



Luxembourg, 14.9.2022

Environmental and Social Data Sheet

Overview

Project Name: TYRRHENIAN LINK
 Project Number: 2022-0162
 Country: Italy
 Project Description: The proposed project concerns the implementation bipolar High Voltage Direct Current (“HVDC”) link interconnecting Campania to Sicily (“East Section”) and further Sicily to Sardinia (“West Section”) across the Tyrrhenian sea. The Project will have a rated capacity of 1000 MW, DC (Direct Current) voltage of 500 kV and a total route length of 950 km (the “Project”).

EIA required: no

Project included in Carbon Footprint Exercise¹: no
 (details for projects included are provided in section: “EIB Carbon Footprint Exercise”)

Environmental and Social Assessment

The 480 kilometres long East Section connects the Fiumetorto landing point, in the municipality of Termini Imerese in Sicily, with Torre Tuscia Magazzeno, near Battipaglia in Campania. The underground cables in Sicily will run through the Termini Imerese industrial area to the substation located in Caracoli. In Campania the underground cables will run along existing roads from the landing point to the new converter substation in Eboli.

The West Section, is approximately 470 kilometres long and connects the Fiumetorto landing point to the one in Terra Mala, in Sardinia. The onshore connection will be made with underground cables mainly along existing roads to the converter station located in Selargius.

Environmental Assessment

Given its technical characteristics, the Project does not fall under either Annex I or Annex II of the EIA (“Environmental Impact Assessment”) Directive and, according to Italian law, will not be subject to EIA. The Project is part of the 2020 Promoter’s “Grid Development Plan” that underwent “Strategic Environmental Assessment” (“SEA”) in line with the requirements of the SEA Directive.

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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East Section

The Project would not adversely affect the integrity of any European site on view of the site's conservation objectives. The lines avoided critical sensitive areas such as the IT 8050036 Marine Areas of "S. Maria di Castellabate" distant over 10 km from Project area and the IT 8050037 Marine Area "Punta degli Infreschi" located at a distance of 3.7km.

The screening took place even in relation to other areas and confirmed the absence of impact of the Project thanks to its distance of 2 km from the following marine areas: ZSC IT9340093 "Fondali di Capo Vaticano" and IT9340091 "Zona costiera tra Briatico e Nicotera"; and around 5 km from ZSC IT9340094 "Fondali Capo Cozzo-S.Irene".

This section has the potential to interact with the Natura 2000 sites as above. It was therefore subject to "Appropriate Assessment" in line with Article 6.3 of the Habitats Directive. The assessment concluded that in this section the Project would not have a likely significant effect on the integrity of any of the identified sites, either alone or in-combination with other plans or projects. The assessment was subject to the review by the competent authorities (Campania Calabria and Sicily Regional Authorities) that issued a favourable opinion to the Project for Campania on 13/04/2022, for Calabria on 07/03/2022, and for Sicily on 23/03/2022 subject to the following conditions/restrictions:

- To use of "Horizontal Directional Drilling" ("HDD") for the installation of the cables at land fall (both in Campania and Sicily) so to avoid impacts on the grasslands of *Cymodocea nodosa*.
- No grappling operations or use of anchors are permitted where there is the presence of seagrass, instead the vessels shall use a dynamic type positioning;
- The presence of a qualified Marine Mammal Observer ("MMO") is required during offshore cables activities.
- To minimise disturbance to the reproduction of bottle nose dolphins (*Tursiops*) offshore installation works will not be carried out during breeding season.
- Appropriate waste management system from authorised company to avoid spillage of substances in the sea.

The process for receiving the final authorisation from the competent Italian Ministry of Ecological Transition is under way and is expected in Q2-2022 for the East Section.

West section

This section has the potential to interact with the Natura 2000 sites such as "Isola dei Cavoli, Serpentara", "Punta Molentis" e "Campulungu" ITB040020, "Fondali di Isola delle Femmine Capo Gallo" ITA020047, "Fondali dell'isola di Ustica" ITA020046, "Fondali dello Zingaro" ITA010032, "Fondali del Golfo di Custonaci" ITA010025, "Banchi di Marettimo" ITA010033, "Costa di Cagliari" ITB040021, "Isola dei Cavoli" ITB043027 and "Capo Carbonara e stagno di Notteri" "Punta Molentis" ITB043028. The "Appropriate Assessment" in line with Article 6.3 of the Habitats Directive is currently being prepared by Terna (the "Promoter") and is expected to be concluded by the end of 2022.

The permit application was submitted in May 2022 with permit approval by Ministry of Ecological Transition expected, according to the Promoter, in Q3 2023.

As the Appropriate Assessment and the associated formal feedback from the competent authority are still outstanding, an environmental assessment by the Bank is not possible at this stage for the West section. The Bank will complete its environmental due diligence based on



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the environmental assessment and the formal responses from the competent authority received in due course as detailed below (Conclusions and Recommendations).

The Project qualifies as “Climate Action” in accordance with the criteria adopted for electricity transmission networks in the EU. Furthermore, the investments are expected to increase the RES (“Renewable Energy Sources”) hosting capacity of the grid thereby contributing to CO₂ emissions reductions in the Project’s carbon footprint.

Terna has implemented a “Resilience 2.0” methodology that has been approved by ARERA² in 2022. Terna Resilience Plan includes infrastructure interventions as well as grid mitigation, reinforcement and monitoring to enhance the grid’s resilience in severe weather events.

Terna, being a corporate entity, is subject to PATH (“Paris Alignment of counterparties”) assessment. According to the information available at the moment of writing this E&S data sheet, Terna is not involved in high emitting activities nor it operates in high emitting sectors, therefore the Promoter is not screened-in and its vulnerability to physical risks is not high.

EIB Carbon Footprint Exercise

The source of CO₂ equivalent (CO_{2e}) emissions for the programme is the ohmic losses of the new network. At Project completion, the corresponding absolute emissions are about 18 kt CO_{2e} per year. The commissioning of the Project will enable the closure of two coal-fired power plants on Sardinia, Portovesme/Sulcis (480 MW) and Porto Torres/Fiume Santo (600 MW). The electricity generated by these plants is about 8.7 TWh/a. When the Project begins operation in 2025/26, the electricity production from the coal plants on Sardinia will be replaced by imports from the interconnected Italian network, resulting in a significant CO₂ emissions savings. The corresponding relative emissions are estimated at -6316 kt CO_{2e} per year.

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.

Social Assessment, where applicable

The Project is expected to provide short-term positive socio-economic impacts in the form of temporary employment opportunities.

The compensation process is well defined in the Italian legislative structure, mainly D.P.R. n° 327/2001 and relevant jurisprudence that define the compensation process. However, the Promoter is negotiating the direct acquisition from landowners in order to avoid expropriation. The law describes that compensation is necessary in accordance to the type of land, the agricultural production and includes compensation for damages during construction.

The Promoter is “Health & Safety” ISO 45001 certified regarding occupational health and safety (“OH&S”) to proactively improve its OH&S performance in preventing injury and ill-health.

² Autorità di Regolazione per Energia Reti e Ambiente.



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Public Consultation and Stakeholder Engagement

The consultation process took place in hybrid way with direct meetings and virtual events. The consultation involved three regions: Campania, Sardinia and Sicily plus local municipalities, public administrations bodies, civil society organisation, representative of productive association and citizens. The public consultation regarding the East Section (Campania – Sicily) took place at: Termini Imerese on 02/02/2021 (Palermo), Battipaglia on 30/03/2021 and Eboli on 04/02/2021 and 22/02/2021. On 6/10/2021 the public consultation regarding the West Section (Sicily – Sardinia) with the citizens of the municipalities involved came to a close. Those municipalities are: Termini Imerese (Palermo) on 29/09/2021, Quartu S. Elena on 04/10/2021, Sinnai, Quartucciu and Maracalagonis on 05/10/2021, Selargius and Settimo San Pietro (Cagliari) on 6/10/2021.

In the East Section the comments were properly collected and resulted in design change to avoid impact on valuable farming land in Piana del Sele and the substation will be located in San Nicola Varco (Eboli) in non-agricultural land.

The results of the public consultation of the Project were made available to local residents during two virtual meetings held in April 2022.

Other Environmental and Social Aspects

Terna has a wide range of policies related to environmental and social aspects and performances. The main document is Terna's "Codes of Ethics", which establishes the guiding principles and values of the company's action. Environmental, safety and security topics are regulated by the Integrated Policy which describes Terna's "Integrated Management System". Regarding Social aspects these are regulated by the "Respect of Human Rights Policy" and the "Diversity & Inclusion Policy".

Terna is included in the Bloomberg Gender Equality Index (GEI). The GEI is an international index that measures companies' performance regarding gender equality issues and the quality and transparency of their public reporting. Furthermore, Terna is also included in the Standard & Poor's "Gender Equality & Inclusion Equal Weight Index" which assesses the companies on specific areas such as Board Diversity Policy, Board Gender Diversity, Workforce Gender Breakdown, Gender Pay Indicators, Health and Well-being.

Terna has also subscribed the "Marine Grid Declaration" promoted by RGI Renewables Grid Initiative with the aim of engaging in the management and development of innovative solutions for the overcoming and mitigation of the environmental effects associated with subsea cables.

Conclusions and Recommendations

Based on the information available, taking into consideration the E&S impacts, the planned mitigants and the capacity of the Promoter to implement Project is acceptable to the Bank in E&S terms for the East Section.

The Bank will continue to monitor the Project implementation and the following conditions will apply:

Prior to first disbursement for the East Section:

- copy of the Authorisation from Ministry of Ecological Transition (MISE) for the East section.



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As the Appropriate Assessment and the associated formal feedback from the competent authority are still outstanding for the West Section, an environmental assessment by the Bank cannot be completed at this stage. The Bank will complete such assessment based on the information received in due course. In particular, evidence, satisfactory to the Bank, of the completion of "Appropriate Assessment" will be condition to the Bank's financing of the West Section.

In addition, the following first disbursement condition will apply for the West Section:

- copy of the Authorisation from Ministry of Ecological Transition (MISE) for the West section.