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REGIONAL

CARIBBEAN HOTEL ENERGY EFFICIENCY ACTION PROGRAM (CHENACT)

(RG-T1431)

PLAN OF OPERATIONS

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BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

ELECTRONIC REFERENCES

ABBREVIATIONS

AOP	Annual Operation Plan
BHTA	Barbados Hotel and Tourism Association
BE	Bioenergy
CAST	Caribbean Alliance for Sustainable Tourism
CCB/CBA	IDB Country Office in Barbados
CDE	Center for Development Enterprise
CDM	Clean Development Mechanism
CHTA	Caribbean Hotel & Tourism Association
CIF	Climate Investment Fund
CHENACT	Caribbean Hotel Energy Efficiency Action Program
CREDP	Caribbean Renewable Energy Development Program
CTO	Caribbean Tourism Organization
EA	Executing Agency
EE	Energy Efficiency
ESCO	Energy Service Company
ESR	Environmental and Social Review
GoB	Government of Barbados
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbeit
IDB	Inter-American Development Bank
INE/ENE	Energy Division of the Infrastructure and Environment Department
IPPs	Independent Power Producers
LAC	Latin America and the Caribbean
MG	Micro generation
MW	Megawatts
MEWD	Ministry of Environment, Water Resources and Drainage
MFIE	The Ministry of Finance, Investment and Energy
MT	Ministry of Tourism
ODS	Ozone Depleting Substances
OECS	Organization of Eastern Caribbean States
PCDM	Programmatic Clean Development Mechanism
PDD	Project Design Document
PM	Project Manager
RE	Renewable Energy
SECCI	Sustainable Energy Climate Change Initiative
TC	Technical Cooperation
TOR	Terms of Reference
UNEP	United Nations Environmental Programme
UNFCCC	United Nations Framework Convention on Climate Change
WTTC	World Travel & Tourism Council

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I. EXECUTIVE SUMMARY

Beneficiary Countries:	Barbados, Jamaica, Bahamas, Suriname, Trinidad and Tobago, Belize, Haiti, Dominican Republic and Guyana. OECS countries will also be benefited through the use of resources contributed by GTZ.		
Executing agency:	The Caribbean Tourism Organization (CTO) through the Caribbean Hotel & Tourism Association (CHTA)		
Target Beneficiaries:	CHTA/CAST hotel members, both in Barbados and at the regional level, CTO members (Ministries of Tourism of Barbados and the region) and regional Energy Service Companies.		
Financing:	IDB SECCI FUND (SCI):	US\$	1,000,000
	CHTA/CAST:	US\$	475,000
	United Nations Environmental Programme (UNEP):	US\$	110,000
	Government of Barbados:	US\$	130,000
	Caribbean Tourism Organization:	US\$	200,000
	GTZ	US\$	100,000
	Total:	US\$	2,015,000
Objectives:	The objective of this operation is to ,encourage the implementation of energy efficiency practices in the Caribbean hotel sector, hence improving the competitiveness of small, medium and large hotels through improved use of energy		
Execution timetable:	Execution:	18 months	
	Disbursement:	24 months	
Special contractual conditions:	Prior to first disbursements: (i) A Program Manager has been hired in accordance with the terms of references agreed upon with the Bank See ¶5.5; (ii) a technical and operational agreement between CTO and CHTA has been signed and entered into effect for purposes of Program implementation based on the terms previously agreed upon with the Bank See ¶5.3; and (iii) the Steering Committee of the Program has been established and its Terms of Reference determined. See ¶5.4		
Exceptions to Bank Policies and Procedures:	None		
Environmental and social review:	The ESR Secretariat reviewed the TC profile on August the 1 st , 2008. The proposed environmental and social strategy was approved. This project is category “C”.		
Coordination with Other Donors:	This TC involves coordination with UNEP, GTZ and CDE. See ¶2.13, ¶2.14, ¶2.15.		

II. BACKGROUND AND JUSTIFICATION

- 2.1 The importance and prominence of the tourism industry to the Caribbean economy is very substantial. According to the World Travel & Tourism Council (WTTC), it contributes more than US\$51 billion, accounts for 16% of total employment and has expected growth rates of over 4% per annum. The tourism industry in the Caribbean is highly competitive both regionally and globally, and as a region the Caribbean is a major destination for millions of tourists every year as well as the selected location for a large number of international events. In order to remain competitive and be globally relevant, the Caribbean hotel industry has to continue to provide a comprehensive array of quality services while maintaining an adequate cost structure.
- 2.2 Energy cost is a major concern for hotels in the Caribbean due to the region's dependence on imported fuels for electricity generation. The energy matrix of the Caribbean is 90% composed by fossil fuels and most electricity generation in the region comes from imported oil. The cost of electricity has skyrocketed in the last few years due to a dramatic surge in oil prices, and the expected volatility for the coming years does not guarantee that the current low prices are going to stay that way. These issues have raised concern within the regional hotel industry since the high utility price directly impacts fares for final costumers. In this light, any energy savings is directly reflected on a lower utility bill and a more competitive cost structure. On the other hand, energy savings will also contribute to the reduction of greenhouse gas emissions derived from the sector's activity. Additionally, since hotels intensively use air conditioning and refrigeration equipment, appliances that release Ozone Depleting Substances (ODS), by implementing energy efficiency measures it is possible to reduce ODS agents at the same time.
- 2.3 A recent survey conducted among the members of the Caribbean Hotel and Tourism Association (CHTA) and its environmental division the Caribbean Alliance for Sustainable Tourism (CAST), showed that a significant number of hotels would be willing to receive technical advice in relation to energy savings, energy audits, implementation of solar, wind and hydro generation as well as phase out of ODS. According to CAST, some hotels may be willing to co-finance the costs of the energy audits. Further analysis of the results indicates that the hotel industry is willing to invest in EE as well as renewable micro generation. However due to lack of technical information and unavailability of affordable credit facilities especially for small and medium size hotels, there is a need for development assistance and investment in these areas.
- 2.4 The Caribbean Hotel Energy Action Program (CHENACT) aims to promote energy efficiency (EE) in the hotel industry with the participation of a number of organizations and donors interested in the sustainable development of the sector.

This operation will encourage the implementation of energy audits with the objective of reducing energy demand, introducing energy efficient appliances, promoting renewable energy micro generation and exploring possibilities to obtain carbon credits from greenhouse gas emission reductions. The operation will have a pilot case approach based in Barbados. The remaining activities will take place at the regional level and will feed on the results obtained from the Barbados case.

- 2.5 Approximately 30 percent of Barbados' power consumption comes from the tourism sector according to the Barbados Hotel and Tourism Association (BHTA). Therefore, Barbados will serve as a representative case study to understand the impact of the use of EE measures and micro generation (MG) techniques in the tourism sector in relation to the country's power consumption. The focus on Barbados will be matched at the same time with the characterization of energy consumption in the hotel sector at the regional level. In the end, one of the major expected outcomes and a success indicator of this TC in the medium and long term will be to replicate the CHENACT's results at a larger scale.
- 2.6 The CHENACT proposal is based on the fact that EE gains from implementation of typical conservation options (e.g. energy-saving light bulbs, solar water heaters, energy efficient air conditioning (AC), solar water pool pumps, solar cooling, recycle-reuse of waste for bioenergy, linen re-use programs, etc), can yield even higher gains through more strategic technology upgrades and design features that this program seeks to identify.
- 2.7 Another important part of the implementation of EE practices is complemented by the existence of Energy Service Companies (ESCOs) that could provide technical and financial solutions to energy intensive operations. Based on experiences, financed with resources from the Multilateral Investment Fund (MIF) of the IDB, in other parts of the region such as Cancun and Cabo San Lucas in Mexico, ESCOs have been an effective vehicle to promote the adoption of EE. The majority of the hotels in the Caribbean will require technical assistance in EE that could be provided by ESCOs as well as access to financial resources. However, there is a reduced number of ESCOs in the region and they usually do not offer a wide variety of services that cover both the technical and financial needs of clients. This TC will assess the real capacity of Caribbean ESCOs to serve the tourism industry and formulate a strategy to enhance their capabilities.
- 2.8 Finally, the implementation of EE practices can also lead to an additional stream of resources from the sale of greenhouse gas emission reductions in the carbon market. However, in order to maximize this benefit the individual carbon emission reductions (CERs) can be grouped to make them attractive in the market. The United Nations Framework Convention on Climate Change (UNFCCC) has recently approved a new mechanism, the Programmatic Clean Development Mechanism (PCDM), which will allow regional programs to be eligible for carbon finance. This TC, if deemed viable, would eventually prepare a project design document (PDD) for a PCDM that pursues the possibility of selling

the emission reductions generated by the implementation of EE practices in the hotel sector at the regional level.

- 2.9 The CHENACT, as described, constitutes a comprehensive approach to tackle the energy constraints posed on the Caribbean hotel sector. For this reason a number of organizations and donors have been engaged to work together in this effort: the Caribbean Hotel and Tourism Association (CHTA), the Caribbean Alliance for Sustainable Tourism (CAST), the Caribbean Tourism Organization (CTO), United Nations Environmental Program (UNEP), *Deutsche Gesellschaft fuer Technische Zusammenarbeit* (GTZ) and the Government of Barbados. These institutions and their level of participation in the program will be explained next.

A. Participating organizations:

- 2.10 Caribbean Tourism Organization (CTO):, with headquarters in Barbados, and marketing operations in New York, London and Toronto, CTO is the Caribbean's tourism development agency and comprises a membership of over 30 governments represented by their Ministries of Tourism and a myriad of private sector entities, including CAST. CTO's mission is to provide to and through its members, the services and information needed for the development of sustainable tourism for the economic and social benefit of the Caribbean people.
- 2.11 Caribbean Hotel and Tourism Organization (CHTA) and Caribbean Alliance for Sustainable Tourism (CAST): CHTA is an organization that represents 32 national hotel and tourism associations in the Caribbean, amounting to over 860 hotel members and over 122,000 hotel rooms. CHTA has estimated that over the last years its members have been operating under conditions of continued high-energy prices, significantly increasing their operational cost to between 15% and 30% of total cost. Their forecasts also suggest that continuing volatility of oil prices will maintain a level of operational uncertainty in this industry, as electricity costs in some cases have increased between 10-20% per year.
- 2.12 CAST is CHTA's environmental division and together have been tasked with the mission of promoting energy conservation and environmental management strategies to their member hotels. CHTA/CAST believe hotels can become more competitive through bottom-line gains by increased energy efficiencies. However those whose operations remain inefficient and uncompetitive will continually be at the mercy of fluctuating oil prices. Only a few hotels have incorporated the use of renewable/alternative energy sources or have implemented energy efficient measures.
- 2.13 United Nations Environment Programme (UNEP): UNEP is the United Nations system's designated entity for addressing environmental issues at the global and regional level. Since hotels intensively use air conditioning and refrigeration equipment, appliances that release ODS, UNEP has joined the project to estimate the potential of ODS reduction within the CHENACT initiative. UNEP will

provide the technical expertise and personnel to carry out ODS audits in Barbados and throughout the region.

- 2.14 Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ): GTZ has been working in the Caribbean through the Caribbean Renewable Energy Development Program (CREDP/GTZ), which up to 2003 concentrated solely on the promotion of the use of renewable energy technologies. As of April 2008, CREDP/GTZ entered into a second project phase until March 2012 and has been mandated to offer assistance in EE matters, additional to the on-going activities for renewable energy. For the CHENACT project CREDP/GTZ will enter into an agreement with CHTA/CAST to provide a cash contribution towards CHTA/CAST's overall counterpart stake in this project. Additionally, GTZ by itself will be contributing separate donor, funds to provide assistance in the EE sector mainly focused on the OECS region.
- 2.15 Center for Development Enterprise (CDE): CDE is based in Brussels, Belgium, and funds similar initiatives, i.e. a 3-phase program in East Africa to provide best practice tools and advice to 15 selected companies for the improvement of their energy management systems. The CDE is already working with CHTA in the Caribbean on an e-commerce platform for small and medium enterprise (SMEs) hotels in the Caribbean. For the CHENACT project CDE will enter into an agreement with CHTA/CAST to provide a cash contribution towards CHTA/CAST's overall counterpart in this project.
- 2.16 This project is consistent with the Sustainable Energy and Climate Change Initiative (SECCI). Two of the main pillars are renewable energy and energy efficiency and access to carbon finance. The Bank supports actions that promote the efficient use of energy in the various sectors of economic activity, eliminating unnecessary consumption and maximizing the final product per unit of energy consumed, in a manner compatible with the socioeconomic objectives. For the Caribbean countries in general, the Bank acknowledges the impact of rising energy prices on the countries' competitiveness and recommends that the governments implement short term plans to curb imported fuel consumption and medium and long term plans to explore the use of domestic renewable energy sources. This TC is consistent with the new energy policies of Barbados and many other Caribbean countries.

III. PROGRAM DESCRIPTION

A. Program goal and purpose

- 3.1 The objective of this operation is to encourage the implementation of energy efficiency (EE) practices and micro generation (MG) with renewable energy in the Caribbean hotel sector, hence improving the competitiveness of small, medium and large hotels through improved use of energy.
- 3.2 The specific objectives are: (i) migrate towards higher EE and MG with

renewable energies and contribute to the compliance of the Montreal Protocol (phasing out of ODS) using Barbados as a case study; (ii) analyze existing Caribbean ESCOs and determine their suitability to provide a competitive and effective service to the tourism sector; (iii) assess EE, MG and ODS phase out options at the regional level; (iv) explore the possibilities of obtaining carbon credits through the Clean Development Mechanism (CDM) and analyze the possibility to access concessional funds related to greenhouse gas emission reduction; and (v) validate and disseminate the main findings of this operation.

B. Activities

- 3.3 ***Component 1 – Design and Preparation of the CHENACT and institutional strengthening.*** Component I will be carried out exclusively in Barbados as a case study, in terms of carrying out detailed energy audit and understanding energy consumption patterns. For the rest of the region a more generalized assessment of energy consumption and potential for EE will be performed. The design and preparation of the CHENACT will consider the following sub activities: (i) develop transparent eligibility criteria to perform energy and ODS elimination audits in selected hotels. UNEP will support the ODS audits; (ii) support the strengthening of the Government of Barbados, CHTA/CAST and CTO as participating agencies of the CHENACT; (iii) develop an EE audit protocol that includes ODS and presents options to access internationally credible certifying programs for EE, low carbon foot print and green building certification; (iv) conduct new energy audits using the criteria established in (i) and the protocols developed in (iii) and including the likelihood of RE self-generation options and power sell/purchase to the grid; (v) support the preparation of policy and legislation in EE for the tourism sector; (vi) co-finance the implementation of a pilot/demonstration program.
- 3.4 ***Component 2 – Assessment of Caribbean ESCOs’ capacity to serve regional tourism industry:*** (i) assess Caribbean ESCOs and their potential to deliver a reliable, competitive and effective service to the Caribbean tourism industry, both technically and financially; (ii) support the preparation of a strategy to enhance the capabilities of ESCOs to serve the tourism sector; and (iii) develop an action plan for ESCO support; and finally (iv) an initial workshop will be held with Caribbean ESCOs’ representatives to identify key indicative issues
- 3.5 ***Component 3 – Design a model for EE and MG to replicate across the region.*** This component will address the regional assessments on EE and MG. In order to maximize the benefits from the component’s activities and avoid duplication of efforts, the activities being carried out by other donors should be considered. This component will: (i) identify the typical energy consumption patterns among hotels in the region, the potential for incorporating measurers for both EE, and MG and phasing out of ODS, by carrying out detailed energy consumption surveys; (ii) analyze the main technical, financial and regulatory bottlenecks to achieve EE and MG; and (iii) develop a plan for technology including EE and MG technology and estimating investments required. CREDP/GTZ will contribute funds to carry

out energy surveys in the OECS countries.

- 3.6 ***Component 4 – Assessment of financial alternatives to expand CHENACT's findings.*** In order to replicate the CHENACT at the regional level, taking into consideration the Barbados case study and the regional surveys, a financial instrument such as a fund will be required for the installation, operation and maintenance of EE and MG appliances. (i) a study to determine the size and governance mechanism of the fund will be performed, as well as recommendations on the potential entities that could manage the financial instrument. (ii) The Climate Investment Fund (CIF) and related initiatives like the Scaling-Up Renewable Energy Program for Low Income Countries (SREP) could be a potential source of funding for this larger initiative. The Montreal Protocol through its Multilateral Fund can also be approached to fund ODS related activities. This component will explore the eligibility criteria to access such funds.
- 3.7 An additional source of financial resources may come from carbon finance transactions. In order to obtain a significant number of reduced carbon emissions, the regional energy savings can be bundled together and sold as a single package. If the assessment performed under this TC suggests the possibility of grouping probable carbon emission reductions grouped under a PCDM, the Bank could potentially finance, through a separate TC, RG-T1557 (Evaluation and validation of projects under the Carbon Markets, which has retained the services of a consulting firm to support the development of carbon credit projects), the preparation of a PDD, taking into account the EE methodologies approved and the programmatic approaches as applicable.
- 3.8 ***Component 5 – Dissemination of findings.*** It is expected that the work to be done will mobilize a great amount of interest among stakeholders, national authorities and potential investors and project developers (Caribbean and foreign). Project related awareness and public relations will be carried out throughout the project period amongst the hotel members. This will be one of the responsibilities of the project manager of the TC. To properly validate and disseminate the main findings and results of the CHENACT, at least two (2) regional workshops would be organized, with one being in Barbados.

IV. COST AND FINANCING

- 4.1 The total amount of Bank resources will be up to US\$1,000,000 chargeable to the recourse of the IDB SECCI FUND (SCI) on a non reimbursable basis. The Execution Agency will contribute the counterpart resources of the Program. Such resources will be composed as follows: CTO US\$ 200,000, executing agency; CHTA/CAST US\$ 475,000 (technical and operational support to the execution of the TC activities); UNEP US\$110,000, ODS audits; GoB US\$130,000, EE audits in Barbados; and GTZ US\$100,000, EE audits and surveys in OECS countries. The resources provided by the Bank will only benefit IDB borrowing member countries. Resources to be contributed by GTZ will benefit the OECS countries.

Table IV-I – Summary of Costs (in US\$)

Component	IDB SECCI	CHTA/ CAST	UNEP	CTO	GTZ	GoB	TOTAL
<i>Design and Preparation of the CHENACT and institutional strengthening</i>	557,000	150,000	35,000			100,000	842,000
<i>Assessment of Caribbean ESCOs' capacity to serve regional tourism industry</i>	60,000	25,000					85,000
<i>Design a detail model for EE and MG to replicate across the region</i>	222,000	150,000	75,000		90,000		537,000
<i>Assessment of financial alternatives to expand CHENACT's findings</i>	50,000						50,000
<i>Dissemination of findings</i>	5,000	26,000		50,000	5,000	30,000	116,000
<i>Project Coordination and Supervision</i>	81,000	124,000		130,000			335,000
<i>Steering Committee Administration</i>				20,000	5,000		25,000
<i>Monitoring and auditing</i>	15,000						15,000
<i>Contingencies</i>	10,000						10,000
TOTAL	1,000,000	475,000	110,000	200,000	100,000	130,000	2,015,000
%	50	24	5	10	5	6	100.00

V. EXECUTING AGENCY AND MECHANISM

- 5.1 **Executing Agency:** The executing agency (EA) will be CTO through and with the technical and operational support of CHTA/CAST. Additionally, UNEP, GTZ and the Government of Barbados will participate in the program contributing with funds as described in ¶4.1. INE/ENE and the IDB Country Office in Barbados will provide technical and fiduciary support.
- 5.2 **Executing mechanism:** the EA will sign the TC agreement with the Bank and will be responsible for the execution of this TC. The EA will report to the Bank on the technical and administrative activities of the TC, prepare and present progress reports, control and supervise the fund's administration, request disbursements, and maintain the communication channels with the Bank. CHTA/CAST will be in charge of the technical and operational aspects of the TC which include as a minimum: (i) selecting and hiring the necessary consulting services following the IDB's procurement policies; (ii) reviewing and approving consulting products; (iii) registering accounting information of TC funds; (iv) managing consulting contracts and processing payments for consulting services and procurement of goods; and (iv) reporting periodically to EA through progress reports
- 5.3 **As a condition prior to first disbursement,** a technical and operational agreement between CTO and CHTA will be signed and entered into effect for purposes of Program implementation based on the terms previously agreed upon with the

Bank. The agreement will specify the compromises of each party, including the use of resources according to the TC agreement, the use of Bank's procedures for the selection and hiring of consulting services and the acquisition of goods, and the maintenance of an adequate financial and accounting system for the management and administration of Bank resources.

- 5.4 A steering committee will be established to ensure that the objectives of the project are met. The steering committee will meet quarterly and provide project guidance to the EA and CHTA/CAST. The steering committee will include MFIE, CHTA/CAST, CTO, UNEP, GTZ and IDB. ***As a condition prior to first disbursement the Steering Committee will be established and its TORs determined.***
- 5.5 A project manager (PM) will be hired to provide technical oversight and supervision for the project. The PM, based at the CHTA/CAST's facilities in Barbados, will be responsible, among others, for the preparation of the Terms of Reference and technical support for the selection of consulting firms, review of the products prepared by the consulting firms, budget administration, logistics, local support and coordination among the stake holders, IDB and the consulting firms. The PM will also prepare the Annual Operating Plan (AOP), which will be used to assist the EA in the execution and supervision of this TC. The PM will have responsibility for the delivery of the anticipated results outlined in the AOP. The PM will report to the steering committee the EA and CHTA/CAST. ***It will be a condition prior to first disbursement to have selected the Project Manager.*** The selection process will have to be carried out by CTO and CHTA/CAST. The possibility of having the PM working as soon as possible is being analyzed with the EA.
- 5.6 Execution and disbursement period: The execution period will be 18 months and the disbursement period will be 24 months.
- 5.7 Procurement and program implementation readiness: The selection and hiring of the consultant/consulting firms and the procurement of goods for the development of the activities comprised by this TC will be carried out in accordance with Bank's policies and procedures (GN-2349-7 and GN-2350-7), and with the provisions established in the loan contract and the procurement plan.
- 5.8 A revolving fund will be established to manage the SECCI funds. The EA will manage the revolving fund. The percentage for the disbursement of funds from the Bank to the revolving fund will be 20%. The specified percentage has been used with successful results. A lower percentage could generate more transaction costs and a higher could generate more risks for the execution of the TC

VI. MONITORING AND EVALUATION

- 6.1 Monitoring: The monitoring responsibility during the execution of this TC will reside on the IDB's Country Office in Barbados (CCB/CBA), under INE/ENE's

technical supervision. Mid term and final reviews will be conducted by INE/ENE.

- 6.2 Technical and basic responsibility: The work of the consulting firms and the individual consultant, and their compliance with the Terms of Reference for this project will be monitored by INE/ENE in close coordination with the EA and CHTA/CAST.
- 6.3 Progress and final reports: The terms of reference of each activity for which a consulting service is hired will specify the progress and final reports to be presented to the EA, CHTA/CAST, the steering committee, CCB/CBA and INE/ENE. The final reports will be approved by CHTA/CAST and the EA. The EA will prepare semiannual progress reports to be presented to the Bank.

VII. PROGRAM BENEFITS AND RISKS

- 7.1 Benefits and beneficiaries: This operation expects to contribute to the efficient use of energy resources in the tourism industry across the Caribbean. Ultimately, it will translate into positive environmental impacts from the reduction of greenhouse gas emissions and phasing out of ODS. It will also have positive economic impacts through reduced energy costs for hotels and the possibility of additional revenue streams from the sale of carbon emission reduction credits under the new PCDM. Thus the adoption of standardized EE practices will make the tourism industry more competitive through lower energy costs which are a significant portion of hotels' operational costs, and through a positive environmental footprint that can be marketed to reach environmentally aware customers. The use of MG will relieve some of the pressure on energy generation by introducing the use of RE technologies and diversifying the energy matrix from the side of an important power consumer. The net impact of these measures on the economy will be reflected on the overall regional energy costs that are highly correlated with oil and gas international prices and fluctuating supply.
- 7.2 The beneficiaries are the CHTA/CAST hotel members, both in Barbados and at the regional level, CTO members (Ministries of Tourism of Barbados and the region) and ESCOs.
- 7.3 Risks: The major risk for this TC is the coordination risk since the project has an EA, the technical and operational support of CHTA/CAST and multiple beneficiaries. Under this situation the communication channels could intertwine at some point and the functions and the responsibilities overlap. This risk is mitigated by the creation of a steering committee with representatives of the involved parties, which will act as a consultive body. From the operational point of view the risk is mitigated with the presence of a PM, based at the CHTA/CAST's facilities in Barbados, who will centralize the communication among agencies, all the procurement processes and the influx of information, both from the consulting firms and the participating entities.
- 7.4 The fiduciary risk, which resides on the capability of CHTA/CAST to hire the

consulting services under IDB's policies, is also mitigated with the presence of a PM. The PM will either have previous experience and familiarity with Bank's policies or will be trained for that matter. In any case, CHTA/CAST and the PM will have permanent support from the project team, COF/CBA and procurement specialists.

- 7.5 The current financial crisis may have an impact on the tourism sector in the Caribbean and hotels may be reluctant to enter new investment projects. However, CHENACT opens an opportunity for selected hotels to tackle volatile energy prices by assessing energy consumption reduction alternatives and implementing cost cutting measures that will improve their competitiveness in the short term. This actions will not only help them cruise through the financial crisis but will also prepare them for the future when oil prices go up again. On the other hand, Caribbean Governments have a clear understanding that the current low prices of oil are temporary and that they have to prepare for future surge of fossil fuel prices.

VIII. ENVIRONMENTAL AND SOCIAL REVIEW

- 8.1 This TC was reviewed by the Environmental and Social Impact Review ("ESR") Committee on August the 1st, 2008. No negative environmental or social effects were identified and the TC has been classified as a "C" according to the Safeguard Classification Tool.
- 8.2 There are no foreseeable issues or impacts (environmental or social) to the preparation of the Plan of Operation or the execution of this TC. This TC will help to identify the possible impacts from an environmental, social and economical perspective. Considering its nature, this CT is not expected to generate negative environmental or social impacts. Actually, this TC will have positive environmental impacts since it seeks to promote the use of EE practices. This course of action will translate into fewer greenhouse gas emissions and phasing out of ODS over time, as well as an efficient use of energy resources.
- 8.3 Each of the financed components will comply with the environmental and safeguards compliance (OP-703) of the Bank.