

La Jacinta Solar Power Project



Basic Information

Project name: La Jacinta Solar Power Project

Borrower: Jacinta Solar Farm s.r.l.

Sponsor: Fotowatio Renewables Ventures ('FRV')

Sector: Renewable energy

Country: Uruguay

Financial Product: Project Finance

Intesa Sanpaolo's role: Mandated Lead Arranger

Equator Principles category: C

Project overview

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.

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.

The objective of the project is to increase by approximately 50MWp 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

The Project consists of the construction, operation and maintenance of a 50MWp solar photovoltaic power plant and its associated facilities. 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.

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.

Development impact

The Project will have positive developmental impacts, such as: (i) adding 50MWp 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.

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.

Summary of Key Environmental Impacts and Risks

The due diligence conducted identified the main impacts and risks as: conversion of natural habitat, air emissions related to dust and particulate matter, waste management and traffic issues due to a large increase in vehicular traffic during construction. A project-specific ESMP must be prepared to address these issues.

Social Impacts and Risks

The due diligence did not identify any significant social impacts to the nearby populations. This is mainly the result of factors such as (i) the low-impact nature of the technology associated with solar plants (ii) the fact that the site is not adjacent to major human settlements, and (iii) the Project site is owned by one owner and little economic activity occurs on the land making compensation to the owner an easy process. The owner signed a land lease agreement with the Borrower for the duration of the project life-cycle.

Positive Impacts

The Project will likely result in net positive benefits for the nearby communities as well as the country, in general. The Project, during construction phase, will provide direct employment to approximately 210 workers. A preference for workers from local communities will be provided and, due to the proximity of Salto, it is anticipated that local labor will be sufficient to fulfill the Project's labor requirements. Various other enterprises located in area will benefit from contracts issued to complete the construction activities.

The Project will be tied into the Uruguayan national grid, providing green energy for the country. The energy generated at the La Jacinta facilities will reduce the country's carbon emissions by over 18,000 tons CO₂/.

The Project works with the community and local officials to identify potential social programs which the Project can support. Preference will be given to social programs which benefit women and children.