

Luxembourg, 10 November 2023

Environmental and Social Data Sheet

Overview

Project Name: CIS DECARBONISATION AND ENVIRONMENT ENHANCEMENT

Project Number: 2023-0400

Country: Portugal

Project Description: *The Project comprises the construction and operation of a high-efficiency recovery boiler at the Setúbal Industrial Complex. This investment is a major step of its decarbonisation plan with significant energy efficiency measures and GHG emissions reduction.*

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

Environmental Assessment

- The project will take place in the existing Setubal Industrial Complex (SIC), a vertically integrated pulp and paper mill located outside of urban areas and it will not affect any area of special conservation value (e.g. Natura 2000). SIC is operational since 1969 and has continuously undergone adaptations and modernization cycles to incorporate best available technology.
- In July 2023, the Portuguese Environment Agency (APA) issued an updated Environmental Licensing (“Titulo Unico Ambiental”; situation without the project) for SIC. The Portuguese Coordinating Entity of Industrial Licensing (IAPMEI) is finalizing its review process of the exiting industrial permit and is expected to issue an updated Digital Title of Exploration (TDE) for SIC (situation without the project) in Q4 2023.
- The existing recovery boiler 3 (RB3), installed in 1989, had undergone major upgrades in 1995 and 2005, and is currently a major bottleneck for SIC, being used below capacity to comply with IED 2010/75/EU and its best available techniques (BAT) requirements.
- The project will support the Promoter’s Decarbonization Strategy by building a new recovery boiler (RB4), which will replace existing obsolete equipment (RB3) in SIC. The new RB4 will be compliant with the emission limits established by the Industrial Emissions Directive (2010/75/EU) and in the Decision EU 2014/687, setting the environmental standards for the production of pulp, paper and board, as well as with BAT standards.
- In addition to bringing the plant’s energy unit to the required environmental standards, the project will improve mill’s environmental performance (by increasing renewable energy generation) and will increase the mill’s resource efficiency.
- The project will not result in significant increase in the mill’s pulp and paper production volumes. Moreover, the project will lead to reduction of GHG emissions, by substituting fossil fuel energy with renewable energy (biomass).

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, 10 November 2023

- The project falls under the scope of Annex II of EIA Directive 2014/52/EU amending Directive 2011/92/EU, the Industrial Emissions Directive 2010/75/EU and Decision EU 2014/687, establishing BAT conclusions (BREF) for the production of pulp, paper and board.
- An EIA screening request for the project has been submitted by the Promoter to the Portuguese Environmental Agency (APA) in August 2023. The project has been screened-out from EIA by the competent authority (tacit approval).

EIB Carbon Footprint Exercise

Following the EIB Carbon Footprint Methodology, the total GHG emissions of the new recovery boiler after the implementation of the project are estimated at 8.0 kt CO₂-eq. Without the project, the current emissions of the energy unit to be replaced are of 20.0 kt CO₂-eq. Therefore, the net annual emission reduction due to the replacement of the old energy unit with the new recovery boiler are estimated at 12.0 kt CO₂-eq.

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 investment cost.

EIB Paris Alignment for Counterparties (PATH) Framework

The Promoter is in scope of the PATH framework and screened in due to its activities that take place in an energy intensive industry (i.e. pulp and paper production). Since 2021, the Promoter joined the Science Based Targets initiative (SBTi), having submitted its GHG emission reduction targets". The company is rated by the SBTi as "Near-term targets set at 1.5 degrees" and, therefore, is considered to meet PATH's low carbon requirements.

Social Assessment, where applicable

The Promoter has stringent Occupational, Health and Safety Management System (OHSMS) in place and is ISO 45001 certified. Due to their activities, they are subject to frequent internal and external audits as well as inspections by the local competent authorities.

Public Consultation and Stakeholder Engagement

The project was screened out from EIA and there was no public consultation for the project. The Promoter maintains a close relationship with the stakeholders through Community Monitoring Committees, where new projects are explained and comments are collected.

Other Environmental and Social Aspects

The Promoter has in place ISO 9001 standards and ISO 14001 certified Environmental Management Systems. All sites are regularly subject to energy efficiency audits and follow Energy Efficiency Management systems certified by ISO 50001.

The company has a strong focus on biodiversity and ecosystems conservation. The promoter manages sustainably about 120,000 ha of forests in Portugal and Mozambique, for which full FSC® and PEFC™ forest certification has been achieved and maintained.

The feedstock for the integrated mill is sourced mainly from Portugal and Spain, as well as from international wood markets under strict chain of custody systems, and in compliance with international forest certification systems (e.g. FSC/PEFC). The Promoter is third-party certified to chain of custody standards set by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). The Promoter's due diligence system ensures that all purchases follow the procedures set out by FSC Controlled Wood, Controlled Sources in PEFC Chain of Custody and comply with relevant EU regulations.



Luxembourg, 10 November 2023

The company is subject to the Seveso legislation at the high level of requirements, based on the Seveso III Directive (2012/18/EU), to minimise the risk of large-scale chemical accidents, mainly due to the storage of Sodium chlorate. With regards to the applicability of SEVESO and REACH directives, there will be no changes before and after the project.

Conclusions and Recommendations

The capacity of the Promoter to manage the project and to address environmental and social matters is considered appropriate.

Disbursement conditions:

- i) Submit the updated industrial permit (Digital Title of Exploration – TED) to be issued by IAPMEI for the SIC, for the current operations conditions of the industrial complex (i.e. without the project)

Project undertakings:

- i) Any biomass supplied to the project shall be subject to a transparent, credible chain of custody, and forest management and chain of custody practices in feedstock sourcing areas shall be certified by internationally accredited forest certification schemes (e.g. FSC/PEFC) or should be aligned with the same standards and principles to be certifiable.
- ii) Compliance with EU Regulation on Deforestation-free Products (EU) No. 2023/1115 repealing Timber Regulation (EU) No 995/2010.
- iii) Submit the updated industrial permit (TED) for SIC, to be issued by IAPMEI after the commissioning phase of the project, as soon as available.

The project is considered acceptable for financing by the Bank from environmental and social perspectives subject to the following E&S conditions that will be included in the financial contract.