Early Warning System

IFC-33224

Acciona Energia

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Quick Facts

Countries	South Africa
Financial Institutions	International Finance Corporation (IFC)
Status	Hold
Bank Risk Rating	A
Voting Date	2013-05-16
Borrower	ACCIONA ENERGIA SA
Sectors	Energy
Potential Rights Impacts	Healthy Environment, Housing & Property
Investment Type(s)	Loan

Project Description

The current Eurozone financial crisis resulted in challenging, long-term financing conditions for many infrastructure companies developing projects in emerging markets. IFC's infrastructure clients, such as Acciona Energia ("AE"), are seeking more reliable long-term sources of financing, given the reduced lending appetite of Western European commercial banks, particularly for emerging markets projects, given higher capital requirements. Similarly, with the Eurozone financial crisis, the company's access to long-term capital decreased and consequently forced it to diversify away from traditional sources of funding for financing its greenfield projects in emerging countries.

The proposed IFC investment will support the Company in developing greenfield wind and solar projects in various locations in: Africa, eastern and southern Europe, and southern Asia in IFC's countries of operation (the "Project").
The investment is scheduled to occur over the next two years, with the first construction phase beginning in June 2013 at Gouda, a 138 MW wind project in South Africa in which AE has a 51% share. That particular project is nearing financial close, with preparations for construction beginning. An Environmental Impact Assessment has been filed for the Gouda project, however no other EIA has been filed associated with this investment as of April 2013.

Early Warning System Project Analysis

CATEGORIZATION

This is a category A project due to the likelihood of potentially significant and diverse impacts associated with AE's emerging market renewable energy pipeline. This pipeline contains large greenfield wind and solar power projects such as the 138 MW Gouda wind farm and 75 MW Sishen solar PV project to be constructed in South Africa as well as a number of smaller projects located in countries such as Croatia, Poland and India.

APPLICABLE IFC PERFORMANCE STANDARDS

PS 1 - Assessment and Management of Environmental and Social Risks and Impacts

PS 2 - Labor and working conditions

PS 3 (resource efficiency and pollution prevention) did not apply according to IFC, because AE's approach to these issues are consistent with PS 3 Requirements. IFC does however suggest that there is room for improvement in the way AE handles high voltage transmission line construction.

PS 6 does not generally apply, but in certain situations (especially with wind energy), biodiversity related impacts are relevant. IFC indicates that in the future, if AE's E&S risk assessment identifies situations in which significant conversion of natural habitat will be required, or where critical habitat / legally designated areas will potentially be adversely impacted by its international wind and solar projects, PS 6 will be applied as a project assessment and mitigation requirement.

People Affected By This Project

ENVIRONMENTAL AND HUMAN RIGHTS RISK ASSESSMENT

This loan to Acciona will provide funds for a wide range of activities related to greenfield wind and solar projects, in a variety of countries and environments. Accordingly, many different potential risks may exist depending on the particular setting of a project (i.e. where in a particular country it is sited, the country's human rights record, the presence or absence of indigenous peoples). Depending on the project, some of the following questions should be posed:

RIGHT TO A HEALTHY ENVIRONMENT

A similar wind farm in Oaxaca, Mexico, funded by the Inter-American Development Bank is the subject of a complaint to the IDB's Independent Consultation and Investigation Mechanism. The concerns raised in that complaint include impacts on maritime fauna and migrating birds. Similar impacts would be expected in AE's projects.

- Acciona began testing a social impact assessment methodology in its core Energy, Water and Infrastructure business lines in 2012. The methodology is currently being tested at projects in Chile, Costa Rica, Brazil and South Africa with the intention of ensuring that all international projects use it by 2015. Has something along these lines been implemented for the project sites associated with this IFC investment?
- AE requires Environmental Management Plans regardless of national law, especially for providing guidance on environmental monitoring such as bird/bat collisions on wind farms and waste management monitoring. Has one been created? Has it been released to local NGOs for comment?

RIGHT TO HOUSING AND PROPERTY

According to information provided by IFC, it is possible that AE's projects could displace individuals.

- If AE discovers that relocation of households is necessary for a project, what mitigation or compensation will be provided?

Investment Description

- International Finance Corporation (IFC)

PROJECT COSTS AND IFC INVESTMENT

The proposed investment is a USD 100 million A Loan from IFC's own account (the "Facility") to the Company. The Facility would be used, through AE and its pre-determined subsidiaries, to finance projects costs of greenfield wind and solar projects in Africa, eastern and southern Europe, and southern Asia. Identified countries include South Africa, Croatia, Poland, and India.

The Company plans to invest up to ~USD 550-600 million in the next 2 years in the development and construction of greenfield renewable energy generation projects in countries of IFC's operation, financed primarily through loans from IFC and Inter-American Development Bank, and dividends from subsidiaries. The proceeds of IFC's loan would go to project costs of projects implemented and owned by AE, and not to the Company's corporate level activities.

Private Actors Description

The project sponsor is Acciona S.A., a publicly-traded private multinational Spanish infrastructure conglomerate whose core activities include renewable energy, water, infrastructure PPPs, water, and construction. Not rated but listed on the Madrid Stock Exchange Acciona SA had a market capitalization of around EUR 2.6 billion as of February 26th, 2012. Acciona S.A. owns 100 % of the Company.

COMPANY PROFILE

Based in Spain, Acciona Energia S.A. ("AE") is a subsidiary of Corporacion Acciona Energias Renovables S.L. ("CAER" or together with AE, the "Company"), where CAER represents the energy division of Spanish publicly-traded conglomerate Acciona S.A. ("Acciona" or the "Sponsor"). The Company and its subsidiaries develop, construct, and operate primarily wind, as well as solar, biomass, and hydro generation assets. The Company directly and indirectly owns 8.3 GW of installed capacity in 13 countries and currently has one of the largest wind farm portfolios in the world. AE is responsible for all investments outside of Spain, and currently AE is developing wind and solar energy projects in emerging markets such as Poland, Hungary, Croatia, South Africa, Mexico, Costa Rica, India, and is expanding into other countries. Acciona Energia owns and operates 266 companies.

Accciona S.A., aka Acciona Group, is a conglomerate focused on civil engineering, construction and infrastructure, which employs over 30,000 people, operates in over 30 countries on 5 continents.

PAST IFC FUNDING

IFC was an Investor in AE's 250 MW Eurus wind farm in Oaxaca (Mexico), IFC
Project #28434

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Acciona S.A.	Client	-

Contact Information

Due to the global nature of this project, the Company's headquarters are being provided in lieu of project locations.

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CONSULTATION PROCESS

Due to strong national regulations, the consultation process for the Gouda wind farm in South Africa appears to have been extensive, including two public meetings, several focus group discussions and two review and comment periods prior to finalizing the EIA. AE's internal stakeholder engagement requirements, however, are currently relatively limited for international projects in emerging markets. To meet IFC requirements, AE will develop and implement an organized and iterative stakeholder engagement process for new projects in emerging markets starting early in the ESIA process and spanning construction and operations. This process will be recorded in a Stakeholder Engagement Plan or similar. AE will provide reports to project-affected communities on at least an annual basis describing progress against implementation of environmental and social management plans (ESMPs) on issues that involve them and/or on issues that the consultation process or grievance mechanism have identified as being of concern to them. In the interests of transparency and in keeping with good practice, AE will also disclose the final ESIAs and ESMPs for all of its international projects in emerging markets on its external website.

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- Final EIA- Gouda.pdf
- Gouda EMP Feb13 final for DEA.pdf

Campaign Documents

- Acciona, galardonada con el 'Premio ORP 2008' por su prevención de riesgos laborales [España]
- Acciona: Renewable energy & human rights