

## EDC PROJECT REVIEW SUMMARY: TRECSA Transmission Line Project

<b>Project Description</b>	TRECSA Transmission Line Project
<b>Sponsors</b>	Transportadora de Energia de Centroamerica
<b>Country</b>	Guatemala
<b>Project Category</b>	A
<b>Canadian Exporter(s)</b>	Various Canadian Exporters
<b>Description of capital goods and/or services</b>	Sale of Various Canadian Goods and Services
<b>EDC Product</b>	Financing
<b>Date of publication on EDC's website (dd/mm/yy)</b>	16/09/2015
<b>Date of Signing (dd/mm/yy)</b>	30/06/2016

### Project Categorization

The Project consists of a new 868 kilometer (km) high-voltage transmission line running throughout Guatemala, as well as the construction of 12 new substations and modifications to 11 existing substations. The Project, which is comprised of six transmission line segments (A, B, C, D, E & F), supports a national development project (PET-1-2009) under the responsibility of the Ministry of Energy and Mines and its technical agency Comision Nacional de Energia Electrica ("CNEE"). The Project was classified as Category A. (Category definitions can be found [here](#).)


### Summary of EDC's Review

EDC reviewed the Project in accordance with our *Environmental and Social Review Directive*, and EAS has determined that the Project has been designed in compliance with applicable host country environmental requirements and the IFC Performance Standards. To reach this conclusion, EDC reviewed Project Environmental and Social Impact Assessments, various independent due diligence reports and Project management plans.

### Key environmental and social issues associated with the project, and related mitigation measures reviewed by EDC include, but are not limited to, the following:

**Biodiversity and Sensitive Area Impacts:** Despite efforts to avoid sensitive areas, the transmission line will pass through sections of three protected areas (Río Dulce Park, Lake Atitlán Basin Reserve and Sierra de los Cuchumatanes Special Protection Area), as well as several International Bird Areas (IBA) and Alliance for Zero Extinction (AZE) sites. In addition to the protected areas themselves, it was also found that five unique ecosystems (e.g. alti-montane climax shrubland; xeric deciduous shrubland; coniferous forest; etc.) would be impacted by the Project.

**Mitigation measures include:** The Critical Habitat Assessment concluded that the Project, in consideration of mitigation measures, is not likely to result in residual impacts to biodiversity or critical habitat. This conclusion is based on the fact that the Project will only directly impact 433 hectares of undisturbed habitat (22% of the total Project impact); will avoid the core zones and wooded areas of protected areas, IBAs and AZEs, impacting between 0.003% - 2% of such areas in the six transmission line segments; and result in very small impacts (0.001% - 0.04%) to the five identified unique ecosystems. With respect to cumulative impacts, the Project was determined to have a low significance when assessed alongside 17 current projects and 9 planned projects over the next 10 years.



To ensure the Project properly mitigates and monitors potential biodiversity impacts, the Sponsor has agreed to implement a formal Biodiversity Management Plan (BMP) during construction and operations. The BMP contains general mitigation and monitoring procedures, as well as individual management and monitoring plans for species considered to be potentially at risk as a result of the Project.

**Economic Displacement and Resettlement:** The Project will impact (directly and indirectly) approximately 350 communities and 6,500 land owners, 770 of whom will have over 60% of their landholding disturbed. The vast majority (99.6%) of the approximately 6,500 impacted landowners will not be physically resettled nor experience any permanent economic displacement. Instead the Project obtained easements from most landowners around the future use of the land and for right-of-way access. In most cases, impacts consist of loss of current crops and temporary loss of access to cropland due to tower construction. Post construction, most landowners will be able to continue to use the land under the lines and around towers as they were pre-impact. Land use change is primarily limited to the footprint of the towers, or in 26 cases, the loss of house or agricultural infrastructure due to right-of-way considerations.

**Mitigation measures include:** In all instances, the temporary or permanent land use change is compensated for in accordance with market rates as evaluated by independent experts. Cash is used by the Sponsor for compensation activities, as it is the preferred method throughout Guatemala. Where houses and/or infrastructure are lost, the Project provides sufficient compensation to fully replace the existing assets at a level that is better than or equal to what was lost. These compensation measures are detailed for communities and individuals in a transparent compensation matrix. The above measures and approach are described in the Project's Resettlement Action Plan (RAP), which documents the following: the compensation matrix; executed and planned consultation measures; alternatives analysis for reducing resettlement and displacement impacts; monitoring and evaluation; and grievance mechanism implementation.

**Indigenous Peoples Impacts:** The concept of Free, Prior and Informed Consent (FPIC), as defined by the IFC Performance Standards, was also determined to apply, as some Indigenous households were subject to physical resettlement. Such an impact meets two FPIC triggers: a) potential material impact to lands subject to traditional ownership or customary use and b) the relocation of Indigenous People from lands and natural resources subject to traditional ownership or customary use.

**Mitigation measures include:** The Project has implemented a robust communications and engagement strategy at all levels. This strategy includes best practice elements such as stakeholder mapping and community engagement with communication not only in Spanish, but Indigenous languages as well. EAS notes that stakeholder engagement began prior to construction and included negotiation with various levels of local authorities, particularly around the issue of transmission line and tower routing, compensation measures, and community development programs. The Sponsor has supplied examples of signed agreements with communities, landowners, and land users covering access, compensation, and community benefits.

To ensure ongoing compliance with IFC Performance Standard 7, the Project has included an Indigenous Peoples Plan (IPP) within its overarching Stakeholder Engagement Plan. The Plan describes the Sponsor's activities and strategies involving Indigenous Peoples to ensure continued consultation throughout all of the Project stages.

**Community Health and Safety:** As certain Project segments are located in close proximity to populated areas, there is the risk of electrocution and incidents of fire if local laws and regulations are not respected.

**Mitigation measures:** The Project has implemented a comprehensive Community Health and Safety Plan that describes the risks of living in proximity to high-voltage transmission lines, as well as the protective measures the Sponsor will implement around its towers and lines in populated areas. Other measures outlined in the Community Health and Safety Plan relate to traffic management; emergency response; natural hazardous (fire, earthquakes, etc.) and slope stability.



### **Documentation Reviewed:**

The following is an illustrative list of key documentation that was reviewed as part of the current confirmation of the ERD.

- Environmental and Social Impact Assessments (2011)
- Environmental and Social Management Plans (various dates)
- Independent Environmental and Social Consultant Report (November 2015)

### **Applicable International Finance Corporation (IFC) Environmental and Social Standards used by EDC (in addition to host country requirements):**

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 2: Labor and Working Conditions
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety, and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Performance Standard 7: Indigenous Peoples
- Performance Standard 8: Cultural Heritage

EDC has considered the relevant aspects of the *IFC General Environmental, Health and Safety (EHS) Guidelines* and *Guidelines for Electric Power Transmission and Distribution*.