

Luxembourg, 20 June 2024

## Environmental and Social Data Sheet

### Overview

Project Name:	Stora Enso – Renewable Packaging Conversion
Project Number:	2023-0834
Country:	Finland
Project Description:	The project will finance investments to convert an idle paper machine from coated fine paper to consumer board products. It is the second phase of a large mill conversion into renewable packaging production, significantly improving the carbon footprint of the company as well.
EIA required:	yes
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

#### Environmental Assessment

The project falls under the scope of Annex I of the EIA Directive 2014/52/EU amending the EIA Directive 2011/92 (industrial plants for the production of pulp from timber) and was subject to a full EIA process, including public consultation. The change in the direction of production from paper production to paperboard production for the full conversion paper mill was examined in an EIA procedure in 2018. In 2020, the conversion of two paper machine lines to paperboard production lines and the construction of a plant for the manufacture of chemi thermo mechanical pulp (BCTMP) was approved in an environmental permit. The operating licence has been granted in two phases, with a first stage for producing unbleached pulp and paperboard through the conversion of the first paper machine to board production (completed in 2021), and a second stage focusing on producing CTMP pulp and the conversion of the second paper machine for board production.

Regarding this project (i.e. the second phase of the conversion process), the promoter decided to follow an alternative option for the production of carton boards that involves the construction of a new carton board production line, a new BCTMP line, a new biomass boiler and upgrades to the waste water treatment plant. This has been considered by the authorities as a substantial change of the project scope (stage two), and therefore a new EIA and environmental permit was needed in accordance with the Finnish Environmental Protection Act. The new EIA was carried out in 2022 and included assessment of the impacts of the project on Natura 2000 sites. The environmental authority concluded that the residual environmental impacts after mitigation were minor and the project does not significantly impact the integrity of Natura 2000 sites and their natural values. In January 2024, an environmental permit (PSAVI/13605/2022) was issued by the responsible authority (Regional State Administrative Agency).

<sup>1</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.



Luxembourg, 20 June 2024

The project brings environmental benefits, especially regarding pollution prevention, circular economy, and resource efficiency. The project is aligned with the EIB Climate Bank Roadmap (CBR) objectives, contributing to improved sustainability of production processes, greening the industry and pollution reduction. It produces renewable energy and fibre substituting for fossil-based alternatives.

The plant will be operated in accordance with the latest implementation decision on best available techniques (BAT) (2014/687/EU) for the manufacture of pulp, paper and board. The project thus demonstrates substantial improvement in terms of wastewater treatment to reduce or eliminate pollution beyond current industry practice (e.g. at lowest BAT range for existing installations) and eliminate contaminants of emerging concerns (e.g. micro-pollutants).

The investment is aimed at producing sustainable, compostable and recyclable packaging solutions capable of replacing fossil-based plastic solutions, thereby helping to reduce plastic pollution.

The project has been assessed for Paris alignment and is considered to be aligned both against low carbon and resilience goals against the policies set out in the Climate Bank Roadmap. The project is aligned with the promoter's climate ambitions of 50 % CO<sub>2</sub> reduction of Scopes 1 -3 by year 2030 compared to the 2019 baseline.

### **EIB Carbon Footprint Exercise**

The estimated annual absolute emissions (scenario with project) are 123.2 kt CO<sub>2e</sub>/year. Considering the alternative Scope 3 emissions from transport and substitution effect (replacing plastic uses by renewables), the annual absolute emissions are -61.3 kt CO<sub>2e</sub>/year. The estimated baseline emissions (scenario without project) calculated based on the alternative scenario (incl. Scope 3 emissions) are 111.5 kt CO<sub>2e</sub>/year. Therefore, the estimated annual relative emissions savings are 172.8 kt CO<sub>2e</sub>/year.

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

### **EIB Paris Alignment for Counterparties (PATH) Framework**

The counterparty is in scope for the PATH assessment and has been screened in because it is part of a high emitting sector (pulp & paper manufacturing sector). The counterparty meets the requirements of the EIB PATH framework. The company is rated by the Science Based Targets Initiative (SBTi) as "Near-term targets set at 1.5 degrees" and "below 2 degrees" by Transition Pathway Initiative (TPI).

### **Social Assessment, where applicable**

The Promoter has stringent Occupational, Health and Safety Management System (OHSMS) in place and it is certified OHSAS 18001 and ISO 45001:2018.

### **Public Consultation and Stakeholder Engagement**

In line with the provisions of the relevant Finnish legislation, which transposes the EIA Directive, public consultation was required for the project. The consultation took place during March and April 2022. Recommendations from the consultation process were incorporated in the environmental permit

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

The Promoter is certified ISO 9001 - Quality, ISO 14001 – Environmental management, FSSC 22000 – Food safety, and ISO 50001 – Energy management. The company's project implementation plan covers relevant E&S, quality, and management matters. The capacity to manage E&S risks and to implement the environmental plan is assessed as high.



Luxembourg, 20 June 2024

The Promoter has a policy in place to ensure that all round wood is sourced from sustainably managed forests, either from PEFC/FSC certified forests or from PEFC/FSC controlled sources. The Promoter has a due diligence system in place proving 100 % legality and traceability of its sourced wood raw materials, complying with relevant EU regulations and certified by both PEFC Chain of Custody and FSC Chain of Custody standards.

The company is subject to the Seveso legislation at the lower 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 sulphur acid. The bioproduct mill currently operates according to Seveso and Reach directives, there will be no changes in this respect after the project implementation.

## Conclusions and Recommendations

The capacity of the Promoter to address E&S risks is considered appropriate.

E&S undertakings:

- Any biomass supplied to the plant must be subject to a transparent, credible chain of custody, while forest management and chain of custody practices in feedstock sourcing areas should be certified by internationally accredited forest certification schemes (e.g. FSC/PEFC) or should be aligned with the same standards and principles so as to be certifiable;
- Exclude sourcing biomass from areas with natural forest conversion and logging from primary forests;
- Comply with the sustainability requirements of the EU regulatory framework, i.e. EU Forest Strategy for 2030, EU Forest Law Enforcement Governance and Trade (FLEGT) Regulation (2173/2005), LULUCF Regulation (841/2018), Renewable Energy Directive (EU 2018/2001) as amended by Directive (EU) 2023/2413, Regulation (EU) 2023/1115 on deforestation-free products and commodities, as applicable;
- Submit to the Bank the relevant, amended, IED and operating permits of the project before starting operating the new facilities.
- Provide proof of compliance with the final decision of the Environmental Protection Agency in respect of emission levels

Subject to the above E&S conditions on the project, and taking into account Promoter's capability and the systems in place to manage environmental and social impacts and issues, the project is considered to be acceptable for EIB financing in environmental and social terms.