Luxembourg, 26 November 2021

Public

Environmental and Social Data Sheet

Overview

Project Name:	ERCROS RDI AND MODERNIZATION
Project Number:	2021-0307
Country:	Spain
Project Description:	The project concerns investments in areas of R&D, Digitalisation, Decarbonisation and Modernisation of some key manufacturing production for the period 2021-2024.

EIA required: no

Project included in Carbon Footprint Exercise[1]: yes

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

The project covers the promoter's investments in R&D, digitalisation and capital expenditures in modernisation and decarbonisation of its industrial plants. The project will be implemented at different factories in the promoter's plants all located in Spain. R&D component focuses on developing products with lower carbon and environmental footprint; digitalisation component boosts the operational efficiency across all chains of business operations; capital expenditures component increases energy efficiency of its operations and accelerates the switch to renewable energy sources. All components of the project are fully aligned with the recently launched so-called 3D plan, which is the strategic plan of the promoter to transform into fully sustainable company through the targeted investments into decarbonisation, digitalisation and diversification.

In relation to capital expenditures, the promoter has proceeded with the authorization for the investments into modification of sodium chlorite plant and the replacement of VynilChlorideMonomer (VCM) storage tanks as both fall under Annex II of the Environmental Impact Assessment (EIA) Directive 2014/52/EU amending Directive 2011/92/EU. Based on resolution of local authorities (the Institute of Environmental Management of the Government of Aragon) dated April 28, 2021, the modification of chlorite plant production is not considered to have significant adverse effects on the environment and hence the project has been screened out and does not require a new EIA. The decision regarding the replacement of VCM storage tanks is still pending, therefore the authority's decision on exemption of EIA for this project subcomponent will be put as disbursement condition to the financing contract.

[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.

Moreover, in case of requirement for the EIA screening and/or EIA report, the EIB will also put it as disbursement condition to financing contract.

The rest of investments, such as R&D activities and replacement of old equipment to increase the energy efficiency of operations will be carried out in already existing facilities without changing the authorised scope. Those activities do not fall under any of Annexes of the Environmental Impact Assessment Directive – Directive 2014/52/EU amending Directive 2011/92/EU and therefore, not requiring screening or EIA Report.

As far as applicable, all components of the project will be in line with the respective Best Available Techniques (BAT) on Production of Large Volume Organic Chemicals (LVOC).

EIB Carbon Footprint Exercise

The absolute emissions correspond to overall emissions from promoter's factories, at which the project costs are implemented. These emissions, including Scope 1 (direct emissions) and Scope 2 (indirect emissions) correspond to roughly 450 ktonnes of CO2-equivalent per year once the project is operational. For the carbon footprint exercise, the baseline scenario represents a realistic scenario that corresponds to the overall level of GHGs emissions from the promoter's factories before the project. These emissions were estimated at above 491 ktonnes CO2e per year, including Scope 1 and 2 and were externally audited according to ISO 14064-1 in 2020. Therefore, the project implementation leads to GHG emissions saving of 41 kt CO2-equivalent per year, representing a net emission reduction of some 8.3 %.

It is be highlighted that the promoter set the target to reduce its direct GHG emissions (Scope 1) by 39% according to the 3D plan and the EIB's project contribute to approximately 40% of this target. The remaining part is planned to be addressed at later stage of 3D plan implementation.

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 project cost

Other Environmental and Social Aspects

The promoter has the clear corporate governance structure and practices with regard to corporate social responsibility and this is entrenched in the company culture. The promoter applies management systems in its facilities that are accredited by independent companies, following internationally recognised standards that are verified and renewed annually:

- ISO 14001:2015 on the implementation of an environmental management system;
- UNE-EN ISO 14064-1:2012 on specifications for the quantification and declaration of greenhouse gas emissions;
- UNEEN ISO 50001:2018 on energy management system;
- The European Eco-Management and Audit Scheme (EMAS) standards are applied in environmental matters.

ERCROS has confirmed its commitment to voluntary programmes and agreements such as the UN Global Compact and the Responsible Care programme promoted by the chemical industry. The promoter is rated by ESG rating company Ecovadis with a score of 81 out of 100 (Platinum company). This rating places ERCROS among the top 1% of the best rated companies. ERCROS also contributes to the achievement of the UN's 17 sustainable development goals ("SDGs") for people, the planet and prosperity.

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Conclusions and Recommendations

The environmental impact of the project's components is expected to be limited, whereas the outcomes are likely to contribute to more resource and energy efficient chemicals production as well as to chemical products with a reduced carbon and environmental footprint. The project adheres to Best Available Techniques (BAT) as identified by the European Commission for chemical industry.

Two activities of the investment costs fall under Annex II of the Environmental Impact Assessment Directive 2014/52/EU amending Directive 2011/92/EU. The first activity, the modernisation of the chlorite plant was screened out by the local authorities, hence did not require the EIA Report, while the authorities' decision on the second one, the replacement of VCM storage tanks, is pending. The financing of the latter will be subject to disbursement condition.

Other activities and related expenditures will be carried out in existing facilities already authorised for such purpose and will not change the activities scope, and therefore not expected requiring an Environmental Impact Assessment (EIA) under the Directive 2014/52/EU amending Directive 2011/92/EU.

Therefore, the project is considered acceptable for Bank financing in environmental and social terms.

Contractual disbursement condition:

Prior to the disbursement of a tranche that relates to the implementation of the storage tanks at VCM plant, the promoter shall send to the bank either a copy of the decision of the competent authorities that this component has been screened out according to the EIA directive, or a copy of the final environmental permit.

Undertakings:

In case a screening decision according to the EIA directive is required for any component part of the project, a copy of the screening decision or a copy of the final EIA report shall be sent to the bank as soon as available.