

PROJECT SUMMARY
FINANCING OF SUSTAINABLE OIL RECYCLING IN COSTA RICA
(CR-L1141)

Costa Rica is actively committed to carbon reduction and environmental sustainability. The country has a long history of international environmental leadership, particularly in the field of climate change. To become carbon neutral by 2050 is a national goal, and there is a high degree of awareness on the subject among civil society, politicians, and the business community. This degree of generalized awareness is part of an enabling environment for action on climate change, pollution and biodiversity.

In spite of this awareness, every year, more than 30 million liters of motor oil products are imported into Costa Rica. The problem is that, once used, about 60% of the waste from these products is burned and the rest finds its way into landfills and rivers, with harmful effects on biodiversity and human health. The adverse consequences of the current linear economy of the used oil business are significant.

In Costa Rica, as in most developing countries, without proper recovery and/or “re-refining” facilities for used oil and lubricants, there are only two main options for discarding used oil: (a) Burn it: Companies with industrial boilers consume it as fuel, adding to greenhouse emissions and polluting the air with contaminants (if correct capture systems are not used). Others simply burn the oil for disposal; or (b) Dump it: Used oil is often poured into landfills and down storm drains. This severely pollutes groundwater, rivers, and oceans, with corresponding effects on health, wildlife, biodiversity and livelihoods.

The opportunity: Recycling used motor oil as an innovative and sustainable alternative. Re-refining used oil would contribute to Costa Rica’s decarbonization strategy and, equally importantly, assist the country with compliance to the Basel convention requirements and other biodiversity conventions. Lubricant waste re-refining is emerging as an attractive option to be registered as a climate change mitigation activity for the Domestic Carbon Market, generating carbon offsets that can be sold to organizations in the Costa Rican carbon neutrality program.

The circular economy option of re-refining transforms used engine oil into a renewable resource and helps preserve the environment. The use of recovered oil is a relatively painless way to reduce emissions. Vehicle drivers in Costa Rica would need only to begin to use recycled motor oil instead of using oil made from virgin petroleum. In Costa Rica, the early-stage company *METALUB Soluciones Verdes MSV S.A.* has, since 2016, been collecting used oil, re-refining it abroad, and selling re-refined, sustainable motor oil and lubricant blends on the local market as an alternative to new lubricant products. METALUB’s ambitious goal of recovering an average of 6 million liters of used oil per year, would mitigate 15,000 tons of carbon emissions annually, equivalent to 300,000 tons throughout the 20-year life of the project (~2% of Costa Rica’s 2050 UN goal) and turn a contaminating waste fluid into a usable product, while generating a profit.

The loan proposed in this project will contribute to co-finance the launching of Central America’s first recovery plant to safely and sustainably process used lubricating oil and used oil filters to produce new lubricants and other valuable byproducts. The IDB Lab loan, together with investors’ capital and additional third-party debt, will allow METALUB to move from a pilot phase to the installation of a full-capacity re-refining operation that can eventually be replicated in other Central American countries.

By introducing the circular economy to the transport sector and educating the public, METALUB will add to the overall paradigm shift that is happening in Costa Rica, contributing to disruptive, positive change in responsible consumption. By managing waste locally, removing hazardous

material from the environment, and preventing new material from potentially polluting the water and land, the project will have an impact on the health of Costa Rica's ecosystem, which is a key driver of the economy. By recovering base oil and producing finished lubricants locally, Costa Rica can reduce its foreign oil imports, reduce its trade deficit, and provide more local jobs. METALUB is also exploring how to promote new entrepreneurial activities in low-income areas through the promotion of neighborhood used oil collection centers.