

Public

Environmental and Social Data Sheet

Overview

Project Name:	<i>NEOENERGIA CLIMATE ACTION FL</i>
Project Number:	<i>2019-0576</i>
Country:	<i>Brazil</i>
Project Description:	<i>Framework Loan to support the implementation of a series of wind farms in Brazil, for an approximate total combined capacity of ca. 500 MW</i>
EIA required:	<i>This is a Framework Loan operation. Some sub-projects may require an ESIA under the relevant legislation.</i>
Project included in Carbon Footprint Exercise:	<i>Not Applicable</i>

Environmental and Social Assessment

The operation consists of a framework loan to support the implementation of a number of onshore wind projects in Brazil, promoted by Neoenergia.

The promoter presented a tentative pipeline with a number of individual wind plants, grouped in two major clusters, one in the state of Paraíba, with 370 MW, and the other in Piauí and Bahia, with 565 MW. The project scope includes the required ancillary infrastructure, such as substations and transmission lines, for the interconnection to the national transmission grid.

In order to implement this facility, the individual plants – allocations – will need to be appraised in detail and approved by the Bank before disbursing the corresponding funds. At this stage, it is not known which individual plants – within the different clusters – would be presented for allocation, but an approximate total capacity of around 500 MW is expected to be allocated to the facility.

The promoter's capacity to implement the projects in compliance with the EIB's Environmental and Social Standards is deemed satisfactory. The promoter's wind farms in operation are certified OHSAS 18001. The promoter possesses adequate policies and procedures, common to the whole group, which are in line with international standards. The criterion is to apply the national laws, where the projects are located, but supplemented as needed with additional studies. Compliance with the Bank's standards will be assessed for each individual allocation at a later stage.

Environmental Assessment

If the wind plants were located in the EU, they would fall under Annex II of EIA Directive 2014/52/EU, requiring the environmental authority to screen the projects and determine if they are subject to Environmental Impact Assessment based on Annex III. In the case of the interconnection lines, some might be included in Annex I of the above-mentioned directive,

Luxembourg, 18.11.2019

thus requiring full EIAs to be performed; while others would fall under Annex II, requiring screening.

In Brazil, wind farms are allowed to follow a simplified EIA process if they are considered of low impact, which is defined in the resolution CONAMA 462/2014 as developments not located in: i) dunes and wetlands; ii) Atlantic forest area; iii) coastal areas; iv) protected areas and their buffer zones; v) routes for the migration, nesting and reproduction of birds; vi) areas which require resettlement; and vii) areas with presence of protected or endemic species. The rest are subject to a full EIA process.

The simplified process entails the redaction of a simplified environmental impact report, of which minimal content is prescribed in the CONAMA resolution 462/2014. It is expected that all projects to be allocated to the facility fall under this consideration, although this element will be further assessed in detail for the individual allocations. In the case of the transmission lines, they are also allowed to follow a simplified process, as per the resolution CONAMA 279/2001, if they do not affect protected areas, indigenous lands, public health, endangered species or historical heritage sites. They are subject to a full EIA process if they do affect such areas.

Based on preliminary information, most of the interconnection lines are subject to the simplified process. This will be further assessed in detail for the individual allocations. For projects that would fall under Annex I of the EIA Directive, the full EIA in line with the Bank's standards will be required.

Based on the Bank's review, it can be established that the basic principles of the EIA Directive and the EIB's E&S Standards are present in the Brazilian environmental regulations, since projects likely to have significant effects on the environment are made subject to an environmental assessment prior to their approval or authorisation, including stakeholder participation and transparency. Projects which require standard EIA process are subject to publication of EIA report and public hearings. For the projects subject to simplified process, the environmental authority publishes issuance of the licences in the official journal and may decide to organise full public consultation on a case-by-case basis.

An element that requires further assessment is the fact that, in spite of the inclusion of the area of influence of the neighbouring individual wind farms in a cumulative (combined) assessment, the full combined and cumulative effects of the different clusters might not have been fully captured by the simplified process. Therefore, a specific condition on a cumulative impact assessment will be required when applicable for the approval of the respective allocations.

Social Assessment

It might be necessary to declare public utility and to expropriate certain pieces of land for the construction of the interconnection facilities, if voluntary agreements are not reached. The Brazilian regulation on expropriation contains adequate provisions to guarantee the respect of the land owner's rights. A specific assessment on this will be performed during the appraisal of the individual allocations.

Another element that requires further assessment is the potential impact on indigenous communities. Brazil has signed and ratified the ILO convention C169, for the protection of Indigenous and Tribal Peoples. According to the preliminary information received from the promoter with regard to the projects in the pipeline – confirmed by the environmental authority's decision to accept the simplified process – neither the plants nor the ancillary interconnections affect indigenous groups or communities, or indigenous lands.

Luxembourg, 18.11.2019

Adequate assessment will be performed during the appraisal of the individual allocations, in order to confirm compliance with the EIB's standards on the matter, specifically standard N0.7, on the Rights and Interest of Vulnerable Groups, taking into account, if relevant, the principle of free, prior and informed consent.

Public Consultation and Stakeholder Engagement

Consultation with the public is a key feature of the environmental assessment procedures, established in Brazil. In the standard process, open public hearings are duly published using different methods. Under the simplified process, the environmental agency can require a public information phase, namely Technical Information Meeting ("Reunião técnica informativa"), where the stakeholders are physically informed about the projects' technical features and may express concerns or complaints. Even if the authority does not expressly require such meetings, the promoter is proactively organising them, in order to engage with the local stakeholders.

Additionally, the approval notice for the different environmental licences, notices on the issuance of the preliminary licence ('Licença Prévia') and the installation ('Licença de Instalação') are published in the official journal of the state.

As part of the approval of an allocation, the Bank will ensure that adequate public consultation, in compliance with E&S standards, is carried out, including the establishment of a grievance mechanism.

Conclusions and Recommendations

The investments targeted by the operation are expected to have limited social and environmental impact, provided that all mitigation measures, assessed by the Bank at the project level, as part of the allocation approval process, are implemented.

The following loan conditions and undertakings are proposed:

- The promoter shall ensure that the projects financed under this operation are in compliance with national legislation and the EIB's Environmental and Social Standards.
- All allocations will require approval by the Bank prior to disbursement of the funds to the Borrower, and after review for compliance with the Bank's E&S standards. The Bank's requirements with regard to eligibility, including environmental and social aspects, will be incorporated into the finance contract of the framework loan, and thereafter specifically in the respective allocation letters.
- The promoter will undertake to monitor and report to the Bank on the compliance with EIB E&S Standards, with a periodicity yet to be defined for the individual allocations.
- If deemed necessary during the appraisal of the individual allocations, cumulative impact studies shall be performed for each of the clusters, considering the combined effect of all the different infrastructures comprised.
- Use of expropriation would be limited to the minimum extent possible. If needed, the promoter will carry out a report, showing compliance with the Bank's E&S standards with regard to this matter.

Luxembourg, 18.11.2019

- The promoter shall carry out a Stakeholder Engagement plan for each of the clusters, as acceptable to the Bank. It shall include provisions for adequate public information and participation during all project phases, including the establishment of a grievance mechanism.
- The promoter shall carry out an assessment on the potential impact of any of the project facilities on indigenous communities. Based on the outcome of such assessment, further conditions might be established for the individual allocations. In particular, projects would be assessed in line with the EIB's standard No. 7, on the protection of the Rights and Interests of Vulnerable Groups.
- In case any project component – if located in Europe – would fall under Annex I of the EIA Directive (2014/52/EU), the Bank will ensure a full EIA process has been or is to be performed, in accordance with the EIB's standards, as a condition for the approval of such allocation.

Under these conditions, it is considered that the due diligence procedures carried out for the individual schemes will appropriately address environmental and social issues and ensure that the schemes to be financed under this framework loan meet the Bank's requirements.