

PROJECT ABSTRACT

Country: Honduras

Sector: Energy Efficiency and Renewable Energy

Project Name: Invema Self-Supply Solar Project

Project Number: HO-L1100

Borrower: Inversiones Materiales, S. de R.L. de C.V. (Invema)

Proposed A Loan: Up to US\$3 million

PROJECT OVERVIEW

Invema is an innovative recycling company based in San Pedro Sula, Honduras. The plant purchases recycled materials, including aluminum, plastic, iron, other scrap metal, and separates, cleans, processes and sells the materials. The proposed project (the 'Project') would generate renewable electricity for self-consumption through approximately 1.2 megawatts of photovoltaic solar panels mounted on the roofs of Invema's buildings. The loan will also incorporate energy efficiency into the company's plants and vehicle fleet. This project will likely be a first of its kind in Honduras with the potential for demonstration effect to motivate other similar projects.

PROJECT DESCRIPTION

The proposed Project will install 1.2 megawatts of photovoltaic solar panels on the roofs of Invema's buildings to produce electricity for self-consumption. The Project will be one of the first commercial-scale solar plants in Honduras, and will help spur other building owners to install this zero-emission, low environmental impact, clean energy technology. The total project costs for the solar system are expected to be \$3.4 million. In addition, the Project includes energy efficiency, replacing older, inefficient process equipment and vehicles with new and more efficient equipment which is estimated to cost \$2.6 million. These investments will reduce the peak demand of electricity as well as overall energy consumption and greenhouse gas (GHG) emissions. The proposed IDB Loan will support the Project by providing 50 percent of the Project costs, or US\$3 million to finance the equipment and construction costs.

DEVELOPMENT IMPACT

The Project will reduce greenhouse gas emissions by replacing grid electricity with electricity generated from emission-free solar power. In addition, the energy efficiency improvements will reduce demand on the electrical grid. Through reductions in electricity consumption the Project is expected to generate approximately 27,000 tons of CO2 reductions over 20 years.

IDB'S ADDITIONALITY

The Bank provided technical assistance under RG-X1125 “Increasing Private Sector Investment in Clean Energy”, which was established with the donor partner the Nordic Development Fund (NDF), to perform in-depth energy engineering studies and identify the clean energy potential projects. The IDB loan for project implementation provides financing at tenors that are not available in the commercial market and without requiring the company pledge additional collateral, thanks to a partial credit guarantee from NDF under RG-X1175. This is one of the first commercial-scale solar projects in Honduras so it will help overcome early-mover and prevailing practice barriers.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The Project is inside-the-fence, it produces less electricity than the company's baseload power consumption, and it does not benefit from tariff subsidies. The Project is in compliance with the Honduran Public Utility Policy, promoting innovation to foster efficiency, access and environmental sustainability. In addition, the Project supports article 3.20(i) of the Honduras Country Strategy (GN-2645) to support the diversification of energy sources, by increasing power generation from renewable sources such as water, wind, geothermal, and solar through financing, leveraging of co-financing resources, and technical assistance.