

Luxembourg, 10th December 2021

Public

Environmental and Social Data Sheet

Overview

Project Name:	NEOENERGIA GREEN RENEWABLE ENERGY GENERATION FL
Project Number:	2021-0506
Country:	Brazil
Project Description:	Framework Loan to finance renewable energy (onshore wind and solar PV) projects in Brazil, promoted by Neoenergia, a subsidiary of Spain's Iberdrola Group
EIA required:	This is a Framework Loan operation. Some sub-projects may require an ESIA under the relevant legislation.

Project included in Carbon Footprint Exercise¹: Yes

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

Environmental and Social Assessment

The operation consists of a framework loan to support the implementation of a number of onshore wind and solar PV projects in Brazil, promoted by Neoenergia, a subsidiary of Spain's Iberdrola Group.

The promoter presented a preliminary pipeline of two wind clusters of 425 MW in total, located in the States of Paraíba, Piauí and Bahia. A solar PV project of 150 MW is also included in the preliminary pipeline, and is located in the State of Paraíba 10 km away from the wind cluster. 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 550 MW is expected to be allocated to the facility.

Environmental Assessment

If the wind and solar PV 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

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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case of the interconnection lines, some might be included in Annex I of the above-mentioned directive, thus requiring full EIAs to be performed; while others would fall under Annex II, requiring screening.

In Brazil, wind and solar PV 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. Projects located within such areas 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. Based on information provided by the promoter, 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 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.

The project is fully aligned to the goals and principles of the Paris Agreement as set out in the Bank's Climate Bank Roadmap and the Energy Lending Policy.

EIB Carbon Footprint Exercise

Estimated emissions savings are 630000 tonnes of CO₂ equivalent per year. Project boundary has been defined in line with the Bank's methodology. Baseline for the calculation is the pre-construction status and country's energy mix.

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.

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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 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. More generally, according to the promoter all projects in the pipeline are in remote areas hence nobody will need to be re-settled nor will be materially affected.

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 No. 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 and stakeholder engagement, in compliance with E&S standards, are carried out, including the establishment of a grievance mechanism.

Other Environmental and Social Aspects

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, supplemented as needed with additional studies. Compliance with the Bank's standards will be assessed for each individual allocation at a later stage.

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Recent reports² are pointing out the possibility of use of forced labour in the supply chain of solar PV panels. The promoter has a Human Rights Policy in place, rejecting the use of any form of forced or compulsory labour. The policy extends to their suppliers, i.e. any supplier needs to have in place similar policies. The promoter shall ensure that the supply chain of the solar PV panels used in the project is compliant with the applicable provisions of the relevant labour standard of the Bank, and avoids the use of forced labour. The Bank will assess this as part of the allocation process.

The promoter shows good Paris Alignment according to TPI (<https://www.transitionpathwayinitiative.org/sectors/electricity-utilities>), being ranked among the top Electricity Utilities with a Carbon Performance 'Below 2 Degrees' by 2050 and 'Level 4' on the Strategic Assessment of Management Quality.

Conclusions and Recommendations

The investments targeted by the operation are expected to have limited social and environmental impact, provided that all mitigation measures (that will be assessed by the Bank at 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.
- 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.

² <https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/in-broad-daylight>



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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.