

Environmental and Social Data Sheet

Overview

Project Name:	COFIDE CLIMATE ACTION FL
Project Number:	2019-0644
Country:	Peru
Project Description:	The operation consists of an intermediated Framework Loan through Peru's development bank to partly finance climate action investment projects, mainly in the sustainable energy sector, across the country.
EIA required:	This is a Framework Loan operation. Most underlying sub-projects (allocations) may require an ESIA under the relevant legislation.
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

The operation will support the implementation of a number of sustainable energy projects in Peru. The Peruvian government is committed to reducing greenhouse gas emissions and fighting climate change through the promotion of sustainable energy that, at the same time, may offer cheaper, more secure and sustainable solutions. The operation will contribute to this commitment and is in line with the EU objectives of sustainable development and climate change.

The Bank will provide funding to the Peruvian public development bank COFIDE (Corporación Financiera de Desarrollo), which will on-lend, as Financial Intermediary (FI), to commercial banks and promoters of renewable energy and energy efficiency projects in Peru. Due to the nature of this operation, the sub-projects to be part-financed, and their environmental and social (E&S) impacts are not fully known at this stage.

The Bank's eligibility criteria and procedures for Framework Loan operations will apply. All allocations will require ex-ante approval by the Bank prior to authorising the on-lending of funds to final beneficiaries, mainly private promoters. The Bank's requirements with regard to eligibility, including environmental and social criteria, will be incorporated into the finance contract.

The FI presented a tentative pipeline with a predominant number of individual renewable energy investments including large size wind and solar PV power plants, as well as small hydropower and smaller solar PV schemes. The investments' scope includes the required ancillary infrastructure, such as substations and transmission lines, for their interconnection to the national transmission grid.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO2e/year absolute (gross) or 20,000 tonnes CO2e/year relative (net) – both increases and savings.

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The FI's capacity to implement this FL in compliance with the EIB's Environmental and Social Standards is deemed good. Following regulation 1928-2015 of the national Superintendence of Bank and Insurance (SBS), which requires all Peruvian financial institutions to implement their own Environmental and Social Risk Management systems, COFIDE introduced in 2016 E&S investment policy and procedures that were subject to continuous improvement up to date. Hence, the FI conducts E&S assessments for its investments based on adequate policies and procedures, which are in line with international standards. Nevertheless, the Bank will seek to support the FI by reinforcing its capacity with regard to the due diligence process of E&S aspects of each sub-project, with emphasis on monitoring and reporting, utilising Technical Assistance resources.

Environmental Assessment

The main principles of environmental and social assessment practice enshrined in EU legislation, such as screening, scoping, independent review, public participation, disclosure and monitoring are already present in the Peruvian legislation, specifically in environmental law 27446 (Sistema Nacional de Evaluación de Impacto Ambiental) and its Regulations (approved by Supreme Decree N° 019-2009-MINAM), under which there are several competent authorities that oversee compliance with the environmental and social legal framework, determine the need for undertaking different types of ESIA (detailed, semi-detailed or preliminary based on project's characteristics, size and locations), review the quality of the ESIA reports, issue environmental permits and set out environmental conditions for the energy sector.

Prior to approving allocation requests submitted by the FI, the Bank will confirm that individual sub-projects comply with the Bank's environmental requirements and that an adequate environmental assessment has been carried out. According to the Peruvian legal framework, it is mandatory to conduct an Environmental Impact Assessment (EIA) process for utility large-scale renewable energy plants. If these plants were located in the EU, they would fall under Annex II of EIA Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring a full EIA process. In the case of the interconnection power lines, required as associated facilities, some might be included in Annex I of the mentioned Directive, thus requiring as well full EIAs to be performed. In addition, alignment with the principles of the relevant EU Directives (e.g. Habitats Directive 92/43/EEC, Birds Directive 2009/147/EC, Water Framework Directive 2000/60/EC amended by Directive 2008/32/EC and the amended Energy Efficiency Directive 2012/27/EU) will be sought.

In particular, for hydropower projects the FI will ensure that these projects will comply with the EIB's Environmental, Climate and Social Guidelines on Hydropower Development (October 2019).

The Bank will not accept any scheme that has a significant negative impact on any site of nature conservation importance, including sites protected under national legislation and international agreements to which Peru has subscribed.

Social Assessment

The envisaged sub-projects may give rise to typical occupational and community health, safety and security risks and impacts. These risks are primarily linked to traffic, dust and noise nuisances, presence of security personnel and the influx of labour force during construction. The main mitigation and monitoring measures to address these risks and impacts will be considered in the respective Environmental and Social Management Plan (ESMP).

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It might be necessary to declare public utility and/or to expropriate certain pieces of land for the construction of the interconnection facilities, if voluntary agreements are not reached. The Peruvian regulation on expropriation contains adequate provisions to guarantee the respect of the land owner's rights. A specific assessment on this including, if required, a Land Acquisition and Resettlement Action Plan (LARAP) will be performed during the appraisal of the individual allocations.

Another element that may require further assessment is potential impact on indigenous communities. Peru has signed and ratified Convention 169 of the International Labour Organisation for the protection of Indigenous and Tribal Peoples. However, according to the preliminary information received from the FI with regard to the projects in the pipeline, neither the plants nor the ancillary interconnections affect indigenous groups or communities, or indigenous lands. Adequate assessment will be performed in any case during the appraisal of the allocations, in order to confirm compliance with the EIB's standards on the matter, specifically standard No. 7 on the Rights and Interest of Vulnerable Groups, taking into account, if relevant, the principle of free, prior and informed consent.

The Bank will require a social assessment, including the development of a management plan for mitigation of social impacts (as applicable); compliance with national law and ILO Core Labour Standards will need to be ensured by the FI at sub-project level in accordance with the Bank's Environmental and Social Standards.

Public Consultation and Stakeholder Engagement

The Bank will verify that adequate disclosure of information and meaningful public consultation have been carried out or are both planned for, in the context of the ESIA process, as well as prior to and during the construction phase, and if applicable throughout the lifetime of the project. The objective is to achieve *"broad community support,"* or in case of impacted indigenous people to achieve *'free, prior and informed consent.'* At sub-project level, the FI will ensure that comprehensive grievance mechanisms, both for communities and for the sub-project workforce (including EPC contractor and sub-contractors), are in place during both implementation and the entire operation period of the sub-projects.

Other Environmental and Social Aspects

COFIDE has a strong commitment to sustainable development and green financing highlighted in its Corporate Environmental and Social Policy, which is a core part of an integrated management system. The FI is currently in the process of becoming an Accredited Entity by the Green Climate Fund.

Conclusions and Recommendations

The legal environmental and social obligations under the Peruvian law give comfort and support the fulfilment of the EIB's standards under this operation. Nevertheless, the social and environmental impacts and mitigation measures for the envisaged sub-projects will be assessed individually by the FI and will be reviewed by the Bank as part of the ex-ante allocation approval process. The FI's capacity to assess environmental and social impacts and to monitor the implementation of mitigation measures are deemed good. The investments targeted by the operation are not expected to have major residual social and environmental impacts, provided that all mitigation measures assessed by the FI and the Bank at sub-project level, are implemented.

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The following undertakings are proposed:

- The FI 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.
- The FI will undertake to present an ESMP, Stakeholder Engagement Plan and LARAP (if required) for each allocation, 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 FI will undertake to ensure that an assessment of the potential impact of any of the sub-projects on indigenous communities is performed. Based on the outcome of such assessment, further conditions/undertakings might be established for the individual allocations.
- The FI will undertake to collect and publish the ESIA of each scheme, retain on file a copy of it and provide a digital copy to the Bank including either the Non-Technical Summary of the ESIA or a link to a public version of this Summary.

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.