ensure continued positive relations with local communities in a systematic manner, Neoen will develop a Stakeholder Engagement Plan (including a Community Grievance Mechanism) and a Community Development Plan. To ensure full implementation of these plans, the E&S management team will include a community liaison.

Labor and Working Conditions

Neoen is in the process of writing a project Human Resources Policy. In order to put this policy into practice, the company is also developing an overarching Labor Management Plan. The plan will address issues such as: housing and transportation of workers; working hours and working conditions; and plans to integrate local community members and members of disadvantaged groups into the project workforce. As part of the development of this plan, Neoen is currently assessing the adequacy of worker access to appropriate emergency medical care. As agreed in the ESAP, if such access is found to be inadequate, Neoen will take actions to rectify the situation.

Construction is expected to last twelve to fourteen months, and the workforce is expected to peak at 400 to 600 workers. Neoen has developed a Health, Safety and Environment Management Plan (HSEMP), which contains adequate worker health and safety provisions. These same provisions have been included in the contract of the EPC contractor. Neoen has committed, as part of the ESAP, to develop a worker grievance mechanism to address systematically any labor-related concerns that workers might have.

Resource Efficiency and Pollution Prevention

Water consumption during project construction will be primarily for domestic use and for dust control. This water will be brought to the site by tanker trucks by a third-party service provider. The project will use the municipal landfill managed by a private company for domestic waste disposal. Hazardous waste will be produced only in small quantities (mainly oils and lubricants) and will be managed through an authorized waste manager. All other necessary measures to prevent pollution during construction have been identified in the ESIA and will be integrated into the construction ESMP.

The operation of the plant and power line will require management of vegetation. Neoen has committed, as evidenced in the ESAP, to develop an Integrated Vegetation and Pest Management Plan to minimize the use of herbicides and pesticides. In place of chemical control methods, the

plan will favor the use of manual methods such as hand-cutting - which would have the added benefit of providing a source of jobs to nearby residents.

At the request of the lenders, Neoen is developing a Decommissioning Plan to plan for the proper management and final disposal of all plant hardware.

Community Health, Safety and Security

The project site will be fenced and patrolled by an armed security force. To address the related risks, and as agreed in the ESAP, Neoen will develop a Security Management Plan. This plan will include provisions for the training of security personnel in the application of the Voluntary Principles on Security and Human Rights.

To mitigate risks to local communities from construction-related traffic, Neoen will develop a Traffic Management Plan. Neoen is also committed to developing a Community Emergency Preparedness and Response Plan—although, given the nature of the project and the industry, risks to local communities from project-related emergencies are expected to be minimal.

Neoen will collaborate with the EPC contractor on the implementation of the project's community grievance mechanism, so that any complaints from community members can be fielded systematically and addressed in a timely and appropriate manner.

Land Acquisition and Involuntary Resettlement

The project will not result in any involuntary resettlement. Neoen acquired all land for the project through willing buyer willing seller arrangements. During the E&S due diligence, the project team verified that this was the case and that there were no outstanding claims to project lands.

Biodiversity Conservation and Natural Habitats

The project is located in a landscape that has been dominated for decades by intensive sugar cane production. Among the sugarcane plantations are interspersed small human settlements and pasturelands. The project site does not contain any natural habitats. Project construction will require the removal of a small number of trees, for which Neoen is developing a Reforestation Plan as required by national regulations.

The project site lies within the buffer zone of the Jiquilisco Bay Natural Area and Wetland—a nationally recognized protected area. The management plan for the protected area does not regulate the land uses within the buffer zone, though it does encourage alternatives to the intensive agriculture currently dominating the landscape and potentially contaminating the waters of the bay. Thus, replacing sugar cane plantations (which required intensive use of agrochemicals) with a photovoltaic solar park constitutes a positive contribution to the management goals of the protected area.

The project is located approximately two kilometers inland from the Jiquilisco Bay itself, which is recognized as an Important Bird Area, a Ramsar Site, and a Biosphere Reserve. The ESAs for the solar plant and the transmission line found that the project is not expected to pose a risk to avifauna of the bay—given the nature of the project, the historical use of the project lands, and the project's distance from the bay. Nevertheless, Neoen has agreed with the lenders to hire a specialist to monitor bird populations for the first year of project operation, with the goal of confirming that the plant is not inadvertently, adversely affecting the bird populations of the bay. In the unexpected event that significant impacts are detected, the project has committed to implement mitigation measures acceptable to the lenders.

Indigenous Peoples

The E&S due diligence confirmed that no groups of indigenous peoples live within the project's area of influence.

Cultural Heritage

The ESIA for the solar plant, and a subsequent study ordered by the Ministry of Culture, determined that no significant archaeological artifacts are expected to be found at the site. For the transmission line, Neoen is waiting for the authorities to dictate the terms of the archaeological study that the company must carry out. Neoen has committed in the ESAP to complete this study prior to the start of the construction of the transmission line. In a similar manner, the company has committed to develop a "chance find" procedure for the proper management of any artifacts that might be encountered during construction.

Contact Information

For project inquiries, including environmental and social questions related to an IDB Invest transaction, please contact the client (see Investment Summary tab), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MICI@iadb.org, or calling +1 (202) 623-3952.