

1. **Project Description.** The objective of the project is to support the implementation of EE Projects developed by ESCOs in Colombia by providing an adequate financing solution involving capital markets.
2. **Environmental and Social Categorization and Rationale.** This project is classified as a financial intermediary and categorized as FI-2. Based on the nature of EE projects to be financed (i.e. installation of co-generation facilities and renovation and retrofitting of existing facilities) this operation is considered low-risk. The CEET's future portfolio will be dominated by category C and lower risk Category B EE Projects.
3. **Environmental and Social Risks and Impacts.** The proposed pipeline of activities has been pre-determined among the consortium of ESCO providers and includes the following percentage breakdown: co-generation (47%), energy efficiency and replacement of cooling and heating equipment (35%) and lightning and installation of smart metering and controls (18%). The investments are spread across a diverse set of sectors with the largest including industrial (53%), commercial facilities (18%), hospitals (12%), airlines (12%), and mining (5%). Environmental, social, health and safety risks and impacts are expected to be low to moderate, and relate primarily to the substitution of old technology and equipment, and the proper disposal, recycling and reuse of materials, especially those considered to be hazardous. These impacts can include inadequate disposition of gases used for cooling (i.e., chlorofluorocarbons), asbestos from old insulation, and industrial waste from old machinery/plant operations. There may be health and safety risks associated with the disposal of such wastes, as well as the installation of new equipment.
4. **Mitigation Measures/E&S Action Plan.** Each ESCO currently operates an existing environmental and social management system or is in the process of developing a set of environmental and social procedures with the aim to identify, manage, and monitor related environmental and social risks and impacts associated with the proposed investment activities. In order for each project to qualify, the ESCO must ensure that a basic set of eligibility criteria are met. The project must fall into any of the following categories: (a) Renewable Energy Projects with an installed capacity of less than 5 MW and excluding hydro projects; (b) Co-generation and tri-generation projects (using natural gas or biomass) with an installed capacity of less than 5 MW; and (c) Energy efficiency projects. Projects must generate energy savings of at least 15% as supported by an energy efficiency audit; and be located in Colombia. Category A projects are excluded. The project will follow the Green Bond Principles.

For this operation, the Bank will require the ESCOs as part of the Loan Agreement to: (i) Comply with all applicable Colombian environmental, social, health and safety (ESHS), and labor regulatory requirements, and in relation to the financing of projects to ensure that each loan complies with: (a) in-country ESHS and labor regulations; (b) the IDB Group's List of Excluded Activities for Non-Sovereign-Guaranteed (NSG) operations; and (c) the ESCOs' Environmental and Social Management System or Procedures. The ESCOs should also ensure that the agreed eligibility standards are followed. The ESCOs should also develop and/or present a set of internal guidelines and procedures to ensure effective waste management of old technology and equipment. This will include: (i) procedures for recycling, re-use, and discard of wastes; and (ii) special procedures for the disposal of hazardous wastes in accordance with local law. The ESCOs will present an Annual Environmental and Social Compliance Report (ESCR) with information on the project portfolio, and with information on any particular risk issues identified with respect to projects and mitigation or corrective measures agreed with clients and/or taken by the ESCOs.