



KazRef II - Zhanatas Wind Farm

Location:	Kazakhstan
Project number:	50569
Business sector:	Energy
Notice type:	Private
Environmental category:	B
Approval date:	21 Jul 2020
Status:	Disbursing
PSD disclosed:	04 Aug 2020

As permitted by paragraph 2.6 of Section III of the Access to Information Policy, disclosure of this PSD was deferred in accordance with paragraph 1.4.4 of the Directive on Access to Information.

Project Description

The provision of a senior loan of up to KZT 10,847 million (US\$ 25.28 million equivalent) to Zhanatas Wind-Power Station LLP for the construction and operation of a 100 MW wind farm, including 8.6 km 110kV single circuit line connecting to the existing Opornaya substation, in the Zhambyl region of south Kazakhstan.

Project Objectives

The Project will be one of the first transactions under the Bank's Kazakhstan Renewables Framework Programme Phase II (Framework) which will continue to focus on policy dialogue activities with the Government to improve the regulatory and legislative environment for renewables generation and include initiatives to promote access to employment and entrepreneurship opportunities for women in the sector.

Transition Impact

ETI score: 70

The Project will target the "Green" and "Inclusive" transition qualities. By adding 100 MW of wind generation capacity to Kazakhstan's electricity sector, the Project will deliver climate mitigation benefits through increasing the share of renewable energy generation in the system. The Bank will work with the Client to support women's access to economic opportunities in the renewable energy sector in Kazakhstan, including through access to high quality technical skills training and policy dialogue to develop gender-sensitive vocational guidance.

Client Information

ZHANATAS WIND-POWER STATION LLP

Zhanatas Wind-Power Station LLP, a special purpose entity incorporated in the Republic of Kazakhstan to implement the Project, will act as a borrower. The borrower will be jointly owned by China Power International Holding Ltd. (80%) and Visor Investment Cooperatief U.A. (20%).

China Power International Holding Ltd. is a Chinese state-owned power utility 100% owned by the China State Power Investment Corporation which is one of the largest power utility conglomerates in the world with annual revenue of USD 34 billion (2019) and 73 GW of renewables projects installed. Visor Investment Cooperatief U.A. is a private investment holding firm founded by a group of Kazakh investment bankers.

EBRD Finance Summary

USD 25,283,428.00

A senior loan of up to KZT 10,847 million (US\$ 25.28 million equivalent) in favour of Zhanatas Wind-Power Station LLP. The Bank's loan will be accompanied by a facility from the Green Climate Fund ("GCF") in the amount of up to US\$ 22.86 million. The Project will be co-financed with the Asian Infrastructure Investment Bank ("AIIB") and Industrial & Commercial Bank of China (Almaty) JSC ("ICBC") in the amounts of up to US\$ 34.29 million and KZT 5,841 million (US\$ 13.61 million equivalent) respectively.

Total Project Cost

USD 140,148,400.00

Additionality

EBRD offers a long-term local currency loan with a tenor, which is above the market average and is necessary to structure the project in the face of regulatory, institutional, and macroeconomic uncertainties which include the current Covid-19 and FX volatility. Kazakhstan declared state of emergency on 15 March 2020, following the lockdown of Nur-Sultan and Almaty on 19 March 2020 and other cities including Karaganda on 30 March 2020, affecting both individuals and businesses (state of emergency has since been lifted while lockdowns are still selectively applied). The lockdown was re-introduced on July 5 after the number of cases rapidly surged. The impact of COVID-19 is exacerbated by the drop in global oil prices and Kazakhstan's economy under significant stress. The GDP is projected to contract by 3%. The Covid-19 crisis might negatively impact not the country's renewables sector which is still at its nascent stage of development (less than 3% of generation).

The institutional uncertainty is also associated with the recently introduced auction scheme, which needs to deliver a critical mass of successful projects to support investor confidence and ensure strong participation in the following tenders in the new post COVID reality. This showcase would be important as the Government recently announced its plans for November 2020 renewables auctions as the implementation of some auctioned projects got delayed. The proposed operation will therefore send a strong signal to other developers and investors that the Kazakh renewable energy sector remains open for business in the post COVID environment.

Environmental and Social Summary

Category B (ESP 2014). Environmental and social risks associated with the development of the medium sized wind farm are mainly driven by site location and possible impact on migratory birds and local communities resulting from land acquisition process. An ESDD using an independent consultant has been undertaken jointly with the AIIB.

The ESDD confirmed that the Project is not located in a sensitive area in terms of both biodiversity and human receptors. It is away from residential areas as well as any major bird migratory routes or protected areas. The Project is structured to comply with the EBRD Performance Requirements and National and EU environmental legislation.

Overall, the area is of low agricultural value and wind turbines are located along a ridge, which is circa 20 km from a known avian migratory corridor to the north along the Kyzylkol, Sorkol, Akkol lake system that is visited by over 75 species of waterfowl. Independent studies confirmed that impacts of the Project on avian

fauna will be minimal due to its location, which is largely unsuitable for nesting and rarely crossed by migratory birds, and the low altitude flight patterns below the 30m to 150m risk zone of the blades' span of the species observed at site.

The Project, inclusive of associated power line will not be associated with any physical displacement and additional monitoring will be undertaken during operation to verify disturbance impacts and effectiveness of mitigations. The due diligence confirmed that the Project has been subject to appropriate local agreements and included in the local development plans. The Company has commissioned a Land Acquisition Audit and committed to implement appropriate compensation for a number of informal users, who have each lost access to a small area of pasture land due to the Project, which are included in the Environmental and Social Action Plan (ESAP).

An archaeological survey identified 33 burial mounds, 22 of which are between 20 meters and 120 meters from the turbines. All 33 mounds were included in the list of the cultural heritage, and excavation of cultural materials at the 22 mounds nearest to facilities was completed by a licensed archaeologist. The Company will undertake additional archaeological surveys to cover areas which were not included in the original survey (including the construction of the power line corridors, internal substation and storage areas) and a Chance Find Procedure was prepared to address any further archaeological discovery during construction activities.

Overall, construction risks such as earthworks, excavations, work in height, heat exertion, and electrical hazards during operation have been assessed in the local EIA and the management measures defined in the ESMP. The influx of workers will be minimal, and they will in their vast majority be housed in the nearby Zhanatas town. Stakeholder consultation took place during the local EIA preparation and confirmed support for the Project and limited concern about its impacts.

The Project will be associated with Greenhouse Gas emissions avoidance from the renewable energy generation at circa 261,699 tonnes CO₂e equivalent per year.

ESDD further identified additional measures to be implemented as part of best practice and which have been included in an agreed Environmental and Social Action Plan (ESAP). These comprise, inter alia, additional monitoring and the appointment of an independent expert to monitor and re-evaluate any bird and bat impacts. As part of the ESAP, the Company has also committed to develop and implement Corporate Social Responsibility (CSR) programme to plan and carry out impact investments in the local communities.

The Company has disclosed a Non-Technical Summary and its SEP in English and Russian and the Project's environmental and social assessment in English on its website, accessible at: www.cpihzhanatas.kz and will be required to disclose Russian versions on the website and locally. The Bank will monitor the implementation of the Project through review of annual monitoring reports and visit as required.

Technical Cooperation and Grant Financing

Technical due diligence update will be co-financed by the Clean Technology Fund.

Company Contact Information

Podoinikova Xeniya, Chief Accountant


xenia75@mail.ru

+7-771-993-1540


PSD last updated

15 Oct 2020

Related material

➤ [Translation: KazRef II - Zhanatas Wind Farm \(Kazakh\) \(//www.ebrd.com/work-with-us/projects/psd-translation/50569/1395295894178/KazRef_II_-_Zhanatas_Wind_Farm_\(Kazakh\).pdf?blobnocache=true\)](https://www.ebrd.com/work-with-us/projects/psd-translation/50569/1395295894178/KazRef_II_-_Zhanatas_Wind_Farm_(Kazakh).pdf?blobnocache=true) 

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➤ [Translation: KazRef II - Zhanatas Wind Farm \(Russian\) \(//www.ebrd.com/work-with-us/projects/psd-translation/50569/1395292350043/KazRef_II_-_Zhanatas_Wind_Farm_\(Russian\).pdf?blobnocache=true\)](https://www.ebrd.com/work-with-us/projects/psd-translation/50569/1395292350043/KazRef_II_-_Zhanatas_Wind_Farm_(Russian).pdf?blobnocache=true) 

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Understanding Transition

Further information regarding the EBRD's approach to measuring transition impact is available here (<https://www.ebrd.com/what-we-do/economic-research-and-data/transition-impact.html>).

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 (<mailto:projectenquiries@ebrd.com>)

For state-sector projects, visit EBRD Procurement (<http://www.ebrd.com/pages/workingwithus/procurement.shtml>):

Tel: +44 20 7338 6794

Email: procurement@ebrd.com (<mailto:procurement@ebrd.com>)

General enquiries

Specific enquiries can be made using the EBRD Enquiries form (<https://www.ebrd.com/eform/information-request>).

Environmental and Social Policy (ESP)

The ESP (<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>) 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 (<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>).

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

(mailto: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 (<https://www.ebrd.com/what-we-do/strategies-and-policies/public-information-policy.html>) page to find out what information is available from the EBRD website.

Specific requests for information can be made using the EBRD Enquiries form (<https://www.ebrd.com/eform/information-request>).

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 (<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>) or Project-specific provisions of its Access to Information Policy (<https://www.ebrd.com/what-we-do/strategies-and-policies/access-to-information-policy.html>); 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 (<https://www.ebrd.com/project-finance/independent-project-accountability-mechanism.html>) to find out more about IPAM and its mandate; how to submit a Request (https://www.ebrd.com/eform/IPAM/Request_form) for review; or contact IPAM via email ipam@ebrd.com (mailto:ipam@ebrd.com) to get guidance and more information on IPAM and how to submit a request.

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