

Environmental and Social Data Sheet

Overview

Project Name:	HEP RENEWABLE ENERGY CROATIA
Project Number:	2020-0471
Country:	Croatia
Project Description:	The project relates to the construction and operation of a number of renewable energy projects in Croatia.
EIA required:	yes for the wind farm
Project included in Carbon Footprint Exercise ¹ :	yes

Environmental and Social Assessment

Environmental Assessment

The project consists of the construction and operation of one onshore wind farm (58 MWac) and six small-scale solar PV plants (~22 MWac in total), which will be part of the promoter's wider generation portfolio. The projects are located in southern parts of Croatia, Splitsko Dalmatinska, Zadarska, Istria and Primorje-Gorski Kotar counties. Once operational, the wind farm and the solar PV plants will supply electricity to the national transmission grid and thus significantly contribute to achieving national targets of electricity generation from renewable energy sources.

The promoter is Hrvatska Elektroprivreda (HEP), a Croatian state-owned electric power company, which runs a mix of hydropower and fossil fuelled plants, and which has a new strategy to build a significant portfolio of renewable energy projects. This would be the third operation that the Bank has undertaken with the Promoter since 1977, the most recent operation being "EL TO Zagreb – Combined Cycle Power Plant".

Wind farm Korlat

The wind farm Korlat consists of 18 wind turbines with a total installed capacity of 63 MWp (58 MWac / Grid power limitation) and is located over an area of 100ha in Zadar County, 5 km Southeast of the City of Benkovac. The project also includes a high voltage (HV) transmission network, which consists of two single 110 kV lines of approximately 3.8 km each, civil works for access roads and a transformer station. During the Bank's appraisal process, the project was completed pending the issuing of the final usage permit (expected end of 2020 / beginning of 2021).

The wind farm including its ancillary facilities falls under Annex II of EIA-Directive 2011/92/EU, as amended by Directive 2014/52/EU, requiring the competent authorities to determine whether an EIA is required. Competent authorities, in Croatia, screened the project in and required an

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.

Luxembourg, 24.02.2021

EIA. The environmental assessment work carried out to date has resulted in an overall understanding of the environmental and social risks and mitigation measures needed for a project of this nature. The corresponding EIA documentation was submitted to the Ministry of Environment, the national competent authority, which issued the final approval/opinion (“Resjeine”) in 2016. The approval foresees mitigation and monitoring measures to tackle, amongst others, environmental and biodiversity risks captured in the study. It has also been determined that there is no need for an appropriate assessment (AA) or additional studies. The site of the project is within the “Planned Wind Energy Area” defined in the Zadar County Spatial Plan. The wind farm is about 1 km away from the Special Protection Area (Birds Directive) “Ravni potari”, 2.6 km from another Special Protection Area under the Birds Directive “Dalmacija and Pag” and 4 km from “Karišnica i Bijela” (habitats directive). All of these sites belong to the Natura 2000 network. As per the approval and based on the relevant studies and field observations, it is concluded that with the measures in place the project will not have any significant negative impact on birds and bats. However, the relevant monitoring is mandatory and must be undertaken as suggested by the study. In addition, due to the distance and characteristics of the project, the species in “Ravni potari will not be affected. The analysis shows that the project will not contribute significantly to the cumulative negative impact on the species and the integrity of the Natura 2000 sites.

All related documentation is publicly available in the public registry as per the applicable legislation. <https://mzoe.gov.hr/puo-spuo-4012/puo-4014/4014>.

Last but not least, public consultations were held during the regulation of the regional and local plans, during the EIA process and during the pre-construction permitting process.

Solar PV plants

This EIB operation supports 6 solar PV plants with capacity ranging from 1MWac to 6.5 MWac.

Kosore-Jug is a 2.1 MWac and 2.4 MWp of installed power PV plant located in the economic zone of Kosore in the City of Vrlika and is under construction with expected completion date in March 2021. The promoter of the project submitted E&S information for the plant and the interconnection transmission line (medium voltage cable 10(20) kV) for the screening decision of the competent authorities, which subsequently screened out the project for the preparation of an EIA. In addition, the decision mentions that considering the characteristics and location of the planned project, it is concluded that there will not be any significant negative impacts on the nearby birds (“Cetina”, approximately 0.4 km) and habitats (“Izvorišni dio Cetine s Paškim i Vrličkim poljem”, 0.4 km) Natura 2000 sites.

PV Kaštelir / Sabadin 2. The PV plant SE Kaštelir 2MWac (2.5 MWdc) is located in Istria, Municipality of Kaštelir – Labinci, in the Sabadin area. It is expected to be completed at the end of 2020. On the basis of an E&S assessment required for the screening decision, the competent authority screened out the project for elaborating an EIA and an AA issuing a relevant decision in May 2019.

Following the publication of the information regarding the project on the website of the Ministry of Environmental Protection, the public could submit written comments on the planned project within a period of thirty days, from 2 April to 3 May 2019. No complaints or comments were received.

PV Cres (East). The project is a 6.5 MW solar power plant covering an area of 21 ha that is located in the Primorje-Gorski Kotar County, approximately 2 km north of the settlement Orlec. It also includes the connection to the 35 kV grid Cres-Hrasta. The project is expected to be completed in April 2021.

Given the fact that the plant is located on the island Cres, which belongs to the Natura 2000

Luxembourg, 24.02.2021

network under the Birds directives, the competent authority issued a decision in June 2015 that an appropriate assessment was required (whereas an EIA not). Following this, the request for the AA was published in April 2016 and the relevant study was prepared in July 2016. The competent authority issued a decision in November 2016 stating that there was no significant impact of the project on habitat or birds, provided that mitigation measures were applied. All related documents have been published on the official website of the ministry of environment. In addition, an archaeological inspection was conducted pending the finalisation of the relevant report.

The AA study was submitted for public discussion from September to October 2016 and a public presentation was made at the City Hall of Cres in September 2016. No comments were received whatsoever.

A cumulative impact assessment was also conducted because of the additional plant (Cres-West) that is planned to be constructed in the vicinity. The study concluded that there would be no additional negative impact on biodiversity.

PV Vis. The project is a 3.5 MWac (3.8 MWdc) solar power plant located on a parcel of approximately 5.7 ha, in the administrative area of the City of Vis, Split-Dalmatia County. The project was commissioned during the Bank's appraisal in July 2020. The power is evacuated to the medium-voltage grid via the transformer station 0.4/10(20) kV and the connection line, part of the project. Based on an E&S assessment required for the screening decision, the competent authority screened out the project for elaborating an EIA and an AA issuing a relevant decision in September 2015. No cumulative impact assessment was carried out, as the PV Vis is the only power plant on the island of Vis.

The site is not located in a protected area under the Nature Protection Act, but according to the Decree on the Ecological Network, it is located within the Natura 2000 network under the Birds directive and in a conservation area relevant to species under the Habitats directive.

As per the decision made by the competent authority in September 2015 and given the characteristics of the operation, the loss of habitat at the project site (corresponding to 0.063 % of the total area) and the fact that all cables are underground, no significant adverse effects on habitats and birds are expected.

The project **PV Obrovac** is a 6.5 MWac (7.3 MWdc) plant located on a 11.7ha land parcel in Zaton Obrovački. The grid connection point is 420 m away from the project's transformer substation and the plant is connected to the grid via a MV 35kV cable. The expected completion date is March 2021.

PV Marići is a relatively small-scale solar PV plant of 1 MWac (1.15 MWdc) in Žminj. The grid connection point is 15 m away from the project's transformer substation and the plant is connected to the grid via a MV 35kV cable. The expected completion date is the end of 2020.

For both PV Obrovac and PV Marići plants, the construction permit was obtained before 2017, when the applicable law did not include a mandatory E&S screening process and the developer opted not to conduct any relevant studies. However, the plants are located on designated construction land and outside national areas of special conservation status, Natura 2000 network and high-value agricultural land. Given the characteristics of the projects, the size and the location, no significant environmental negative impact is expected.

Social Assessment, where applicable

Wind farm Korlat

The majority of land is currently state owned and it was previously used by the military. The land acquisition process is almost finished pending the final settlement of a small part disputed between state and local authorities. There was no need for economic or physical resettlement

Luxembourg, 24.02.2021

because of the project. Although it was not mandatory, the project owner invested in the construction of a new road to be used by the local citizens following an agreement with the local municipality.

Solar PV plants

Kosore-Jug: The promoter acquired the land along with the project from the previous owner, the city of Vrlika. The land where the plant is located is not classified as agricultural or valuable arable soil. There has been no resettlement, economic or physical, and no expropriation took place in the process.

PV Kaštelir / Sabadin 2. The project does not lead to any involuntary economic and/or physical displacement, or any expropriation. The land is designated construction land for which the promoter concluded a lease agreement with the landowner.

PV Cres: No resettlement or expropriation took place as the land is owned by the monastery of St. Francis - Cres, with which a contract was concluded for the lease of land for 25 years.

PV Vis: The project's land parcel is not classified as agricultural or valuable arable soil. The promoter concluded an easement rights agreement with the owner, the Croatian Forest Ltd (the state company responsible for forests).

PV Obrovac. The land is owned by the city of Obrovac, with which a land lease agreement has been concluded for 30 years. The land is designated construction land, and the project did not imply resettlement or expropriation.

PV Marići: The land is owned by the promoter and had been purchased by the previous project developer as part of the overall acquisition of the project. The land is designated non high-value agricultural land and the project did not imply resettlement or expropriation.

EIB Carbon Footprint Exercise

Estimated emission savings are 66 kt/year of CO₂ equivalent emissions, based on the estimated electricity production of 172.9 GWh/year and 28.8 GWh/year from the wind farm and the 6 solar PV plants respectively. For the annual accounting purposes of the EIB Carbon Footprint, the project emissions will be prorated according to the EIB lending amount signed in that year, as a proportion of the project cost.

Conclusions and Recommendations

The promoter has an environmental management system including guidelines certified with a 14001 ISO certificate and has established an E&S team of 4 persons in its environmental protection sector (under its corporate strategy and development department) to ensure adherence with the relevant legislation, monitor the developments on the EU E&S regulations and directives and pass on information down to the operations.

Moreover, at operations level, assigned professionals are responsible for the E&S aspects of each individual project under the company's portfolio.

As a public company, it has established an open door policy whereby citizens and people concerned can submit complaints or comments.

The environmental and social studies and processes carried out to date are considered satisfactory. The finance contract will also contain an undertaking that the projects will be implemented and operated in compliance with the National Environmental legislation transposing the EU directives and EIB's Environmental and Social Standards.

Luxembourg, 24.02.2021

Progress monitoring in compliance with the foreseen measures and actions will be included as a requirement in the financial contract, to the satisfaction of the Bank.

Additional undertakings and/or conditions will be laid down for specific projects, namely:

- PV Cres: Submission of the report on archaeological assessment once available
- PV Obrovac and PV Marići: Evidence of the land use and designation status including any land conversations and formal evidence (only for PV Marići) that the land is appropriate for the construction of a power plant. As a disbursement condition, the promoter will submit an E&S report for both projects, summarising the E&S impacts including mitigation measures for the operation phase.
- Wind Farm Korlat: Submission of the link where the environmental monitoring results will be published pursuant to the competent authority's decision.

With the above conditions in place, the project is acceptable for EIB financing in E&S terms.