

Zarafshon Wind - VAT Facility

Location:
Uzbekistan

Project number:
52464

Business sector:
Energy

Notice type:
Private

Approval date:
04 May 2022

Status:
Concept Reviewed

English language PSD disclosed:
30 Mar 2022

Project Description

A revolving VAT facility to finance quarterly VAT payments during the construction of a pilot wind project with 500 MW installed capacity located in the Tamdy District of Uzbekistan.

Project Objectives

The project will contribute to the strategic priority of the government of Uzbekistan to increase the share of renewable projects in the national energy mix. It will contribute to the mitigation of climate impact by adding 500 MW of wind generation capacity to the national energy system and will assist the country in its low-carbon transition drive.

Transition Impact

ETI score: 60

The transition impact stems from the potential contribution of the project to the EBRD Green Economy Transition ("GET") approach as it will allow producing electricity using wind power, which will reduce the country's current high reliance on thermal power generation.

Client Information

LLC SHAMOL ZARAFSHAN ENERGY FOREIGN ENTERPRISE

The Borrower is an Uzbek Project SPV fully owned by Masdar.

The Sponsor: Abu Dhabi Future Energy Company PJSC - Masdar (Masdar), a global leader in renewable energy and sustainable urban development. It was established in 2006 as a strategic government initiative to invest, incubate and establish new energy industry in Abu Dhabi and around the world. Masdar is fully owned by Mubadala Investment Company, an investment company established and fully owned by the Government of Abu Dhabi.

EBRD Finance Summary

USD 21,000,000.00

Total Project Cost

USD 575,000,000.00

Additionality

Financing Structure: the EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a tenor which is above the market average and is necessary to structure the Project.

Risk mitigation: the EBRD's long-term relationship with a client provides comfort to the client to be willing to take on more risk and/or finance, enabling outcomes such as innovation or expansion into new markets.

Environmental and Social Summary

Categorised A (ESP 2019), high risks due to the size and sensitive location of the site in terms of biodiversity. The development of a large greenfield 500 MWe wind farm ("WPP") consisting of 110 wind turbines and grid connection infrastructure is associated with potential considerable environmental and social risks, notably biodiversity, land and livelihoods impacts on farmers, and requires an Environmental and Social Impact Assessment ("ESIA") in line with the EBRD ESP and 60 days' disclosure prior to the Board consideration. An ESIA package was disclosed on 4th March 2022.

The wind farm is located in the Tamdy district of Uzbekistan in the central part of the Kyzyl-Kum desert occupying around 9600 hectares. The site is located 3.5 km from the Mount Aktau Important Bird ("IBA") and Biodiversity areas, which supports breeding and resident population of raptors, which are of international and national conservation status. The project has been approved by the national Competent Authority in July 2021 based on a local EIA.

An international consultant was retained by a consortium of Lenders and undertook an Environmental and Social Due Diligence ("ESDD") including a gap analysis of the local EIA, assessment of cumulative impacts from the Project and the associated infrastructure, community safety, livelihood impacts, and labour risks during construction and operation, as well as supply chain risk management. The ESDD has been undertaken jointly with other Lenders, namely the IFC and the ADB. Based on the ESDD additional biodiversity assessment were undertaken focused on avifauna during 2020-2021 bird migration seasons as well as social assessment of land use. Based on this ESDD an ESIA disclosure package was developed and disclosed by the developer and Lenders. The ESDD confirmed that the Project is structured to meet the Bank's Performance Requirements (PRs) and the Company has the institutional capacity to implement the Bank's PRs.

Key environmental issues are associated with avifauna and potential impact on the Aktau IBA, with the main species of concern being the Cinereous Vulture, Eurasian Griffon Vulture, Egyptian Vulture and Steppe Eagle. A biodiversity assessment has been undertaken by the developers followed by the independent consultants review. Based on the ESDD a mitigation action plan has been undertaken. This has included develop of buffer zones around nesting areas, movement of some of the wind turbines as well as long terms monitoring of the project through the lifespan of the Project; using also active monitoring systems such as Identiflight and further studies. The Project developer will also further look at livestock management at the site, removal of animal carcasses from the site and wider areas and commitment to perform study into the feasibility of off-site feeding stations and flight diverts on new section of overhead power lines. Based on the due diligence a robust mitigation plan has been agreed among the Lenders and the Sponsor, this is included in the ESIA disclosure package and the ESAP.

The project is expected to impact nine farmers, whose livelihoods will be affected as they lose access to their leased grazing land and face other limitations to their grazing based livelihoods strategies. To address land and livelihoods impacts, the Livelihoods Restoration Plan (LRP) was prepared and agreed with the sponsor. The LRP was disclosed to all affected farmers during the consultation process, entitlements envisioned under the LRP were explained, and affected households' feedback were reflected in the LRP. The implementation of LRP will be verified by the Completion Report that will be prepared by the sponsor and approved by EBRD to confirm that the requirements of ESP Performance Requirement 5 were fully satisfied.

The project is also going to involve significant workforce during the construction stage and associated labour risks related to working conditions for the contractor's workers on the project site including a temporary accommodation facilities. To address these risks the Environmental and Social Management & Monitoring Plan (ESMMP) developed for the project included mitigations and monitoring requirements for the duration of the project. The sponsor committed to cascading all mitigation measures from ESMMP across all relevant Construction and Operational Environmental Management Plans (EMP).

A Stakeholder Engagement Plan (SEP) has been developed for the Project, which describes the completed and planned stakeholder consultation activities and engagement process as well as a grievance mechanism to ensure that it is responsive to any concerns and complaints particularly from affected stakeholders and communities

An ESAP has been agreed with the sponsor and among the lenders this includes the appointment of an independent ornithological expert and use of monitoring system to monitor avifauna and implement a shut down on demand as requires systems. The mitigation measures includes an active management of the site in terms of the type of framing/grazing actives.

A supplementary ESIA package, inclusive of NTS, ESAP, SEP, ESMMP, and LRP is available for the Project and can be found on the Bank and Client web site.

The Bank will be monitoring the implementation of the Project and ESAP.

Company Contact Information

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PSD last updated

30 Mar 2022

Related material

- [Environmental and Social Impact Assessment](#)
Published: 04.03.2022

Understanding Transition

Further information regarding the EBRD's approach to measuring transition impact is available [here](#).

Business opportunities

For business opportunities or procurement, contact the client company.

For business opportunities with EBRD (not related to procurement) contact:

Tel: +44 20 7338 7168

Email: projectenquiries@ebrd.com

For state-sector projects, visit [EBRD Procurement](#):

Tel: +44 20 7338 6794

Email: procurement@ebrd.com

General enquiries

Specific enquiries can be made using the [EBRD Enquiries form](#).

Environmental and Social Policy (ESP)

The [ESP](#) and the associated Performance Requirements (PRs) set out the ways in which the EBRD implements its commitment to promoting “environmentally sound and sustainable development”. The ESP and the PRs include specific provisions for clients to comply with the applicable requirements of national laws on public information and consultation as well as to establish a grievance mechanism to receive and facilitate resolution of stakeholders’ concerns and grievances, in particular, about environmental and social performance of the client and the project. Proportionate to the nature and scale of a project’s environmental and social risks and impacts, the EBRD additionally requires its clients to disclose information, as appropriate, about the risks and impacts arising from projects or to undertake meaningful consultation with stakeholders and consider and respond to their feedback.

More information on the EBRD’s practices in this regard is set out in the [ESP](#).

Integrity and Compliance

The EBRD's Office of the Chief Compliance Officer (OCCO) promotes good governance and ensures that the highest standards of integrity are applied to all activities of the Bank in accordance with international best practice. Integrity due diligence is conducted on all Bank clients to ensure that projects do not present unacceptable integrity or reputational risks to the Bank. The Bank believes that identifying and resolving issues at the project assessment approval stages is the most effective means of ensuring the integrity of Bank transactions. OCCO plays a key role in these protective efforts, and also helps to monitor integrity risks in projects post-investment.

OCCO is also responsible for investigating allegations of fraud, corruption and misconduct in EBRD-financed projects. Anyone, both within or outside the Bank, who suspects fraud or corruption should submit a written report to the Chief Compliance Officer by email to compliance@ebrd.com. All matters reported will be handled by OCCO for follow-up. All reports, including anonymous ones, will be reviewed. Reports can be made in any language of the Bank or of the Bank’s countries of operation. The information provided must be made in good faith.

Access to Information Policy (AIP)

The AIP sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations following its entry into force on 1 January 2020. Please visit

the [Access to Information Policy](#) page to find out what information is available from the EBRD website.

Specific requests for information can be made using the [EBRD Enquiries form](#).

Independent Project Accountability Mechanism (IPAM)

If efforts to address environmental, social or public disclosure concerns with the Client or the Bank are unsuccessful (e.g. through the Client's Project-level grievance mechanism or through direct engagement with Bank management), individuals and organisations may seek to address their concerns through the EBRD's Independent Project Accountability Mechanism (IPAM).

IPAM independently reviews Project issues that are believed to have caused (or to be likely to cause) harm. The purpose of the Mechanism is: to support dialogue between Project stakeholders to resolve environmental, social and public disclosure issues; to determine whether the Bank has complied with its [Environmental and Social Policy](#) or Project-specific provisions of its [Access to Information Policy](#); and where applicable, to address any existing non-compliance with these policies, while preventing future non-compliance by the Bank.

Please visit the [Independent Project Accountability Mechanism webpage](#) to find out more about IPAM and its mandate; how to [submit a Request](#) for review; or contact IPAM via email ipam@ebrd.com to get guidance and more information on IPAM and how to submit a request.