

## **PROJECT ABTRACT**

**MAY 30, 2014**

<b>Country:</b>	Uruguay
<b>Sector:</b>	Renewable Energy
<b>Project Name:</b>	La Jacinta Solar Power Project
<b>Project Number:</b>	UR-L1092
<b>Borrower:</b>	Jacinta Solar Farm S.R.L.
<b>Sponsors:</b>	Fotowatio Renewables Ventures (“FRV”) and Capital de Riesgo Global
<b>A Loan:</b>	Approximately forty million United States dollars (US\$40,000,000)
<b>B Loan:</b>	Approximately fifteen million United States dollars (US\$15,000,00)

### **PROJECT OVERVIEW**

- 1.1 Although 98 percent of households have electricity services and the quality of service is generally good, Uruguay’s energy sector has shown vulnerability in recent years due to the lack of diversification of the energy matrix, with hydropower accounting for 60 percent of the total installed capacity. As a result, during periods of drought, a decline in hydropower generation has resulted in greater fossil-fuel thermal generation with increased exposure to fuel price volatility.
- 1.2 In order to diversify the Country’s electricity matrix and reduce dependence on imported fossil fuel, the Government of Uruguay launched a 200MW solar PV program with the goal of awarding power purchase agreements (“PPAs”) with the *Administración Nacional de Usinas y Transmisiones Eléctricas* (“UTE”), the state-owned public utility of Uruguay.
- 1.3 Following the rules of the bidding process, FRV engaged with the Bank to consider eligibility for IDB and Canadian Climate Change Fund (“C2F”) financing, and eventually presented for consideration by UTE the La Jacinta Solar Power Project (“the Project”).
- 1.4 The objective of the project is to increase by approximately 65MWp the installed capacity of non-traditional renewable energy in Uruguay thus directly supporting Government’s priorities to ensure a stable and diversified long-term electricity supply regardless of hydrologic conditions and to increase energy generation from clean sources.

### **PROJECT DESCRIPTION**

- 1.5 The Project consists in the construction, operation and maintenance of a 65MWp solar photovoltaic power plant and its associated facilities with total installed capacity of. The Project will be located 5km south of the city of Salto, Department of Salto. The Project

will supply on average approximately 103GWh per year of electricity through two 30-year PPAs to be signed by the Borrower with UTE.

- 1.6 The Project will utilize photovoltaic crystalline modules mounted over fixed structures and connected to inverters to deliver the energy to UTE's 150KV transmission lines located approximately 3km from the Project site.
- 1.7 The estimated total cost of the Project is US\$100 million. It is anticipated that the Project's financial plan will include IDB A Loan for up to 40% of Project, estimated at US\$40 million and up to US\$25 million in financing from C2F. The rest of the Project costs are expected to be financed by DNB Group as a B Lender and with base equity from Sponsor.

#### **DEVELOPMENT IMPACT**

- 1.8 The Project will have positive developmental impacts, such as: (i) adding 65MWp of renewable capacity to the Uruguayan grid, thus decreasing thermal and hydro generation reliance; (ii) displacing approximately 18,000 equivalent tons of carbon emissions per year; and (iii) creating between 210 direct and indirect jobs during the construction phase and approximately 10 direct jobs during the operational phase.
- 1.9 The Project will contribute to the expansion of private sector participation in the power sector in Uruguay, as well as market competition, provided it is the first private solar project in the country. Being the first of its kind, its demonstration effect is also expected to be significant because it will provide lessons learned to potential new entrants and possibly trigger further private sector investment in the renewable energy sector.

#### **IDB'S ADDITIONALITY**

- 1.10 The Bank's participation is critical for the financial feasibility of the Project by providing and mobilizing financing at tenors that are not available in the commercial market. There are very few examples of non-recourse project financing of this nature in Uruguay and those examples are generally limited to 12 years.

#### **PROJECT CONTRIBUTION TO IDB OBJECTIVES**

- 1.11 The Project directly addresses two of the strategic objectives outlined in the GCI-9 of fostering development through the private sector and promoting renewable energy. The Project is fully aligned with IDB's Country Strategy for Uruguay (2010-2015) (GN-2626), which seeks to support Uruguay's efforts to add new sources of electricity by taking advantage of natural conditions conducive to generating electricity. Specifically the Project directly contributes to the Country Strategy's Result Matrix strategic objective to "Increase Installed Capacity by 15%" (404 MW) by 2015. It also contributes to the Bank efforts to support small and vulnerable countries and to SCF strategy objectives to support US\$10 billion in climate friendly investments by 2015 and impacting the people of the Region.