La Mata & La Ventosa Wind Park

Oaxaca, Mexico

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The La Mata & La Ventosa Wind Park is located on the Isthmus of Tehuantepec in the state of Oaxaca is a flagship project of the World Bank's Clean Technology Fund. It consists of 27 large wind turbines situated on 361 hectares of communal lands of the villages of La Mata and La Ventosa, and will produce 67.5MW of electricity per year.

La Mata & La Ventosa Wind Park is owned by a Mexican subsidiary of French energy giant Electricite de France (EDF). The U.S.-based company Walmart – the sole recipient of power from the project – owns a handful of shares in EDF's local subsidiary, making Walmart officially part-owner of the project.

Loan investor	$ m
International Finance Corporation	23.7
Inter-American Development Bank	21
Clean Technology Fund	15
US Export-Import Bank	80.7
Total loans	**140.4**
EdF (equity)	11.5
Project Cost	**151.9**

› **Financing.** A small amount of equity (shareholder investment) was provided by EDF. The majority of the money is debt based (loans from the US Export-Import Bank, the World Bank's private sector-arm the International Finance Corporation (IFC), the Inter-American Development Bank (IDB), and the Clean Technology Fund (see table).

The project also anticipates revenue from the sale of carbon credits under the UN's Clean Development Mechanism (CDM).

› **Beneficiaries.** Although the project will produce enough electricity to power 160,000 homes in Oaxaca, which could go a considerable way to providing for the estimated 7 per cent of the population lacking access to electricity, all the energy produced will be sold at below market rate to Walmart, the world's largest company. This is done by exploiting a loophole in Mexico's energy laws, which allows Walmart to claim that it has produced the power itself because of its nominal stake in the EDF subsidiary.

Clean energy, but flawed development model

Investment in infrastructure that serves multinational corporations is nothing new in Mexico. For more than 20 years the government has targeted the Isthmus of Tehuantepec for megaprojects including oil pipelines, energy transmissions lines and transport hubs with the aim of opening up the region for foreign investment. Energy market transformation has been a central pillar of "regional integration" projects (such as the notorious Plan Puebla Panama) to fuel economic growth through export-oriented development. The La Mata & La Ventosa Wind Park is emblematic of this flawed development model:

Local citizens are not opposed to wind power per se, but are against land grabbing by companies and the impacts that the project will have on their life, culture and territory.

› **Transforming Mexico's electricity sector.** Since the 1990s there have been consistent attempts supported by multilateral development banks to increase the role of the private sector in Mexico's energy sector. The public utility remains in control of energy supply and pricing, but about 20 per cent of the nation's energy is now generated by, mostly European based, multinationals. While the state has been able to charge industry and corporate users higher rates that residential users, a "self supply" loophole allows companies like Walmart with ties to local subsidiaries to bypass the public grid and regulated energy prices.

› **Undermining local development.** The project plans promised 150 construction and 10 permanent jobs, but only civil works like roads, electrical and foundation work was contracted locally. Better paying skilled jobs like constructing turbines went to US employees. The big winners were international equipment suppliers like the US company Clipper, which supplied the turbines and received the largest share of project financing, and German company Siemens, which supplied much of the engineering work. Clipper is paid to handle operations and maintenance for the first 5 years of the project, after which time EDF subsidiary enXco will take over operations. Little economic and renewable energy industry benefit accrues locally. In addition, because EDF controls the company operating the project, the company subcontracted for maintenance and the company buying the CDM credits it can use 'transfer pricing' - an arrangement between subsidiaries of multinational companies – to maximize subsidies and minimize taxes paid back into public coffers.

› **Not shifting Mexico's energy mix.** While this project increases the region's wind power capacity, it will do little to make overall electricity production cleaner if the national energy mix is not significantly altered. In fact, the ministry of energy (SENER) suggests that increases in wind capacity will be outstripped by the expansion of fossil fuel power plants (mainly gas) and hydroelectric dams in the coming decade.

› **Not really additional.** The initial costs of the project were over-stated, meaning little equity was invested, and that the project would have been financially viable without CDM revenues. This makes a difference to its environmental impact. La Mata & La Ventosa expects to generate an estimated 1.2 million carbon credits, representing tons of greenhouse gas emissions "saved" as a result of CDM financing. These credits will be sold to European energy companies (notably, EDF itself), allowing them to continue burning fossil fuels.

Local impacts and resistance

The development finance institutions hope that the La Mata & La Ventosa project will encourage private sector investment in wind power in Oaxaca, but these plans have met with considerable local resistance amidst concerns that they form part of an attempt to grab indigenous lands and convert them into resources for the market.

Opponents of the large-scale wind projects being developed on the Isthmus of Tehuantepec fear the impact that these could have on their livelihoods, culture and territory.

› **Electricity prices.** None of the electricity generated by this project reaches local homes and small businesses. Reducing electricity prices for corporations as part of a liberalization framework could worsen energy inequalities and lead to higher energy prices for local people.

› **Land access.** Many land owners were led to believe they could continue to cultivate the land around wind turbines, but contracts can include clauses like crop height restrictions that prevent corn and sorghum from being grown.

› **Compensation.** The World Bank claims the compensation for land constitutes a new source of monthly income for landowners for up to 30 years, but many land owners say that these fees are often less than what companies promise or are paid only on days that turbines make electricity.

› **Consultation, consensus and consent.** Although official consultations were held on the project, they took place after construction had already begun and were unrepresentative due to the meager presence of local groups. Moreover, local landowners claim they were misleading on the part of company officials who took advantage of language barriers. The exclusion of communities from decision-making processes means that wind projects in the Isthmus appear as a threat to local peoples' livelihoods, rather than as an opportunity to widen energy access in a sustainable manner.

"With the pretext of advancing renewable energy, big corporations are occupying our land with windmills. Agriculture is the essence of our region, and will be completely displaced"

- Bettina Cruz Velázquez

Source: World Development Movement *Power to the People? How World Bank financed wind farms fail communities in Mexico* http://bit.ly/13EfxXY

Further Reading: Eric Vance, "The Wind Rush: Green Energy Blows Trouble into Mexico," *Christian Science Monitor,* bit.ly/11QTGgT

For more information, see www.climatemarkets.org or contact oscar@ips-dc.org

Special thanks to Hannes Eggert.