

**Public**

## Environmental and Social Data Sheet

### Overview

Project Name:	<i>CO-INVESTMENT DWS RAILCAR LEASING</i>
Project Number:	<i>2021-0515</i>
Country:	<i>Regional - EU and EFTA countries</i>
Project Description:	Co-investment in a pan-European rolling stock leasing company to finance the renewal of freight railcars to be leased predominantly in Europe
EIA required:	no
Project included in Carbon Footprint Exercise <sup>1</sup> :	yes

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

### Environmental and Social Assessment

The operation consists of a co-investment into Ermewa Group, a French company formerly owned by SNCF, one of the major European asset managers specialized in freight railcars leasing across Europe, with the objective to execute its cleaner investment strategy in the railcar segment.

It is presented under the EIB Co-Investment Programme as a co-investment with the fund Pan European Infrastructure III (the "Fund", or "PEIF III"), in which the EIB also invested, approved in November 2019<sup>2</sup>.

The Project is part of a wider multi-year investment programme and consists of the acquisition of a fleet of rail freight cars to renew and expand Ermewa's existing fleet, with approximately up to 4 200 wagons over the 2021-2028 period, for leasing to European rail service operators mainly for freight operations. The exact number and type of wagons (predominantly intermodal wagons and potentially flat, hopper or other wagons) will depend on the composition of the portfolio acquired by Ermewa, which will depend on the operational needs of its clients and its rejuvenation plan. Second hand assets and assets not registered in the EU or EFTA Member States will not be financed by the Bank. Wagons dedicated to the transport of fossil fuels will not be eligible for EIB financing.

The manufacturing of rail freight wagons will take place in the manufacturer's plants across Europe and does not fall within the scope of Directive 2014/52/EU amending EIA Directive 2011/92/EU. Therefore no EIA is required for the project. Dismissed rolling stock is expected to be scrapped by a registered company that will be in charge of vehicle scrapping according to the applicable legislation.

The maintenance of the new rolling stock will be mostly carried out in existing depots by Inveho (Ermewa workshop division) in one of their 7 existing workshop in France and Germany. No construction works or retrofits will be needed on the workshops.

<sup>1</sup> Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 20,000 tons CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

<sup>2</sup> DWS PAN-EUROPEAN INFRASTRUCTURE FUND III (2019-0248), <https://www.eib.org/en/projects/pipelines/all/20190248>

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The new freight wagons will be operated on the European railway network and contribute to improving the modal share of the rail vis à vis road, and by this means, are expected to have positive environmental impact in terms of safety, energy savings, air pollution, noise and CO2 emissions. In addition, the new wagons will be in conformity with the current relevant requirements concerning noise and will be equipped with low-noise brake blocks.

On a tonne x km basis, rail freight has the potential to bring about significant energy savings, emission reductions and safety improvements if compared to other transport modes. Rail freight may also improve noise level on an aggregate basis. The project should not have any significant negative impact on the environment.

### **EIB Carbon Footprint Exercise**

The project is included on the following basis:

Estimated annual greenhouse gas emissions from the use of the project in a typical year of operation over a 30-year operating assessment period:

- Forecast absolute (gross) emissions are about 167,000 tonnes of CO2 equivalent; and
- Forecast emissions savings are about 71,000 tonnes of CO2 equivalent.

The project assessment boundaries are:

- In the absolute case: approximately new 4,200 wagons operated mainly on the European rail network, out of which approximately 3,800 units will replace existing assets and 400 units are additional new wagons acquired by Ermewa which will shift traffic from road to rail .
- In the baseline case: the existing wagons, approximately 3,800 wagons are operated thanks to all existing rail leasing companies portfolio and other railway players.

The forecasts in the baseline and absolute cases are based on project specific assumptions about production, electrical energy consumption and fuel efficiency of rail and road operations. The indicated number of wagons is a realistic assumption taken for the purpose of the EIB Carbon Footprint Exercise; the number of assets acquired by the Fund may differ from these figures.

For the annual accounting purposes of the EIB Carbon Footprint, the project emissions will be prorated according to the EIB financing amount signed in that year, as a proportion of project cost.

These forecasts, limited to the project scope, may differ from those of the Promoter due to different assumptions, boundaries and baselines.

### **Other Environmental and Social Aspects**

The Fund carried out an additional due diligence on the investee company, Ermewa Group, in order to assess its Environmental, Social and Governance (ESG) and Health and Safety (H&S) strategies, skillset and resources, as well as an initial assessment on the ESG and H&S risks of all its operations.

Different types of social and environmental risks are associated with railcar leasing, such as on-going compliance with procedures and regulatory requirements relating to Safety, Quality and the Environment (including environmental permits for workshops and buildings), asbestos management (in old railcars and buildings), unintended discharges of chemicals or other hazardous substances, unintended air and water discharges, soil and groundwater contamination, rail or level crossing accidents and other hazardous events.

Based on the initial assessment carried out, the results are satisfactory. Ermewa possesses a good understanding on the potential environmental impacts of its activities, and showed capacity to manage and execute these investments from an environmental and social point of view. Ermewa is also in the process of implementing certified environmental management systems (EMS). The Fund proposed to

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the Bank a comprehensive roadmap to support Ermewa to further strengthen its environmental and social management (ESM) framework. For example, the Fund has begun to engage with management on Health and Safety and has scheduled a series of workshops on this topic from January 2022.

### Conclusions and Recommendations

The project is expected to contribute to modal shift from road to rail, which is less carbon intensive transport modes. By this means, it has a positive environmental impact in terms of safety, energy savings, air pollution, noise and CO<sub>2</sub> emissions.

The investments targeted by the operation are expected to have no significant negative social or environmental impact, provided any existing associated facilities or built for the purpose of operating or maintaining assets part of the project (depots, workshops) comply with the applicable EU environmental law and the EIB environmental and social standards.

For Investments (specifically associated facilities) subject to an environmental impact assessment (EIA) the Fund shall ensure that an EIA is carried out and that public consultation is undertaken in accordance with national legislation and the EIA Directive. The Fund shall collect and publish the EIA Study and the non-technical summary (NTS) of the EIA on the Manager's website or in the Ermewa's website, or if otherwise agreed with EIB, send the EIA study and the NTS to the EIB for publication. Upon request, the Fund will confirm to the EIB that the Investment incorporates relevant mitigating measures recommended as a result of the EIA.

In order to strengthen the coordination and accountability aspects, the Fund will be required to verify that Ermewa implement the post-acquisition roadmap proposed to the Bank before the end of 2023 and have in place a certified environmental management system. The Fund should also ascertain that:

- (i) Ermewa and all its assets and equipment (existing and new) comply with the all relevant standards, procedures, regulatory requirements and legislation to provide the safe transportation of goods, in particular for goods that could pose additional and/or specific risks to the environment and communities.
- (ii) Ermewa put in place adequate measures to ensure that the companies operating assets comply with the applicable EU environmental law and the EIB environmental and social standards.

The Fund Manager shall be required to ensure that if any assets are scrapped, the scrapping be carried out by entities certified for this activity.

Under these conditions, the project is acceptable for EIB financing from an environmental and social perspective.