

# CLIMATE INVESTMENT FUNDS

July 25, 2017

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**[APPROVE BY MAIL]: HONDURAS: GRID-CONNECTED RE DEVELOPMENT SUPPORT-  
TRANSMISSION (ADERC) (PHASE 1) (SREP)(IDB) -- XSREHN007A**

**INTER-AMERICAN DEVELOPMENT BANK RESPONSE TO COMMENTS FROM  
UNITED KINGDOM**

ANSWER 1: This Phase 1 of the ADERC project has been designed to become a supplementary financing of the existing IDB Operation HO-L1039 "Support for the Integration of Honduras into the Regional Electricity Market" because both projects share the same objectives: i) increase in the marketing of energy in the Regional Electricity Market and ii) increase the share of electricity from renewable sources. The intervention area of the original operation is the Western region, and the new one (funded by SREP) is the Northern and Central part of the country.

The supplementary financing seeks to address bottlenecks in the transmission system that do not allow the electricity to flow from NCRE power sources to consumption centers.

The justification of using grant resources was addressed in the answer to Q3 from Switzerland.

ANSWER 2: Please see answer to Q1 from Switzerland

ANSWER 3a: Please see the answer to Q3 from Switzerland.

ANSWER 3b: The two operations had to be approved separately given (i) the need to undertake environmental and technical studies for the investments that are part of the US\$ 80 million package, and (ii) the need to submit the request for the grant resources in May, given the availability of grant resources in SREP.

Please see also the answer to Q1 from Switzerland.

ANSWER 4: Please see the answer to Q3 from Switzerland.

ANSWER 5: We are providing more detailed investment criteria, as follows:

(b) Increased access to energy through RE sources.

Investments in transmission infrastructure will pave the way for further investments in distribution to reach the GoH's goal of universal access to electricity. Areas that are geographically close to the intervention zone will be prioritized

(e) Productive use of energy.

The Northern region is the industrial and commercial heart of the country. The main uses of energy in industry are for textile production and maquilas, as well as food processing industry. In the Litoral Atlántico region, the tourism industry is prevalent. The transmission improvements will enable better access to electricity to these industries.

(f) Economic, social and environmental development impact

The main development impacts of this operation will be:

Text in square brackets [] represents the text that was already in the proposal.

- The increase in the participation of renewable energy generation in the national grid, which leads to a reduction in the imports of fossil fuels.
- [Technical and Institutional capacity allowing Honduras to effectively participate in the SIEPAC/MER.]

- Improving the quality of service of electricity in the Northern and Litoral Atlántico regions, that are strategic for the economy in terms of employment generation. It will also improve the quality of service in the central region where governmental activities take place.
  - [Supporting the operational and financial recovery of ENEE.]
  - The generation of at least 200 direct jobs
  - From the Environmental perspective, the investments will not affect natural habitats or indigenous peoples and are, therefore, considered of low complexity. A continuous socialization program will take place to keep the communities informed.
- Phase 2 of this project will provide further detail on the gender aspects.