

**Environmental and Social Strategy**  
**Energy Efficiency Guarantee Mechanism (“EEGM”)**  
**BR-L1111**

The proposed Energy Efficiency Guarantee Mechanism (“EEGM”) is a guarantee facility to support commercial banks and/or energy services companies to develop energy efficiency (EE) projects, mainly the retrofitting of existing buildings. Given the proposed financial structure of the guarantee facility, ex-ante assessment of the energy efficiency projects to be guaranteed is not feasible at this time, as these projects are unknown. As such, the EEGM cannot be categorized for its potential environmental impacts but rather classified as an operation under Directive B.13 (Noninvestment Lending and Flexible Lending Instruments) of the IDB's Environment and Safeguards Compliance Policy.

Given the nature of the type of EE projects to be supported i.e. the replacement of inefficient lighting systems, old chillers, pumps, motors, control systems to turn off equipment during non-occupation of the installation, etc. it is envisioned that most of the EE projects to be guaranteed will result in minimal environmental, social, health and safety and labor aspects. The specific negative impacts will be those related to or caused by each specific EE project to be guaranteed, which can range from inadequate disposition of gases used for cooling and industrial waste to health and safety aspects associated with the replacement works. By using energy more efficiently, it is expected that the retrofits will lower the buildings carbon footprint. Also, the facility could foster the demand of experts in energy efficiency creating a new market niche.

As with Financial Intermediation operations, it is proposed that once the Board approves the EEGM, individual guarantees will not be subject to the IDB project review cycle but an Administrator to the EEGM would make decisions about which EE projects are viable and meet the Eligibility Criteria to qualify for guarantees. It is estimated that more than 250 EE projects will benefit from a guarantee from the EEGM in a period of five years.

Considering the characteristics of the EEGM, the proposed management tools and approach to manage the environmental, social, health and safety and labor impacts and risks will consist of: (1) an exclusion criteria to reject operations in which project parties are active in sectors on the IDB's Exclusion List; (2) the development of internal guidelines and procedures to be implemented by the Administrator to properly identify, assess, control, mitigate and monitor the potential environmental and social impacts and risks associated with EE projects to be supported by the EEGM; (3) training in the environmental and social procedure. The scope and content of the guidelines for the Administrator and the framework on how to enforce its implementation within the framework of the EEGM will be assessed during the Bank's due diligence

In addition, the team will coordinate with the Sustainable Energy and Climate Change Initiative (“SECCI”) team, the Global Environment Facility (“GEF”), BNDES and commercial banks to assess any efficiencies in potential environmental and social requirements, reporting and random supervision activities.