



Luxembourg, 21.12.2022

Environmental and Social Data Sheet

Overview

Project Name:	MVM DISTRIBUTION NETWORK UPGRADE II
Project Number:	2022-0582
Country:	Hungary
Project Description:	<i>The investment programme comprises a large number of schemes for the reinforcement and modernisation of the electricity distribution network in North-Eastern Hungary over the period 2024-2029. It encompasses high, medium and low voltage electricity distribution schemes as well as components for network automation and control.</i>
EIA required:	no
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental Assessment

The Programme concerns electricity distribution schemes, including power lines with voltage levels up to 132 kV, some of which will usually fall under Annex II of the EIA Directive 2011/92/EU, amended by directive 2014/52/EU, which requires the competent national authority to determine the need for an Environmental Impact Assessment.

The European directives have been transposed in Hungarian national law Act LIII of 1995. In particular a full EIA is obligatory for lines above 220 kV and with a length of more than 15 km. Schemes above 35 kV undergo an environmental screening, following which the competent authorities determine the need for an EIA. Screening for an EIA will not be required for the programme schemes with operating voltage equal or below 35 kV, which comprises all MV and LV schemes of the programme. The remainder programme schemes will undergo a screening for an EIA. In addition, programme schemes will be screened with respect to the need for an Appropriate Assessment under the EU Habitats and Birds Directives.

The project has the potential for some low to moderate environmental and social impacts. During construction, the environmental impacts are expected to relate to dust, noise, vibration, traffic disruption and vegetation clearance. Environmental impact during operation will concern electromagnetic fields (EMF), noise disturbance and collision and electrocution of flying vertebrates.

The environmental and social due diligence has followed the investment programme lending approach according to the EIB's procedures and standards. The due diligence focuses on the promoter's capacity and capability to implement the programme in line with the EIB environmental and social standards and requirements.

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, 21.12.2022

Examples of screening decisions have been provided for two programme schemes covered by the programme: the 132 kV overhead line Pécel – Sülysáp – Nagykáta (PE-06/KTF/19601-33/2022, 30 June 2022) and Maklár substation 132/22 kV (HE/KVO/00595-25/2022, 13 May 2022). The screening results in no significant environmental impact and standard conditions have been included to preserve soil and water, avoid pollution, reduce noise both during construction and operation phase. Since no recent examples of EIA can be provided from the promoter, the Bank will examine any EIA report produced in the framework of the programme.

One of the planned investments (the 132 kV overhead line Sülysáp - Nagykáta) concerns a Natura 2000 area, the area code of which is HUDI 20023 (Gödöllő Hills Nature Conservation Area) for which no significant effects are expected. A forest strip will be left between the route of the line (a small portion including 5 towers in total) and the Natura 2000 site. As a mitigation measure, the maintenance works for such vegetation clearing and mowing of the line pitch must take place outside the growing and breeding season. Additional measures to protect bird species mainly include: the replacement of poles with bird-friendly structures, the installation of flight diverters and the replacement of switchgear on poles with encapsulated switchgears.

The programme has been assessed for its Paris alignment and it is considered to be aligned both against low carbon and resilience goals in line with the policies set out in the Climate Bank Roadmap and with the EIB's Energy Lending Policy.

Estimated gross annual absolute emissions for network losses associated to programme in a standard year of operation is about 2.9 kT CO₂e/year. The operation will provide environmental benefits through the reduction of network losses. Estimated relative emissions savings are 2.9 kT of CO₂ equivalent per year.

EIB Paris Alignment for Counterparties (PATH) Framework

MVM Energetika Zrt ("MVM"), as the head of the Group including the promoter, is in scope and screened in because it is considered high emitting and of high vulnerability for counterparties framework (PATH). MVM already meets the requirements of the PATH framework with its existing decarbonisation plan objectives and physical vulnerability adaptations.

Public Consultation and Stakeholder Engagement

Public consultations, when necessary, are organised by the competent authority, as part of the EIA process.

Other Environmental and Social Aspects

The company's certificates verify that the promoter is in compliance with the requirements of standards ISO 9001:2015 (Quality management), ISO 14001:2015 (Environmental management), ISO 45001:2018 (Occupational health and safety), ISO 50001:2019 (Energy management).

Conclusions and Recommendations

The Bank reviewed the environmental and social capacity of the promoter including its organisation, processes and procedures, and considers them to be satisfactory. Based on the information available and with appropriate conditions and monitoring, the programme is expected to be acceptable in environmental and social terms for Bank financing:

- The Borrower shall, and each member of the Group shall: Not directly or indirectly invest in or implement any Incompatible Activities as defined from PATH framework (which for the avoidance of doubt includes the Borrower, or any member of its Group, acquiring shares in entities which invest in Incompatible Activities)



Luxembourg, 21.12.2022

- The promoter undertakes to send to the EIB copies of all EIA screening decisions concerning the programme schemes issued by the competent authority for nature and environment.
- The promoter undertakes not to allocate the Bank's funds to programme schemes that require an Environmental Impact Assessment (EIA) until the EIA and/or the biodiversity assessment have been finalised to the Bank's satisfaction and, including public consultations, and approved by the competent authority. When the EIA is made available to the public, an electronic copy of the full EIA study shall be sent to the Bank.
- The promoter undertakes to take into account and implement conditions expressed in any screening-out decision or EIA consent granted by the competent authority for nature and environment.
- The promoter undertakes to ensure that, in accordance with EU Habitats and Birds Directive, programme schemes may undergo a biodiversity screening. Should a component have a potential impact on a site of nature conservation, the undertaking is extended to inform the relevant authority and implement the procedures under Articles 6(3) and (4) of the Habitats Directive.
- The promoter undertakes to share and keep updated any documents that may be relevant for the programme and which support the compliance with the provision under the EU Habitats and Birds Directives (Form A/B, or equivalent declaration by the competent authority).
- The promoter undertakes not to allocate the funds to investments in electricity distribution assets consisting in the direct connection of electricity generation assets that operate at life-cycle emissions higher than 100g CO₂e/kWh.