

The main project component to be financed by the IIC, i.e., the expansion of the Santa Fe plant, will comply with Ley No. 41 del 1 de Julio 1998, (Law No. 41, dated July 1, 1998), the General Environmental Law of Panama and the specific Executive Decree No. 59 of March 2000, which regulates the implementation. Additionally, the PSA (Power Supply Agreement) contract with Elektra requires Ternor to take all the safety and environmental actions required under Panamanian laws. This is consistent with Law No. 6 of February 1997 that regulates the provision of electricity. The IIC also provided its consultant and the sponsor with the qualitative and quantitative standards, based on the pertinent technological capabilities, that the Santa Fe plant should achieve. The sponsor has also agreed to implement an environmental management plan (EMP) that will encompass the requirements of Panamanian law and the IIC's policies. The EMP will set out a schedule for the monitoring of environmental and safety issues and the related implementation.

Air Emissions (NO_x, SO_x & PM): These emissions depend on a series of factors, such as quality of fuel used, for example, sulfur content, as well as the design of the combustion and pollution control systems installed in the unit. Despite the small size of the plants, (3.6MW installed capacity), the combustion, exhaust gas treatment systems and stack height are designed to guarantee acceptable levels of Sulfur oxides (SO_x), Nitrogen Oxides (NO_x) and particulate matter (PM) emissions. Additionally, a dispersion analysis of SO_x, NO_x and PM was performed using EPA prescribed techniques and MAN B&W guaranteed emission levels, which concluded that the concentration of contaminants outside of the project property line will be below national-, WB- and IIC- established minimum levels.

Liquid Effluents: The project will not produce any contaminated surface water run-off. Spent lubricating oils are stored and removed from site for recycling or final disposal by the fuel supplier. The minimal level of liquid effluents generated by the operation staff will be managed through septic systems.

Noise: While the plants are generally located in rural sites, there tend to be residential neighbors nearby. Efforts are being made to control the effect of noise by (1) regulating generation hours; (2) relocating equipment; (3) future closing of small stations; and (4) the construction of physical barriers. Workers are provided with audition protection equipment and were seen wearing them during the appraisal.

Control of fuel spills: The fuel storage facilities and loading areas are generally surrounded by containment structures. These structures and areas where there are potential spills generally drain to oil separators. Ternor is committed to ensuring that by project completion all of its facilities have proper spill containment structures. Fuel transportation presents a second avenue for accidental spills. All of Ternor's fuel transporters are certified by the respective governing bodies and inspected on an annual basis. A feature of their supply agreements requires transporters to be insured for any accidental cleanup costs. One mitigating factor lies in the fact that the transportation vessels are relatively small (8,000 - 30,000 gallons). Additionally, the expansion of the Santa Fe plant will eventually lead to the closing of several small plants that currently receive their fuel via maritime or river transportation.

Fire Protection: All of the power plants are small with open tropicalized concrete structures. The plants are all equipped with fire fighting equipment and will have emergency response plans supervised by the plant operator.

Emergency Response and General workplace Safety: The existing facilities have safety manuals and plans that will be upgraded as part of the project. There are training sessions for the operation of emergency and safety equipment and procedures for periodic fire drills. There are first aid station

supplies at each plant.

Monitoring: The sponsor has agreed to implement an environmental management plan (EMP) that will encompass the requirements of Panamanian law and the IIC's policies. The EMP will set out a schedule for the monitoring of environmental and safety issues and the related implementation.