

EDC PROJECT REVIEW SUMMARY: Norte III Combined Cycle Power Plant

Project Description	Norte III Combined Cycle Power Plant Project
Sponsors	Macquarie Corporate Holdings Pty Ltd. Tecnopower S.A. de C.V.
Country	Mexico
Project Category	A
Canadian Exporter(s)	Various Canadian Exporters
Description of capital goods and/or services	Sale of Various Canadian Goods and Services
EDC Product	Project Financing
Date of publication on EDC's website (dd/mm/yy)	20/07/2017
Date of Signing (dd/mm/yy)	31/08/2017

Project Categorization

The Project consists of (i) a natural gas-fired, combined cycle thermal power plant with an estimated output of 907 megawatts; and (ii) a 15-kilometer wastewater pipeline which will transport treated water from an existing wastewater treatment plant to the Project. Natural gas will be supplied to the Project by Comisión Federal de Electricidad (CFE), a state-owned utility, which will also be the off-taker of power from the Project once operational. Turbines for the Project will be supplied by General Electric.

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 the *Equator Principles*, and EDC's Environmental Advisory Services team (EAS) has determined that the Project has been designed in compliance with applicable host country environmental requirements and the Equator Principles. To reach this conclusion, EDC reviewed the Project's Environmental and Social Impact Assessment, an Independent Environmental and Social Consultant report, a social impact assessment, and 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:

Security: Given existing security challenges related to criminal activity including kidnappings and threats of extortion in Ciudad Juarez and its surroundings, and alleged poor human rights performance of Mexican security forces, EDC considered the Project's security planning a key issue.

Mitigation Measures Include: The Project has a security plan that evaluates the site's security risks. The Plan stipulates preventative measures such as specifying work schedules, fencing and exit and entrance controls prohibiting work at nights (if night work is necessary or required, only with proper supervision and security measures), avoidance of specific areas by the workers and the use of unarmed security that must abide by Techint's Physical Security Policy and Civil Protection Plan. As part of the ESAP, the Project produce a more comprehensive Security Management plan which will include measures for reporting unlawful or abusive acts by security personnel.



Resource Efficiency and Pollution Prevention: As a gas fired power plant, stack air emissions (e.g. NO₂) and greenhouse gases are a key potential impacts. Project GHG emissions are estimated to be 2.73 million tons of CO₂-equivalent per year when in operation.

Mitigation Measures Include: The Project committed to implement best available technologies (dry-low NO_x combustors and continuous emissions monitoring stations) and state-of-the-art thermal power generation technology in its design as mitigation measures to limit and control stack emissions. To assure that emissions would comply with the IFC Performance Standards and local regulations, meteorological data and data from nearby air monitoring stations were used in air modeling studies which were conducted as per best practice standards.

Biodiversity: Baseline studies identified six flora species within the Project Area, none of which are considered to be endemic or threatened either by host-country authorities or international organizations. With respect to fauna, 252 species were identified as occurring in the Project Area, most of which are avifauna and mammal species. Of these, one lizard and three birds are listed as “Threatened” on Secretaria del Medio Ambiente y Recursos Naturales’ (SEMARNAT) List of Native Species. These species, however, are classified as “Least Concern” by the International Union for Conservation of Nature (IUCN) given their stable populations globally. Both the EIA and the Lender’ Independent Environmental and Social Consultant concluded that major impacts to biodiversity were unlikely

Mitigation Measures Include: Sponsors were required to update some of its baseline biodiversity studies to assure they met international standards and will implement a biodiversity monitoring plan and rescue and relocation program and controls to assure contractors work only within permitted areas.

Documentation Reviewed:

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

- Environmental Impact Assessments (2012)
- Social Impact Assessment (2015)
- Independent Environmental and Social Consultant Report (2015)
- Various Environmental and Social Management Plans and reports

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 8: Cultural Heritage