# Project Summary Information

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| | Date of Document Preparation: 27/03/25 |
| **Project Name** | Sri Lanka: New Habarana - Kappalthurai Transmission Grid Expansion Project |
| **Project Number** | P000897 |
| **AIIB member** | Sri Lanka |
| **Sector/Subsector** | Energy |
| **Alignment with AIIB's thematic priorities** | Green infrastructure |
| **Status of Financing** | Under Preparation |
| **Objective** | To increase the capacity and reliability of the transmission network from New Habarana to Kappalthurai to enable the integration of renewable energy from the eastern region of Sri Lanka into the national grid. |
| **Project Description** | The project comprises the construction of a 77-kilometer (km) 220-kilovolt (kV) double-circuit transmission line and the augmentation and modification of two Grid Substations (GSSs) in Sri Lanka's Central (i.e., New Habarana) and Eastern region (i.e., Kappalthurai). The Government of Sri Lanka (GoSL) has undertaken this project to develop grid interfacing infrastructure to ensure efficient and uninterrupted electricity transmission from country's renewable energy (RE)-based generation plants in the eastern region towards major load centers.<br><br>With a target of generating 70 percent of electricity through renewable energy resources by 2030, the GoSL is keen on accelerating its RE transition. According to the Renewable Energy Resource Development Plan 2021-2026, published by the Sri Lanka Sustainable Energy Authority (SEA), there is a potential for 1,100 MW of renewable energy in the eastern region (in Trincomalee district) of the country. However, this area is currently connected to the national grid network by a transmission line over 45 years old, which has reliability issues. Given the potential of that region, the CEB has planned to construct a new transmission network from the New Habarana Grid substation to the Kappalthurai Grid substation with financial support from AIIB, emphasizing the |

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| | need for transmission network capacity expansion in the project area. The following activities are planned in the project scope:<br><br>(i) Construction of around 77-km 220kV double circuit transmission line from New Habarana GSS to Kappalthurai GSS<br>(ii) Augmentation and modification of New Habarana GSS (220/132 kV) and Kappalthurai GSS (220/33 kV) |
| **Expected Results** | The project will be measured and monitored based on the outcome of the following parameters:<br><br>▪ Length (in kilometers (km)) of transmission lines constructed<br>▪ Additional Power evacuation capacity (in Gigawatt hours (GWh))<br>▪ Annual Carbon dioxide (CO2) emissions reduction (kiloton (kt) CO2) |
| **Environmental and Social Category** | B |
| **Environmental and Social Information** | **Applicable Policy and Categorization.** AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Standards (ESSs) and the Environmental and Social Exclusion List (ESEL), applies to this project. ESS1 (Environmental and Social Assessment and Management) and ESS2 (Land Acquisition and Involuntary Resettlement) apply, while ESS3 (Indigenous Peoples) is not applicable. The scope of the project is to construct a double circuit, 220kV transmission line from New Habarana to Kappalthurai, which is about 77 km in length. The project has been classified as Category B following the Environmental and Social Framework (ESF), as there are a limited number of potentially adverse environmental and social (ES) impacts, these impacts are not unprecedented or irreversible and can be managed through operational good international practice.<br><br>**Environmental and Social Instruments.** An Initial Environmental Examination (IEE) has been prepared based on Sri Lanka's National Regulations. This IEE has been approved by the Central Environmental Authority (CEA). Currently, consultants have been mobilized to prepare an Environmental and Social Impact Assessment (ESIA) report, including an Environmental and Social Management Plan (ESMP) to align to AIIB ESF. Further, instruments will be identified and prepared as necessary according to the preliminary results of the ESIA.<br><br>**Environment Aspects.** The project alignment will mostly traverse to paddy fields, and some forest patches. This has already been closely coordinated with Sri Lanka's Forest Department to ensure an alignment route with lesser impacts to the biodiversity. Initial anticipated impacts for the project will not result in a significant |

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| | loss of flora species as they are neither unique nor restricted to the project area habitats and will not cause serious disruption of migratory routes for fauna species. During the construction phase, the impacts anticipated for the project includes accumulation of hazardous wastes, pollution risks to surface and groundwater, and soil, tree loss, topsoil erosion, dust emissions and effects to noise and vibrations. Impacts during operation include possible collision of mammals and birds and bats to the transmission towers and cables. This ESIA will identify and address risks and impacts of the project through physical environment, ecological and critical habitat assessment.<br><br>**Social Aspects.** Land will be required for the tower footing, which may include from farmers that use land as a primary source of income. There is also a risk of livelihood disruption during construction due to reduced access to land and farming activities. The project has been designed to minimize the number of households affected by the project and will avoid the need for resettlement. Vulnerable groups, including seasonal worker, female-headed households, low-income households, and internally displaced persons (IDPs), facing potential livelihood disruption and risks related to worker influx will be identified in the ESIA, and additional instruments prepared as needed. These will be reviewed by AIIB to ensure compliance with AIIB's ESP.<br><br>**Occupational Health and Safety (OHS), Labor and Employment Conditions.** The health and safety risks to local communities are expected during the implementation phase given that construction will occur on land which is adjacent to schools, roads, and houses, and on farming land with heavy footfall during harvest season. Unskilled labor will be sourced from seasonal workers in local communities, but skilled labor is expected to be externally recruited, creating risks related to labor influx. There are also risks relating to OHS and working conditions such as working at height, live power lines and lightning strike risks. The ESIA will elaborate further and recommend the necessary instruments to avoid and mitigate risks, including OHS, community health and safety, traffic, child abuse and gender-based violence (GBV)/ sexual exploitation (SE)/ sexual harassment (SH), and labor and working conditions.<br><br>**Stakeholder Engagement, Consultation, and Information Disclosure.** The key stakeholders include government, farmer organizations, and community members, including those from vulnerable and marginalized groups. Initial consultations identified a low awareness amongst community members around the development benefits of transmission lines, and concerns surrounding adverse health effects of the proposed infrastructure. Further consultations will be conducted to inform the preparation of the ESIA. ES documentation prepared for |

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| | the project will be timely disclosed to the local communities by the client in an appropriate manner. AIIB will also disclose those ES documentation at its website timely.<br><br>**Project Grievance Redress Mechanism (GRM).** Building on the existing complaint mechanisms of CEB, a two-tier GRM will be constituted for the project in line with the Bank's ESP. Communities and individuals who believe they are adversely affected by the project will be able to submit complaints to the project-level GRM for resolution. In addition to the above GRM for addressing complaints from the local community, a commensurate mechanism will be made available at the contractor level for workers' grievances. The information of established GRMs and Bank's Project-affected People's Mechanism (PPM) will be timely disclosed in an appropriate manner.<br><br>**Monitoring and Supervision Arrangements.** The PMU will be fully responsible for monitoring the project's implementation and is expected to prepare progress reports semi-annually based on agreed format highlighting progress on the implementation of ES plans. During implementation of the project, the Bank will conduct regular field supervision missions to monitor and verify the progress. The frequency of the missions will depend on implementation progress and complexity. |
| **Cost and Financing Plan** | Estimated Cost of the project: USD 42.80 million<br>Proposed AIIB Financing: USD 35.00 million<br>CEB Financing: USD 7.80 million |
| **Borrower** | Democratic Socialist Republic of Sri Lanka |
| **Implementing Entity** | Ceylon Electricity Board (CEB) |
| **Estimated date of loan closing (SBF)** | June 2030 |

| **Contact Points:** | **AIIB** | **Democratic Socialist Republic of Sri Lanka (Borrower)** | **Ceylon Electricity Board (Implementing Entity)** |
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| **Date of Concept Decision** | 27 March 2025 |
| **Estimated Date of Appraisal Decision** | Q3 2025 |
| **Estimated Date of Financing Approval** | Q4 2025 |

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| **Independent Accountability Mechanism** | The Project-affected People's Mechanism (PPM) has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its Environmental and Social Policy in situations when their concerns cannot be addressed satisfactorily through Project-level Grievance Redress Mechanisms or AIIB Management's processes. For information on how to make submissions to the PPM, please visit https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html |