

PROJECT ABSTRACT

Country:	Uruguay
Sector:	Renewable Energy
Project Name:	Kiyu Wind Power Project
Project Number:	UR-L1091
Borrower:	Cobra Ingenieria Uruguay S.A.
Sponsor:	Cobra Instalaciones y Servicios S.A.
Shareholders:	Cobra Instalaciones y Servicios S.A. and Cobra Instalaciones y Servicios International, S.L.
Proposed A Loan:	Up to 40% of total Project costs; approx.US\$42,200,000

OVERVIEW AND PROJECT DESCRIPTION

Approximately 45 percent of installed energy capacity in Uruguay is hydropower. As a result, during years of low rainfall, the *Administración Nacional de Usinas y Trasmisiones* (“UTE”), Uruguay’s state-owned energy utility, is required to replace hydropower generation with more costly fossil-fueled thermal generation, and energy imports from Argentina and Brazil, which are sold to UTE at the dispatch cost of thermal plants.

In order to reduce its dependence on fossil fuels and hydraulic energy, in 2011, UTE conducted two bids to award 300MW, 20-year power purchase agreements to private generators to develop wind energy and diversify Uruguay’s energy matrix. Under such bids, Cobra Ingenieria Uruguay S.A. (the “Borrower”) was awarded a power purchase agreement (“PPA”) for a 48.6MW wind farm to be located in the department of San Jose, Paraje Barrancas de San Gregorio, Uruguay (the “Project”).

DEVELOPMENT IMPACT

The Project is expected to: (i) generate 187,900 MWh per year of renewable energy at a levelized cost of energy of US\$83.10 per MWh, a lower cost than other sources of energy in Uruguay¹; (ii) reduce the vulnerability of Uruguay’s electricity sector by diversifying its energy matrix and (iii) reduce emissions by approximately 122,135 tons of CO₂ per year² through the substitution of fossil fuels for renewable energy.

Moreover, as the Project will be developed through private sector investment, it is expected to have a positive impact in terms of: (i) competition, as it supports the entrance of a new player into the public sector dominated electricity generation market in Uruguay; (ii) increase of private sector participation, as only 16% of the country’s generation capacity as of June 2014 is privately owned (with wind generation accounting for almost 5%); and (iii) demonstration effect, as its

¹ Source: Uruguay Kiyu Wind Farm Power Market Analysis, Mercados Energeticos, April 2014; with a LCOE for a combined cycled in Uruguay at US\$131.59 per megawatt/hour (“MWh”).

² Source: United Nations Clean Development Mechanism; Emission factor for Uruguay at 0.65CO₂ displaced per MWh; <http://cdm.unfccc.int/Projects/DB/AENOR1338190156.44/view>.

performance is expected to be an important factor in investment and the technology decisions for future planned wind projects in the country.

To date, the Bank's participation in wind deals in Uruguay has been key in ensuring the bankability and financial sustainability of wind projects by providing and mobilizing financing at tenors not available in the commercial market. Based on the earlier successful projects, like Palmatir Wind Power and Carape Wind Power financed by the Bank, commercial banks have started to participate in the financing of some selected projects, selecting key clients. The longer debt profile required for the non-conventional technologies, however, still limits the volume of commercial financing available. In this transaction, the Bank is partnering with a commercial bank, Credit Agricole Corporate and Investment Bank ("CACIB"), as co-lender.

Also, IDB's participation will enhance the Project's environmental and social standards. Specifically, IDB provided technical guidance to conduct (i) additional noise and shadow flicker studies and fauna surveys to identify the presence of birds and bats thus ensuring compliance with the Bank's monitoring protocols in the Project's area of influence and (ii) public consultations with the local community.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The Project is consistent with the objectives of the 9th General Capital Increase (GCI-9); in particular, it provides an important contribution to two lending targets, namely sustainable energy and support for smaller and vulnerable economies.

The Project is fully aligned with IDB's Country Strategy for Uruguay (2010 - 2015) (GN-2626), that seeks to support Uruguay's efforts to add new sources of electricity by taking advantage of natural conditions conducive to generating electricity from wind. Specifically the Project directly contributes to the Country Strategy's Result Matrix strategic objective to "Increase Installed Capacity by 15%" (404 MW) by 2015.