

FINDEV CANADA TRANSACTION SUMMARY

Enertur

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental and social (E&S) risk assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

This transaction consists of an up to USD 18.8M loan, part of a project finance facility of USD 56.4M led by IDB Invest, to support the development, construction, and operation of a 77.9 MW solar photovoltaic (PV) power plant, with a battery energy storage system (BESS) of 30 MW/MWh capacity (together the "Project"). The project will be built in the Eastern province of La Romana, in the Dominican Republic (DR), to improve the country's domestic renewable energy generation. The Project will be led by Enertur, the Special Purpose Vehicle (SPV) for this venture, fully owned by InterEnergy Group Limited (InterEnergy).

Transaction Details

COUNTERPARTY	Energia Turistica Enertur S.A. ("Enertur" or the "Company")
DOMICILE	Dominican Republic
COUNTRY(IES) OF OPERATION	Dominican Republic
TERM OF FINANCING	16 years
SECTOR	Sustainable Infrastructure
E&S CATEGORY	B+
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	USD 18.8M
DATE OF TRANSACTION DISCLOSURE	16 May 2024
DATE OF TRANSACTION SIGNING	1 November 2024
DATE OF TRANSACTION SUMMARY PUBLICATION	3 February 2025
2X ALIGNMENT	No

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to increase clean energy generation, which will contribute to reducing the Dominican Republic's dependence on fossil fuels. The transaction will support the country's goals to increase renewable energy generation to 25% of power generation by 2025 (from 15% as of January 2024) and to reduce greenhouse gas (GHG) emissions by one third of 2010 levels before 2030¹.

The impact theory of change below illustrates how this transaction will contribute to FinDev Canada's long-term development impact goals and the UN Sustainable Development Goals (SDGs), particularly SDG 5 "Gender Equality", SDG 7 "Affordable and Clean Energy", SDG 8 "Decent Work and Economic Growth", and SDG 13 "Climate Action".



CLIMATE AND NATURE ACTION

- **Contributing to the Dominican Republic's transition to a low-carbon economy:** The Project is expected to generate annual electricity output of 125,000 MWh and to replace the equivalent of 20 MW from a thermal power station, making a significant step towards sustainable energy solutions in the region. It will allow the Consorcio Energetico Punta Cana Macao (CEPM), an exclusive electric utility operator in the Eastern region of the DR, to reach its objective of supplying renewable energy at 60% of the energy mix by the end of 2027 (interim goal), and to reach 100% renewable energy generation by 2030.

¹Official International Trade Administration, Dominican Republic, Country Guide, 2024



MARKET DEVELOPMENT

- **Strengthening the Dominican Republic's renewable energy supply:** Enertur will increase domestic production of clean electricity and will contribute to energy security and self-sufficiency of the island nation. The integration of BESS with solar PV is one of the first in the DR, addressing the challenge of intermittent energy supply. The Project is expected to power Punta Cana's tourism industry which represents up to 16% of the country's Gross Domestic Product (GDP)².
- **Increasing employment:** The Project will support 200 temporary construction jobs, and full-time employment of 10 Operations & Maintenance (O&M) staff. For Enertur, InterEnergy has agreed to ensure that at least a quarter of the hired labour at the project's engineering, procurement, and construction (EPC) contractor come from the region.



GENDER EQUALITY

- **Promoting women's participation in the renewable energy sector:** InterEnergy is intentional about advancing gender equality in the renewable energy sector a testament of which is a developed Diversity, Equity, and Inclusion Action Plan. For Enertur, InterEnergy has agreed to ensure that the project's EPC contractor put in every effort to hire women at all levels during project construction. It also agreed to demonstrate that the EPC contractor has an Equity and Inclusion policy, and that it will take the necessary steps to close equity and inclusion gaps.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The FinDev Canada E&S Risk Management Team considers the transaction to be Category B, given the project's nature and size. This project has potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

During due diligence, a benchmark review of the InterEnergy's and CEPM's E&S management framework was completed, which involved an extensive review of documentation, including the company's Environmental and Social Impact Assessment (ESIA) and permitting status, available E&S policies and procedures, internal capacity, and responses to due diligence questions. A site visit was also conducted to Santo Domingo in the Dominican Republic between October 30th-and 31st, 2023.

The primary risks and impacts identified during due diligence include: 1) human rights and a reputational risk associated with the labour-related risks in the solar PV supply chain and the project's suppliers; 2) occupational health and safety risks to workers during construction and to communities (road safety, use of private security forces, foreign worker influx), including gender-based violence and harassment; 3) labour and working conditions; 4) soil erosion; 5) waste generation; 6) localized loss of vegetation; and 7) involuntary resettlement of families that were living in the project area.

² <https://www.unwto.org/investment/tourism-doing-business-investing-in-dominican-republic#:~:text=Given%20the%20latter%2C%20the%20tourism,economy%20of%20the%20Dominican%20Republic.>

To manage the E&S risks associated with this project, InterEnergy and CEPM implement an Environmental and Social Management System (ESMS) that encompasses occupational health and safety, human rights, human resources, procurement, environment, stakeholder engagement, risks assessment and regulatory compliance. Opportunities for enhancing the client's E&S risk management policies and procedures and its response to key sector-related risks have been identified by FinDev Canada and are included in an Environmental and Social Action Plan (ESAP). The adverse environmental, social, or human rights risks associated with the Project will be mitigated and managed in a manner that aligns with FinDev Canada's Environmental and Social Policy and the IFC Performance Standards and relevant International Standards, after the implementation of the ESAP.

An illustrative but non-exhaustive list of key documents reviewed at the time of the E&S due diligence is outlined below:

- Enertur's Environmental Impact Assessment (November 2023)
- Environmental and Social Management Programs (November 2023)
- Code of Ethics (May 2023)
- Procurement Policy (August 2023)
- Risk Policy (May 2023)
- Compliance Policy (May 2023)
- Whistleblowing Policy (May 2023)

Additional documents such as land lease agreement, modules supply agreement, battery supply contract, and transformer sales contract. The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada assessment in addition to host country requirements:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions
- IFC Performance Standard 3: Resource Efficiency and Pollution Prevention
- IFC Performance Standard 4: Community Health, Safety, and Security
- IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement