

Environmental and Social Data Sheet

Overview

Project Name:	MEXICO CLIMATE ACTION FL
Project Number:	2015-0534
Country:	Mexico
Project Description:	<i>The operation consists of a framework loan for the support of large, utility scale wind and solar photovoltaic projects in Mexico. Eligible projects comprise the development, construction and operation of large wind and solar photovoltaic plants and their associated electrical facilities and civil infrastructure.</i>
EIA required:	yes, ESAs will be required for all underlying allocations
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental Assessment

Through this operation the Bank will provide funding to the Mexican public bank Nacional Financiera (NAFIN) who will on-lend to the promoters of wind and solar photovoltaic projects in Mexico. Due to the nature of this operation, the sub-projects to be part-financed, as well as their environmental and social impacts are not fully known at this stage.

The Bank's eligibility criteria and procedures for framework loan operations will apply. All allocations will require ex-ante approval by the Bank prior to authorising the on-lending of funds to final beneficiaries. The Bank's requirements with regard to eligibility, including environmental criteria, will be incorporated in the finance contract.

The main principles of social and environmental assessment practice enshrined in EU legislation, such as screening, scoping, independent review, public participation, disclosure and monitoring are already present in Mexican legislation, specifically in the environmental law ("Ley General de Equilibrio Ecológico y la Protección al Ambiente – LGEEPA"). Prior to approving allocation requests submitted by the financial intermediary, the Bank will confirm that individual schemes comply with the Bank's environmental requirements and that an adequate environmental assessment has been carried out. Mexican legal obligations are in line with the principles of the relevant European directives, and it is mandatory to conduct an Environmental Impact Assessment (EIA) process for utility scale wind and solar photovoltaic plants.

The Financial Intermediary will be required to provide confirmation that none of the schemes submitted for part-financing by the Bank have a significant negative impact on any site of nature conservation importance, including sites protected under national legislation and international agreements to which Mexico has subscribed.

Social Assessment

Projects applying for permits under the current electricity law ("Ley de la Industria Eléctrica" - LIE) have to carry out a full Social Impact Assessment (SIA) process, and get approval from the Secretary of Energy ("Secretaría de Energía" - SENER) before the environmental license is granted. This approval requires an additional local consultation if the area has settlements

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

of indigenous communities officially designated by the Mexican government, following the precepts of the Convention 169 of the International Labour Organization.

Grandfathered projects, whose consents were granted before the electricity law was published, are exempted of the statutory Social Impact Assessment process, but the Bank will require a Social Impact Assessment to be performed at a project level, before approving the allocation.

It should be noted that Mexico has subscribed most of the International Labour Organisation (ILO) Conventions; in particular, all the core conventions are ratified: 29 (Force Labour), 87 (Freedom of Association), 98 (Collective Bargaining), 100 (Equal remuneration), 105 (Abolition of Forced Labour Convention), 111 (Discrimination Employment and Occupation), 135 (Workers Representatives), 138 (Minimum Age) and 182 (Worst Forms of Child Labour).

The Bank will require a social assessment, including the development of a management plan for mitigation of social impacts (as applicable), compliance with national law and ILO Core Labour Standards will need to be met by the promoters at project level in accordance with the Bank's Environmental and Social Standards.

Public Consultation and Stakeholder Engagement

The land acquisition and potential resettlement processes will be required to be reviewed to follow the Bank's Environmental and Social Standards as well as the national law. The Bank and FI will verify for each allocation that adequate public consultations and disclosures have been taken place and appropriate grievance redressal mechanisms are in place, including for local consultation with indigenous population.

Conclusions and Recommendations

The wind and solar photovoltaic investments targeted by the operation are expected to have limited social and environmental effects. The legal environmental and social obligations under the Mexican law including to conduct separate environmental impact assessment and social impact assessment processes for wind and solar photovoltaic plants give comfort and support the fulfilment of the EIB's standards under this operation. The current legislation in Mexico is in line with the Bank's environmental and social requirements and the Bank will therefore not require the financial intermediary to request extra efforts from their borrowers, apart from grandfathered projects for which the bank will require an additional Social Impact Assessment to be implemented.

The social and environmental impacts and mitigation measures will be assessed individually by the financial intermediary and will be reviewed by the Bank as part of the ex-ante approval process. The financial intermediary's capacity to assess environmental and social impacts is deemed satisfactory. All schemes financed by the Bank will be compliant with national legislation and the Bank's environmental and social standards.

Under these conditions, it is considered that the due diligence procedures carried out for individual schemes will appropriately address environmental and social issues and ensure that the schemes to be financed under this loan meet the Bank's requirements.