



CERTIFICATION AND FINANCING PROPOSAL

DELARO WIND ENERGY PROJECT IN REYNOSA, TAMAULIPAS

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EXECUTIVE SUMMARY

DELARO WIND ENERGY PROJECT IN REYNOSA, TAMAULIPAS

Project:	The proposed project consists of the design, construction and operation of a 117-megawatt (MW) wind farm located in Reynosa, Tamaulipas (the “Project”). The electricity generated by the Project will be purchased by a group of commercial and industrial consumers pursuant to several long-term power purchase agreements (PPA).
Objective:	The Project will increase installed capacity of renewable energy resources, which will help reduce future demand on traditional fossil fuel-based energy production and thus help prevent the emission of greenhouse gases and other pollutants from power generation using fossil fuels.
Expected Outcomes:	<p>The estimated environmental and human health outcomes resulting from the installation of 117 MW of new renewable energy generation capacity are:</p> <ul style="list-style-type: none">a) Generation of approximately 480.0 gigawatt-hours (GWh) of electricity during the first year of operation.¹b) Reduction of approximately 197,006 metric tons/year of carbon dioxide (CO₂), 658 metric tons/year of nitrogen oxides (NO_x), 619 metric tons/year of sulfur dioxide (SO₂) and 29 metric tons/year of PM₁₀.²
Sponsor:	Thermion Energy, S.A. de C.V.
Borrower:	Delaro S. de R.L. de C.V.
NADB Loan Amount:	Up to US\$50.0 million.

¹ Source: Information provided by the Sponsor based on the expected P50 electricity production.

² CO₂, NO_x, SO₂ and PM₁₀ calculations are based on the potential emissions avoided as a result of reducing future demand on fossil fuel-based electricity through the use of wind energy equivalent to 480.0 GWh/year and the emission factors for the state of Tamaulipas. The emission factors are calculated by NADB based on the power generation portfolio of the state of Tamaulipas and on the factors reported per technology in the Mexican National Power System Development Program (PRODESEN) 2018. The resulting emission factors are: 0.41043 metric tons/megawatt-hour (MWh) for CO₂; 0.00137 metric tons/MWh for NO_x, 0.00129 metric tons/MWh for SO₂ and 0.00007 metric tons/MWh for PM₁₀.

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1. PROJECT OBJECTIVE AND EXPECTED OUTCOMES

The proposed project consists of the design, construction and operation of a 117-megawatt (MW) wind farm located in Reynosa, Tamaulipas (the "Project"). The electricity produced by the Project will be purchased by a group of commercial and industrial consumers pursuant to several long-term power purchase agreements. The purpose of the project is to increase the installed capacity of renewable energy which will help reduce future demand on traditional fossil fuel-based energy production and thus help prevent the emission of greenhouse gases and other pollutants from power generation using fossil fuels. The Project is expected to generate approximately 480.0 gigawatt-hours (GWh) of electricity in the first year of operation. As a result, it will help prevent the emission of an estimated 197,006 metric tons/year of carbon dioxide (CO₂), 658 metric tons/year of nitrogen oxides (NO_x), 619 metric tons/year of sulfur dioxide (SO₂) and 29 metric tons/year of PM₁₀.

2. ELIGIBILITY

2.1. Project Type

The Project falls into the category of clean and efficient energy.

2.2. Project Location

The Project will be implemented in northern region in the state of Tamaulipas. The site of the wind farm will be located in the municipality of Reynosa, approximately 25 miles southwest of the urban area of the city of Reynosa and approximately 28 miles southwest of the U.S. border at the following coordinates: latitude: 25°45'36.10"N and longitude: 98°32'59.37"W. Figure 1 illustrates the geographical location of the wind farm facilities.

Figure 1
PROJECT LOCATION MAP



2.3. Project Sponsor and Legal Authority

The Private-sector project sponsor is Thermion Energy, S.A. de C.V. (Thermion or the “Sponsor”), which will use a special-purpose vehicle, Delaro, S. de R.L. de C.V. (the “Project Company” or “Borrower”) to implement the Project and contract the financing. The Project company is a Mexican-based company established in May 2011.

The generation permit for the proposed Project was grandfathered under the new Power Industry Law enacted in Mexico in 2014,³ as the Sponsor requested and obtained the permit prior to the deadline established in the law for grandfathering projects and notified the Mexican Energy Regulatory Commission (CRE) of its intention to continue with the Project in compliance with the established requirements. An updated power generation permit for the Project was issued by CRE in December 2017.⁴

³ According to the provisions for grandfathering projects, interested parties may establish a grandfathered interconnection contract for a term of up to 20 years when the generation permit was assigned transmission capacity through an open application period organized by CRE prior to entry into force of the Power Industry Law and is in compliance with the required fees and guaranties.

⁴ Project developers are required to update power generation permits if the facility has not started operations by the date anticipated and/or the capacity has increased.

3. CERTIFICATION CRITERIA

3.1. Technical Criteria

3.1.1. General Community Profile

The Project will generate clean energy that will be consumed in and around the municipality of Reynosa. The electricity generated will be equivalent to the annual consumption of approximately 65,182 households.⁵ The municipality will also benefit from the creation of employment opportunities and additional income during the construction and operation of the Project. The Project is expected to generate approximately 200 jobs during construction and up to 15 jobs during operation.

According to the 2015 Mexican intercensal survey, the population of Tamaulipas was 3,441,698, which represents 2.9% of the total population of Mexico. Between the years 2010 and 2015, the population of Tamaulipas grew at an average annual rate of 1.0%.⁶ The state of Tamaulipas accounted for 3.0% of the gross domestic product (GDP) in 2016.⁷ According to the 2014 Economic Census, the main activities contributing to the total gross production of the state are: manufacturing (48.2%), mining (8.8%), commerce (6.1%), financial services (6.0%) and other sectors (30.9%).⁸

According to the Mexican 2015 intercensal survey, the population of the municipality of Reynosa was 646,202, which represented 18.7% of the state of Tamaulipas.⁹ According to 2014 Economic Census, the main activities contributing to the total gross production of the municipality are: manufacturing (51.0%), mining (28.4%), retail trade (4.7%) and other sectors (15.9%).¹⁰

Local Energy Profile

In 2014, the legal framework that governs Mexico's National Power System (SEN) underwent a major reform aimed at facilitating investments to consolidate the diversification efforts, improve infrastructure and meet the growing demand for electricity. Under the new Power Industry Law, the federal government retained control of planning activities and the transmission and distribution infrastructure through CENACE, a decentralized federal agency created by the government to operate the SEN. It is now operating the national grid with more than 936,967 kilometers (582,328 miles) of transmission and distribution lines previously operated by the Mexican Federal Electricity Commission (CFE).¹¹ Under the reform, CFE became a federally-owned for-profit enterprise. CRE, which was created to regulate activities related to private investment

⁵ The estimation is based on 2,103.995 kilowatt-hours of electricity consumption per capita in 2017 according to the Mexican Energy Information System (<http://sie.energia.gob.mx/>) and 3.5 persons per household in the state of Tamaulipas in 2015, as indicated by Mexican national institute of statistics, INEGI.

⁶ Source: INEGI, 2015 Intercensal Survey (<http://www.beta.inegi.org.mx/temas/estructura/>)

⁷ Source: INEGI, *México en cifras* (Mexico by the Numbers),

<http://cuentame.inegi.org.mx/monografias/informacion/tam/economia/pib.aspx?tema=me&e=28>.

⁸ Source: INEGI, 2014 Economic Census (<http://www.beta.inegi.org.mx/app/saic/>).

⁹ Source: INEGI, 2015 Intercensal Survey (<http://www.beta.inegi.org.mx/temas/estructura/>).

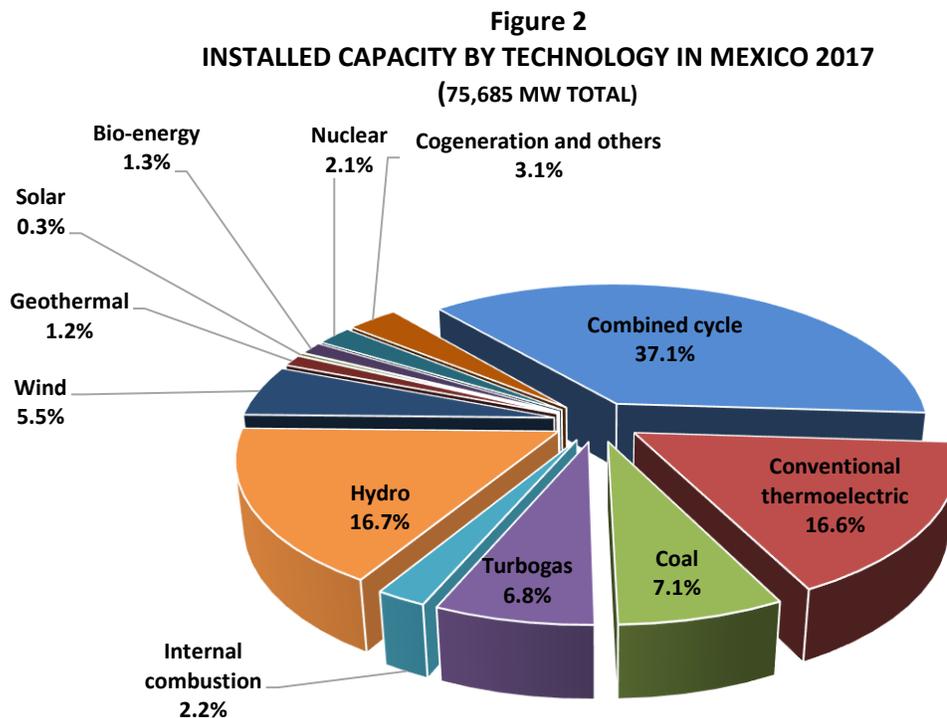
¹⁰ Source: INEGI, 2014 Economic Census (<http://www.beta.inegi.org.mx/app/saic/>).

¹¹ Source: SENER, 2018-2032 National Power System Development Program (PRODESEN).

in the power and natural gas sector, continues to be responsible for issuing permits to private entities for power generation and the transportation of natural gas.

In 2015, Mexico enacted the Energy Transition Law to regulate the sustainable use of energy and the obligations regarding clean energy and the reduction of pollution from the power industry, while preserving the competitiveness of the productive sectors. In line with this new law, the General Law of Climate Change was amended in 2015. Both laws specify, among other provisions, that the Mexican Ministry of Energy (SENER), in coordination with CFE and CRE, must increase the use of clean technologies in power generation to at least 35% by 2024.

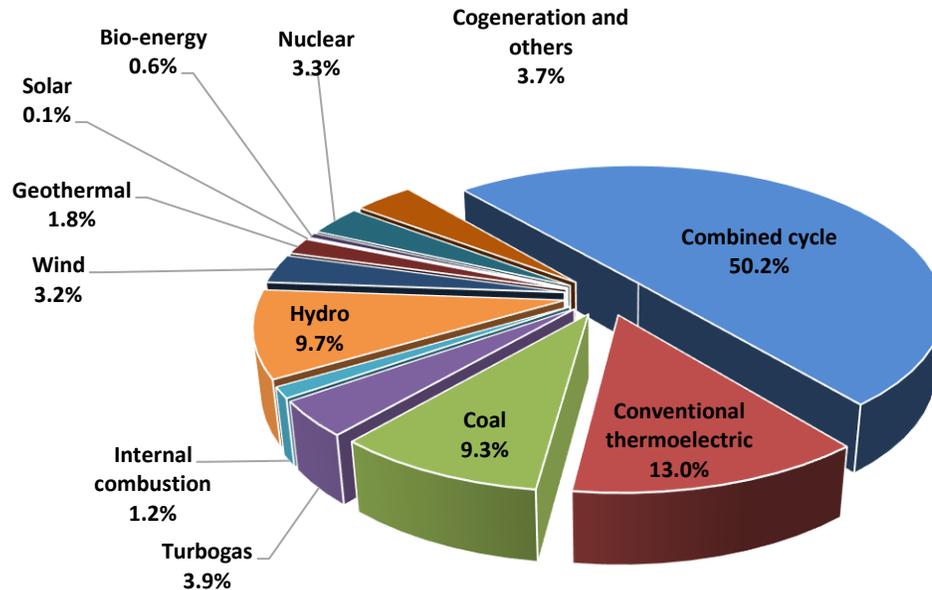
Since 1994, Mexico has undertaken efforts to increase the use of non-fossil fuel technologies in power generation. Its energy portfolio currently includes combined-cycle, thermoelectric, geothermal, hydroelectric, coal-fired, solar photovoltaic, wind, turbogas, internal combustion, cogeneration and nuclear power plants. As reported in the 2018-2032 National Power System Development Program (PRODESEN), in 2017, there was 75,685 MW of installed capacity available to CFE for public electric service, which represents an increase of 3.0% compared to 2016 (73,510 MW). Figure 2 shows the breakdown of installed capacity by technology.



Source: SENER, PRODESEN, 2018-2032

During 2017, the National Power System in Mexico generated 329,162 GWh of electricity from all energy sources, which represents an increase of 3.1% compared to the electricity produced in 2016 (319,364 GWh). Figure 3 shows the participation of each technology to the power generation in Mexico.

Figure 3
NATIONAL POWER GENERATION BY TECHNOLOGY, 2017
(319,364 GWh TOTAL)



Source: SENER, PRODESEN, 2018-2032

For planning purposes, the Mexican power grid is divided into nine control zones, seven of which are interconnected and form the National Interconnected System (SIN). The remaining two zones are independent supply networks serving the areas of Baja California and Baja California Sur. The Project will be located in the Northeast Zone (NEZ), which includes the states of Tamaulipas, Nuevo León, a portion of San Luis Potosí and Coahuila as illustrated in Figure 4.

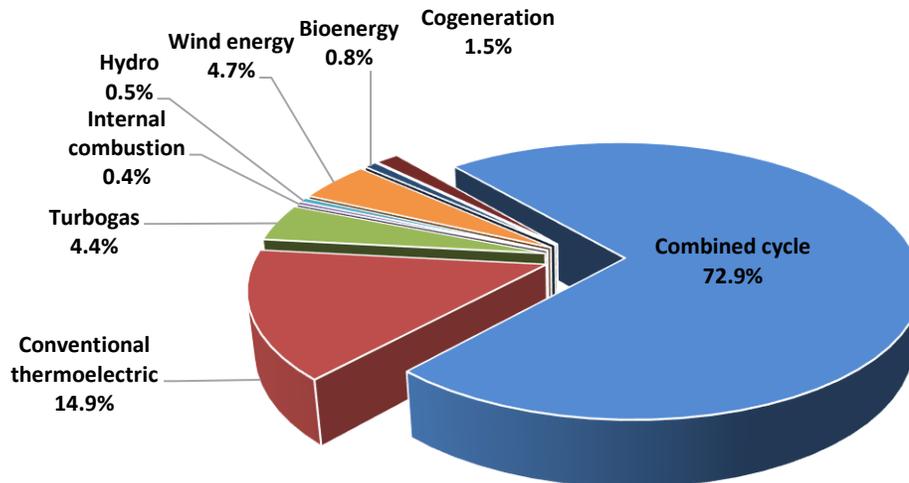
Figure 4
MEXICAN ELECTRIC SYSTEM ZONES



Source: SENER, PRODESEN, 2018-2032.

According to SENER, the installed capacity in Tamaulipas was 6,458 MW and generated 35,727 GWh of electricity in 2017. Figure 5 shows the technologies used for electricity generation in the state.

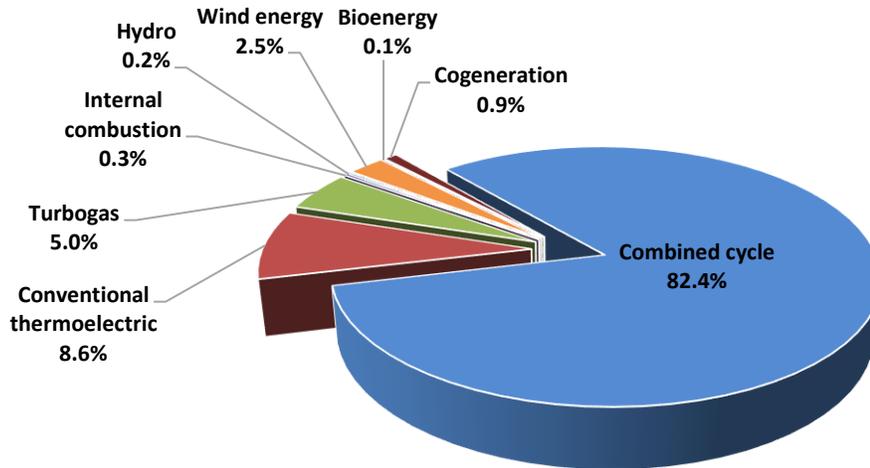
Figure 5
INSTALLED CAPACITY BY TECHNOLOGY IN TAMAULIPAS IN 2017
(6,458 MW TOTAL)



Source: Based on PRODESEN 2018-2032.

Figure 6 shows the breakdown of power generation by technology in the state of Tamaulipas for public service.

Figure 6
POWER GENERATION BY TECHNOLOGY IN TAMAULIPAS IN 2017
 (35,727 GWh TOTAL)



Source: Based on PRODESEN, 2018-2032.

The PRODESEN 2018-2032 includes an Expansion and Decommissioning Program, which entails a net addition of 5,565 MW of capacity to the existing system in Tamaulipas over the next 15 years to achieve a gross capacity of 11,012 MW by 2032.¹² The proposed Project will contribute to 1.06% towards achieving this goal.

At the state level, the 2016-2022 Tamaulipas Development Plan contains six objectives for supporting areas of strategic development in the state, including energy and environmental objectives to promote sustainable economic development. To meet its energy needs, the State has 11 power plants strategically located within its territory. In the renewable energy sector, the state has four wind farms with a combined capacity of 304 MW, located in the municipalities of Reynosa, Llera, Villa de Casas and Victoria.¹³ The proposed Project will increase installed capacity in Tamaulipas by nearly 2.0% and electricity generation by 1.3%.

3.1.2. Project Scope

The Project consists of the design, construction and operation of a 117 MW wind farm and includes the following components:

- Wind Turbines. The final design currently includes the installation of approximately 27 wind turbines to be mounted on steel towers, each with a nominal capacity of at least 4.2 MW. Wind turbine transformers will step up the voltage of the power generated to 34.5 kV.

¹² Source: SENER, PRODESEN 2018-2032.

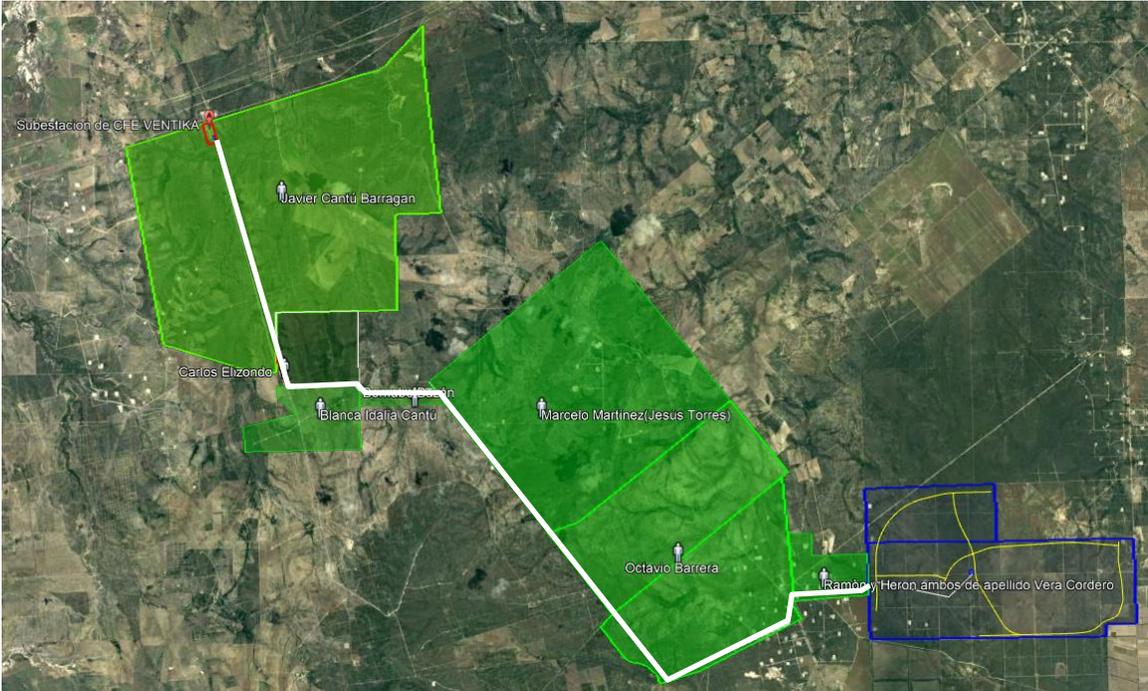
¹³ Source: Tamaulipas Development Plan 2016-2022.

- Foundations. They will be sized to withstand the stress produced by the forces acting on the towers.
- Electrical substation and transmission line. One 34.5 kV/230 kV substation will be constructed to collect energy through overhead cables. The collector substation will step up the energy to 230 kV and will be conveyed approximately 36 km (22 miles) through a 230-kV overhead transmission line (to be built as part of the Project) to the existing Ventika Maniobras CFE substation.
- Monitoring and Control System. Through the SCADA system the operation of each turbine, as well as the Project as a whole, can be controlled and monitored from a central computer or a remote PC. In case of problems, the SCADA system will alert the operations staff. The control system will always be in operation to ensure that the machines are running in an efficient and safe manner.
- Roads. A network of access roads will be constructed to allow for the delivery and installation of the components, machinery, equipment and materials required for construction of the wind turbines, substation and transmission line, as well as for operation and maintenance of the facilities.
- Operation and Maintenance (O&M) Facilities. A permanent O&M facility will be built with administrative space, as well as for the maintenance and storage of equipment during construction and operation.

Figures 7 and 8 show a preliminary Project layout, as well as the wind turbines distribution respectively.

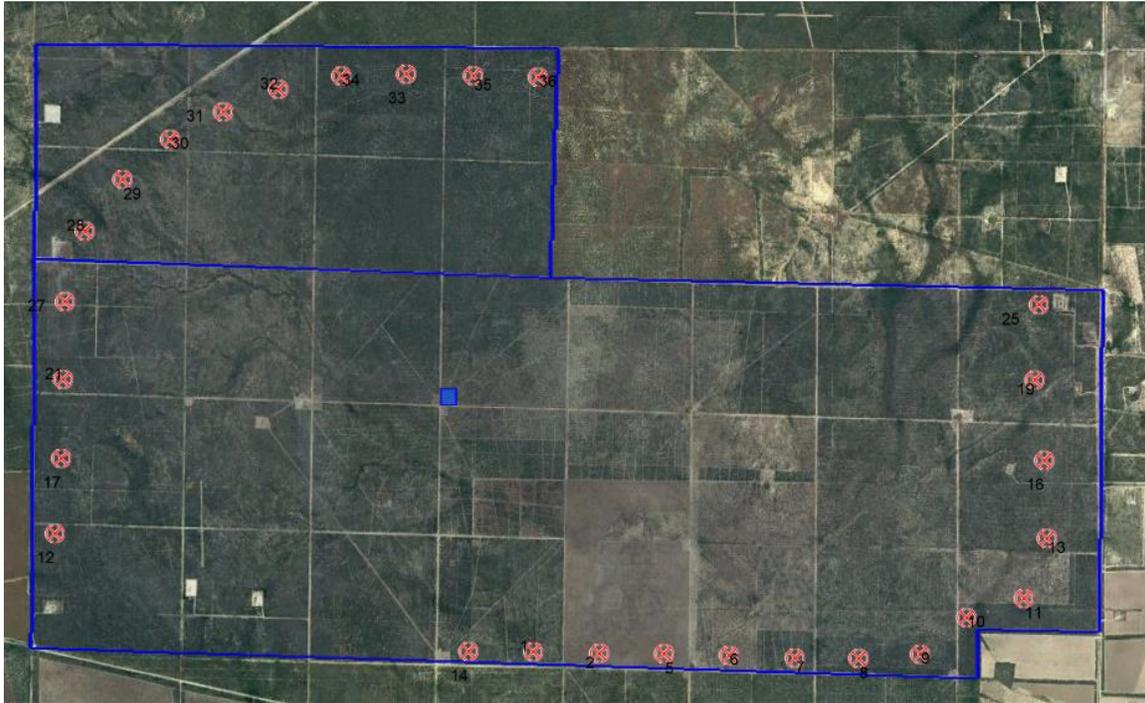
Figure 7

PROJECT LAYOUT



The area marked in blue represents the site where the wind farm will be developed. The green areas represent the lands for which the Rights-of-Way were obtained for the installation of the transmission line and interconnection of the wind farm. The white line represents the transmission line of the Project.

Figure 8
WIND FARM LAYOUT



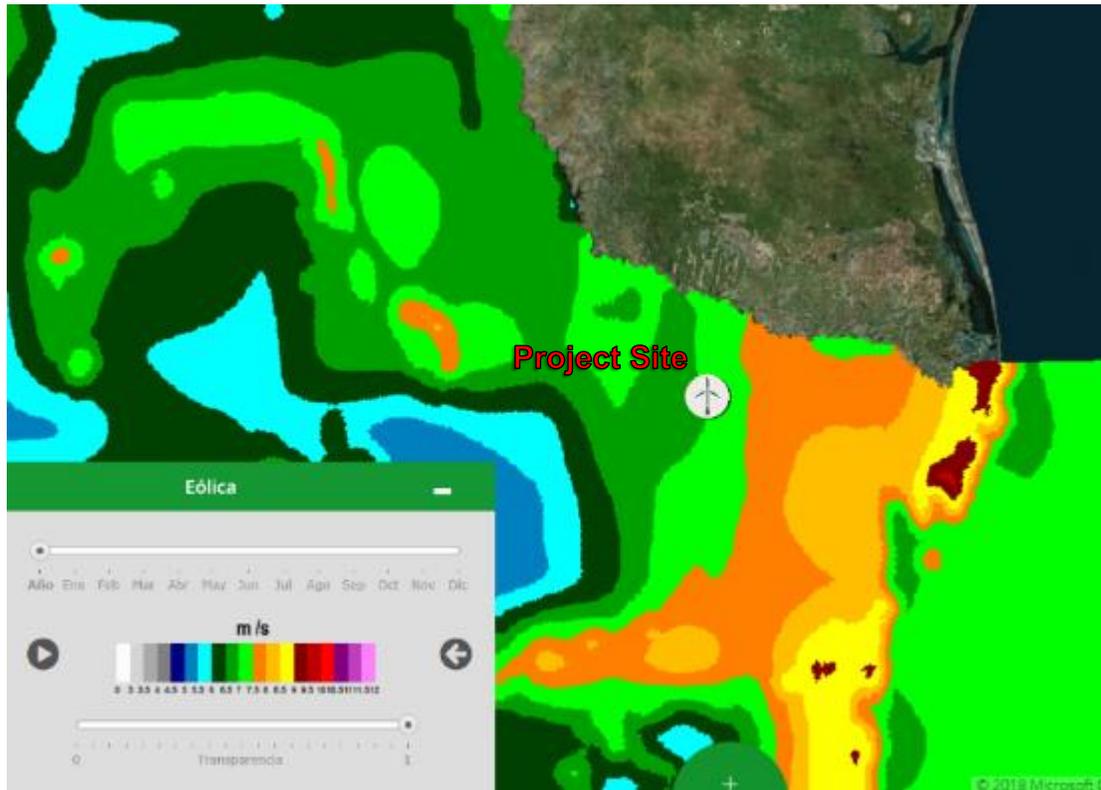
3.1.3 Technical Feasibility

Current technologies allow for more efficient and reliable power generation, as well as greater production at average wind speeds, in part due to an increase in blade size and improved blade designs. The Sponsor has selected a top tier turbine supplier having determined that its equipment is one of the best suited to the characteristics of the Project site and will obtain the best performance (long-term energy output) based on the wind resource with the lower cost of energy. The technology was also evaluated based on such elements as cost-effectiveness, contract terms, warranties and delivery times.

Wind Resource Assessment

The Project is located in the state of Tamaulipas. According to SENER, average annual wind speed in the state ranges from 6.5 to 7.5 meters/second (see Figure 9).¹⁴

Figure 9
WIND RESOURCE POTENTIAL



Source: SENER. National Clean Energy Inventory

To assess the wind resources available in the Project area, two meteorological towers were installed at the Project site between October 2015 and March 2018 to collect data, such as wind speed, wind direction and temperature at different altitudes. Data from the first tower has been validated and incorporated into a wind resource analysis. A second tower was installed in March 2018 to gather more information of the wind resource. Based on the preliminary results, it is estimated that the Project will produce an average of 480.0 GWh/year of electricity at P50 generation. The analysis results and wind measurements will be vetted for accuracy and related risks by an independent engineer prior to financial closing.

3.1.4. Land Acquisition and Right-of-Way Requirements

The Project will be developed on 3,313 hectares (8,186 acres) of privately-owned land, which has been secured through a lease agreement for the wind farm and step-up substation. The land of

¹⁴ Source: SENER, National Renewable Energy Inventory, <https://dgel.energia.gob.mx/inel/mapa.html?lang=es> .

the wind farm and transmission line has agro-grazing and livestock uses. Federal authorization to change the land use for the wind farm and transmission line is required from the Ministry of Environment and Natural Resources (SEMARNAT). Of the 3,313 hectares for the wind farm, approximately 55.7 hectares (140 acres) are classified as undisturbed. The transmission line and access roads will occupy approximately 72.6 hectares (180 acres) of land classified as undisturbed. In this case, the environmental regulations establish that a fee must be paid to Mexican Forest Fund as part of the authorization process. The Unified Technical Document (Documento Técnico Unificado)¹⁵ necessary for the land use change requires the Sponsor to submit Project information as close as possible to a final design. In December 2018, the Sponsor submitted a land use change formal request to SEMARNAT for the wind farm. The authorization is in process and is expected to be obtained in June 2019. Additionally, the Sponsor submitted to SEMARNAT a formal request for land use change for the transmission line in May 2019. The authorization for land use change for the transmission line is expected to be obtained by July 2019.

Rights-of-Way for the wind farm have been secured through lease agreements. Additionally, the right-of-way for the transmission line and access roads was secured and contracted on April 2019.

Authorization from the Mexican Ministry of Communications and Transportation (SCT) to install wind turbines was obtained on January 18, 2019.

A construction permit from the Municipality of Reynosa will be obtained prior to initiating construction.

3.1.5. Project Milestones

Construction of the Project is scheduled to start in September 2019, and the Commercial Operation Date (COD) will be no later than June 2021. Table 2 presents the status of key milestones for the Project implementation.

¹⁵ The Documento Técnico Unificado (DTU) process consist of submitting in one single document to SEMARNAT the Environmental Impact Assessment (MIA) and the Technical Justification Study (ETJ) to be obtained the land use change.

**Table 2
PROJECT MILESTONES**

Permits	Status
Land acquisition and/or lease agreements for the wind farm	Completed (June 2015)
Land acquisition and/or lease agreements for the transmission Line	Completed (April 2019)
CRE authorizations for energy generation	Completed (December 2017)
CENACE legacy interconnection agreement	Completed (November 2018)
Archeological clearance for the wind farm by the National Institute of Anthropology and History (INAH)	In Progress (expected June 2019)
Archeological clearance for the transmission line by INAH	In Progress (expected June 2019)
SEMARNAT environmental authorization and land use of change (DTU resolution) for the wind farm	In Progress (expected June 2019)
SEMARNAT environmental authorization and land use of change (DTU resolution) for the transmission line and interconnection.	In Progress (expected July 2019)
Authorization to install wind turbines issued by the Ministry of Communication and Transportation (SCT)	Completed (January 2019)

NADB's procurement policies require that private-sector borrowers use appropriate procurement methods to ensure a sound selection of goods, works and services at fair market prices and that their capital investments are made in a cost-effective manner. As part of its due-diligence process, NADB will review compliance with this policy.

3.1.6. Management and Operation

Thermion has an energy portfolio and development pipeline of 810 MW in Mexico, consisting of wind and solar facilities, which includes 510 MW in six wind farms located in Tamaulipas, including this Project. As a subsidiary of Thermion, Thermion Energy Services, with an office in Mexico City, will be the asset manager for the Project and will be responsible for overseeing and managing the O&M service provider.

The Sponsor completed negotiations and is in the process of signing a long-term O&M agreement (5+5+5 years) with the wind turbine manufacturer, and will include industry standard O&M tasks, remote monitoring, reporting and recordkeeping. The proposed Project will be designed to operate with minimal human intervention. Operation and maintenance tasks will be performed to optimize the operating times of the turbines, reduce repair costs and extend the life of the equipment.

3.2. Environmental Criteria

3.2.1. Environmental and Health Effects/Impacts

A. Existing Conditions

Historically, Mexico has depended to a great extent on fossil fuels for the generation of energy. This conventional method of energy generation can affect the natural environment due to harmful emissions related to the generation process, including greenhouse gases (GHG) and other pollutants, such as sulfur dioxide (SO₂) and nitrogen oxides (NO_x). Consequently, there is a need for affordable and environmentally beneficial alternatives to conventional hydrocarbon-based energy sources.

According to the Tamaulipas' 2015-2030 Climate Change Plan, the trend in GHG emissions in Tamaulipas is on the rise. In 2010, the statewide GHG emissions totaled 36.91 million metric tons of carbon dioxide (CO₂e), which represented 4.93% of national emissions. In 2013, statewide GHG emissions had increased to 38.79 million metric tons of CO₂e, which represented 4.96% of the national emissions. During 2013, the power industry emitted 16.85 million metric tons of CO₂e, which accounted for 43.4% of the state emissions.¹⁶

B. Project Impacts

Renewable energy projects create an opportunity to generate electricity by using sources that do not produce the harmful emissions caused by fossil-fuel-based plants. Wind is a renewable energy source, which means that it can be used continuously without depleting natural resources. It is a clean form of renewable energy as it does not produce waste byproducts that require disposal, nor gas emissions that contribute to air pollution, and therefore, provides an opportunity to displace greenhouse gases (GHG) and other pollutants produced by traditional hydrocarbon-based energy generation, while providing local residents with a safe and reliable energy alternative. Wind energy is currently used in many developed and developing nations to meet their demand for electricity. Moreover, in the case of this Project, water will not be used for cooling during operations.

The Project will reduce the demand for electricity generated by fossil fuel-based power plants, and since wind-based power generation implies zero emissions, it will displace related harmful emissions. The anticipated environmental outcomes from the installation of 117 MW of new renewable energy generation capacity (or approximately 480.0 GWh), include a displacement of an estimated 197,006 metric tons/year of carbon dioxide (CO₂), 658 metric tons/year of nitrogen oxides (NO_x), 619 metric tons/year of sulfur dioxide (SO₂) and 29 metric tons/year of PM₁₀.¹⁷

¹⁶ Source: Tamaulipas' 2015-2030 Climate Change Plan

<https://www.tamaulipas.gob.mx/seduma/wp-content/uploads/sites/8/2017/03/programa-estatal-de-cambio-climtico-tamaulipas-2015-2030.-publicado-en-el-poe-anexo-al-111-de-fecha-15-de-septiembre-de-2016.pdf>

¹⁷ CO₂, NO_x, SO₂ and PM₁₀ calculations are based on the potential emissions avoided as a result of reducing future demand on fossil fuel-based electricity through the use of wind energy equivalent to 480.0 GWh/year and the emission factors for the state of Tamaulipas. The emission factors are calculated by NADB based on the power generation portfolio of the state of Tamaulipas and on the factors reported per technology in the Mexican National Power System Development Program (PRODESEN) 2018. The resulting emission factors are: 0.41043 metric tons/megawatt-hour (MWh) for CO₂; 0.00137 metric tons/MWh for NO_x, 0.00129 metric tons/MWh for SO₂ and 0.00007 metric tons/MWh for PM₁₀.

Additionally, the Project will aid in addressing the larger environmental concerns related to greenhouse gases and global warming targeted by the state of Tamaulipas State agenda and will be consistent with Tamaulipas' 2015-2030 Climate Change Plan published on September 15, 2016.

C. Transboundary Impacts

No transboundary impacts are anticipated as a result of the development of the Project.

3.2.2. Compliance with Applicable Environmental Laws and Regulations

A. Environmental Clearance

In accordance with the environmental impact regulations established under the General Law of Ecological Equilibrium and Environmental Protection (LGEEPA), the Sponsor prepared and submitted the following environmental document:

- Documento Técnico Unificado (DTU) for the construction of a wind farm with a capacity of 117 MW, which was submitted to SEMARNAT on December 2018.
- Documento Técnico Unificado (DTU) for the construction of a transmission line and interconnection, which was submitted to SEMARNAT on May 2019.

The DTU for the wind farm identified, described and evaluated the potential environmental impacts associated with the Project-such as soil erosion, soil contamination, waste production, removal or loss vegetation, hydrology and impacts to wildlife-and included the proposed mitigation measures to prevent or minimize any negative effect or impacts. The Sponsor is expected to obtain the SEMARNAT DTU resolution in June 2019.

As part of the DTU for the wind farm, the Sponsor conducted a Bird Study from October 2017 to April 2018. The purpose of the study was to identify migratory birds designated as special status species, occurring within the Project site. A total of 22 bird species were detected, 2 of which are identified within a protected category in accordance with Mexican standard NOM-059-SEMARNAT-2010.¹⁸ Additional information about the mitigation measures and conditions included in the DTU are described in Section 3.2.2.B of this document.

A Bat Study was also initiated by the Sponsor in October 2017 and completed in April 2018. According to the monthly reports no bat species were detected. An insect and monarch butterfly study were included and conducted from October 2017 to April 2018. According to the monthly reports only in October 2018, 9 monarch butterflies were detected.

Additionally, the Sponsor prepared and submitted a DTU to SEMARNAT in May 2019. The DTU identifies, describes and evaluates the potential environmental impacts associated with the transmission line-such as soil erosion, soil contamination, removal or loss vegetation, hydrology, landscape modification and impacts to wildlife-and included the proposed mitigation measures

¹⁸ Federal Standard NOM-059-SEMARNAT-2010, which identifies and lists endangered species or clusters of wildlife in Mexico and establishes the criteria for inclusion, exclusion or change in risk status for different species, based on a method for assessing the risk of extinction.

to prevent or minimize any negative effect or impacts. The SEMARNAT DTU resolution is expected to be obtained by July 2019.

Finally, the sponsor submitted in August 2018 an Archeological Clearance to the National Institute of Anthropology and History (INAH) for the wind farm. The authorization is in process and is expected to be obtained in June 2019. An additional Archeological Clearance for the transmission line is in process to be submitted to INAH. The clearance is expected to be obtained by June 2019.

B. Mitigation Measures

Some environmental impacts are anticipated as a result of the implementation of the wind farm. The Sponsor has proposed mitigation measures that are intended to reduce, mitigate and control the environmental effects resulting from Project activities. To ensure that mitigation measures are implemented properly and in a timely manner, the Sponsor will also develop the Environmental Monitoring Program described in the wind farm DTU. The following mitigation measures included in the DTU for the wind farm will be implemented:

- Flora
 - A flora rescue and relocation plan will be implemented before construction works to identify and relocate flora species listed in Mexican Standard NOM-059-SEMARNAT-2010.¹⁹ The species will be relocated within the region in similar conditions to ensure their probabilities of adaptation and development.
- Fauna
 - A fauna rescue and relocation plan will be implemented to identify and relocate fauna species listed in Mexican Standard NOM-059-SEMARNAT-2010.²⁰ The species will be rescued and relocated within the region in similar conditions to ensure their probabilities of adaptation and development.
- Noise
 - The Sponsor will monitor noise levels in accordance Mexican Standard NOM-080-SEMARNAT-1994.²¹
 - Workers during construction shall be required to wear personal protective equipment to reduce the noise exposure.
- Air Quality

¹⁹ The Federal Standard NOM-059-SEMARNAT-2010, which identifies and lists endangered species or clusters of wildlife in Mexico and establishes the criteria for inclusion, exclusion or change in risk status for different species, based on a method for assessing the risk of extinction.

²⁰ Idem.

²¹ The Federal Standard NOM-080-SEMARNAT-1994, which establishes the maximum permissible noise levels of exhaust systems of motor vehicles, motorcycles and three-wheel motor vehicles, as well as noise measuring methods.

- All vehicles and machinery will be properly maintained and will receive regular tune-ups. Additionally, emissions levels will be verified according to the Mexican Standards NOM-041-SEMARNAT-2015²² and NOM-045-SEMARNAT-2017.²³
- Water resources
 - Water trucks and water stored in site will be used during the construction phase. During the operation phase there will be a water stored in site according to the operation staff.
 - Portable restrooms will be installed during construction phase. In operation phase, the wastewater will be collected in prefabricated septic tanks in compliance with Mexican Standard NOM-006-CONAGUA-1997.²⁴
- Soil and Solid Waste
 - Oils, fuels, and other pollutants will be placed in closed containers in a secured place during all stages of Project construction and operation, and their disposal shall be in accordance with Mexican Standard NOM-052-SEMARNAT-2005.²⁵
 - Procedures will be implemented for the separation, storage, collection and use or disposal of the different types of waste generated during different stages of the Project in accordance with applicable regulations.
 - Solid waste will be handled and transported to an authorized final disposal site in accordance with the General Law for Comprehensive Waste Management and Prevention and its regulations.

The DTU for the transmission line, includes similar mitigation measures. Based on the Sponsor information presented in the wind farm DTU and the transmission line layout the area has been previously impacted and is not located near of state or federal protected zones including AICA (Áreas de Importancia para la Conservación de las Aves) or RAMSAR (Humedales de Importancia Internacional).

The Sponsor will develop an Environmental Monitoring Program for the transmission line DTU. The following mitigation measures included in the DTU for the transmission line will be implemented:

- Flora

²² The Federal Standard NOM-041-SEMARNAT-2015, which establishes the maximum permissible levels of pollutants emitted by vehicles using gasoline as fuel.

²³ The Federal Standard NOM-045-SEMARNAT-2017, which establishes the maximum permissible levels of exhaust fume opacity from vehicles that use diesel, as well as test procedures and the technical characteristics of measuring equipment.

²⁴ The Federal Standard NOM-006-CONAGUA-1997, which establishes the specifications and test methods of pre-fabricated septic tanks for the preliminary treatment of domestic wastewater.

²⁵ The Federal Standard NOM-052-SEMARNAT-2005, which establishes the characteristics, identification procedures and classification of hazardous solid waste, as well as a list of such materials.

- A flora rescue and relocation plan will be implemented before construction works to identify and relocate flora species listed in Mexican Standard NOM-059-SEMARNAT-2010.²⁶
- Fauna
 - A fauna rescue and relocation plan will be implemented to identify and relocate fauna species listed in Mexican Standard NOM-059-SEMARNAT-2010.²⁷
- Air Quality
 - All vehicles and machinery will be properly maintained and will receive regular tune-ups. Additionally, emissions levels will be verified according to the Mexican Standards NOM-041-SEMARNAT-2015²⁸ and NOM-045-SEMARNAT-2017.²⁹
- Water resources
 - Portable restrooms will be installed during construction phase. In operation phase, the wastewater will be collected in prefabricated septic tanks in compliance with Mexican Standard NOM-006-CONAGUA-1997.³⁰
- Soil and water
 - Will be implemented a plan for soil erosion prevention and water management.
- Solid Waste
 - A training for the workers will be implemented to handled, storage, collection and use or disposal of the different types of waste generated.
 - Oils, fuels, and other pollutants will be placed in closed containers in a secured place during all stages of Project construction and operation, and their disposal shall be in accordance with Mexican Standard NOM-052-SEMARNAT-2005.³¹
- Conservation and replanting
 - A replanting vegetation plan will be applied in the operation phase for the areas impacted during in the construction phase.

C. Pending Environmental Tasks and Authorizations

The following environmental authorizations are pending to be obtained for the Project:

²⁶ The Federal Standard NOM-059-SEMARNAT-2010, which identifies and lists endangered species or clusters of wildlife in Mexico and establishes the criteria for inclusion, exclusion or change in risk status for different species, based on a method for assessing the risk of extinction.

²⁷ Idem.

²⁸ The Federal Standard NOM-041-SEMARNAT-2015, which establishes the maximum permissible levels of pollutants emitted by vehicles using gasoline as fuel.

²⁹ The Federal Standard NOM-045-SEMARNAT-2017, which establishes the maximum permissible levels of exhaust fume opacity from vehicles that use diesel, as well as test procedures and the technical characteristics of measuring equipment.

³⁰ The Federal Standard NOM-006-CONAGUA-1997, which establishes the specifications and test methods of pre-fabricated septic tanks for the preliminary treatment of domestic wastewater.

³¹ The Federal Standard NOM-052-SEMARNAT-2005, which establishes the characteristics, identification procedures and classification of hazardous solid waste, as well as a list of such materials.

- Environmental authorization and land use change (DTU resolution) from SEMARNAT for the 117MW wind farm, which is expected to be issued by June 2019.
- Environmental authorization and land use change (DTU resolution) from SEMARNAT for the transmission line, which is expected to be issued by July 2019.

3.3. Financial Criteria

The Project Sponsor has requested a loan from NADB to complete the financing of the Project. The proposed payment mechanism is consistent with the project structures normally used in the renewable energy industry. The source of payment will be the revenue generated by the Project from the sale of electricity to various commercial and industrial off-takers, as well as the wholesale energy market.

The revenue from the sale of electricity, as well as sales to the wholesale spot market is estimated to be sufficient to: a) cover scheduled O&M expenses, b) pay the debt service on the senior loans, c), fund the debt service reserve and d) comply with debt service coverage requirements.

NADB's preliminary analysis verified that Delaro S. de R.L. de C.V. has the legal authority to contract the financing and pledge its revenue for the payment of financial obligations. It also has the legal and financial capacity to operate and maintain the Project given the experience of its team, the structure of the Project and the expected stream of revenue. Additionally, Delaro S. de R.L. de C.V. is planning to outsource the O&M services to a firm with ample experience and expertise in the industry. NADB will verify that the projected O&M costs and system warranties are in accordance with industry standards.

Considering the Project's characteristics and based on preliminary the financial and risk analyses performed, the proposed Project is considered to be financially feasible and presents an acceptable level of risk. Therefore, NADB has begun processing the loan request for up to US\$50.0 million, which would be contracted by Delaro S. de R.L. de C.V., for the construction of the Project.

4. PUBLIC ACCESS TO INFORMATION

4.1 Public Consultation

NADB published the draft certification and financing proposal for a 30-day public comment period beginning on June 7, 2019. The following Project documentation is available upon request:

- DTU for the construction of the wind farm, submitted to SEMARNAT on December 2018.
- DTU for the construction of the transmission line, submitted to SEMARNAT on May 2019.

4.2 Outreach Activities

Thermion is working to ensure the project is aligned with international standards and best practices such as Performance Standards and Equator Principles. In line with this, the Sponsor identified the communities and towns in the area of influence of a project, as well as assessed the project impacts on the population. The Sponsor prepared mitigation actions and plans for managing the social aspects of the project, including a social management and investment, monitoring and evaluation, community involvement, social baseline, and stakeholder analysis. Although grandfathered projects are not required to provide a Social Impact Study, as a good business practice, the Sponsor performed similar actions through a consulting firm specialized in these methodologies.

Based on the assessment, the social impacts are minor, site-specific, and mainly related to the construction phase, such as the generation of solid waste and wastewater and occupational risks. They are largely preventable and/or reversible through mitigation measures and proper management. No forced land sales or involuntary resettlements were identified nor were any indigenous communities or groups identified near the Project site. The assessment also recommends continuing and bolstering communication with both the authorities and the community of Reynosa as Project implementation proceeds.

As part of the environmental authorization process, on December 2018, SEMARNAT published the request for environmental authorization of the Project in its weekly publication (*Gaceta Ecológica*), which provides information about the projects under evaluation.

NADB conducted a media search to identify potential public opinion about the Project. References to the Project were found on the websites listed below:

- Investing.com (junio 6, 2016) – “Genera Tamaulipas expectativas en sector energético.” (Tamaulipas generates expectations in the energy sector)
<https://mropolitico.mx/2016/06/06/genera-tamaulipas-expectativas-en-sector-energetico/>
- Investing.com (September 14, 2017) – “Mexicana Thermion invertirá 44.1 mdd en Delaro, Sol de Sonora.” (Mexicana Thermion will invest \$44.1 US million in Delaro, Sol de Sonora)
<https://mx.investing.com/news/world-news/mexicana-thermion-invertira-441-mdd-en-delaro-sol-de-sonora-137289>.
- La Jornada (March 26, 2018) – “Thermion Energy concreta tercer proyecto de energía eólica en México” (Thermion Energy obtain third wind energy Project in Mexico)
<https://www.jornada.com.mx/ultimas/2018/03/26/thermion-energy-concreta-tercer-proyecto-de-energia-eolica-en-mexico-5452.html>.
- Milenio (December 6, 2017) – “Thermion invertirá 2 mil mdd en energía” (Thermion will invest \$2,000 US million in energy)
<http://www.milenio.com/negocios/thermion-invertira-2-mil-mdd-energia>.

In summary, these publications highlight the scope of the Project. Opposition to the Project was not detected from the available media coverage. The Project Sponsor has followed all public

consultation requirements in order to comply with applicable environmental clearance and permitting processes.