

Luxembourg, 19.06.2025

## Environmental and Social Data Sheet

### Overview

Project Name: *EPM CLIMATE ACTION - ENERGY & WATER*  
 Project Number: *2023-0893*  
 Country: *Colombia*  
 Project Description: Loan to the public sector entity EPM (Empresas Públicas de Medellín) in Colombia to finance its investment strategy of sustainable energy and water & sanitation.

EIA required: This is a multi-scheme Framework Loan operation. Some of the schemes may require an Environmental and Social Impact Assessment (ESIA).

Project included in Carbon Footprint Exercise<sup>1</sup>: no

### Environmental and Social Assessment

The Promoter of this operation is “Empresas Públicas de Medellín” (“EPM” or “the Promoter”), the concessionary of the energy distribution, water, sanitation, and waste management services in the metropolitan area of Medellín (Colombia). The proposed framework loan will finance a number of energy, water and sanitation schemes in EPM’s area of operation in Colombia. These schemes are part of EPM’s investment Programme corresponding to the period 2024- 2027.

The following types of works are eligible under the project:

- New, extension, modernisation or refurbishment of hydropower plants, including electro-mechanical, mechanical, electronic and civil components. New plants will be restricted to exclusively run-of-river schemes with installed capacities below 25 MW.
- New, extension, upgrade and or modernisation of electricity regional transmission and distribution network schemes such as substations, aerial or underground power lines, protection systems, control devices, digital tools and systems.
- Other renewable energy generation technologies such as onshore wind, solar photovoltaic, geothermal, biomass and/or renewable hydrogen are also eligible subject to specific approval by the Bank.
- Providing first-time water supply to unserved customers through the construction of new or the extension of existing water supply systems, including water abstraction, water treatment plants, reservoirs and distribution networks.
- Rehabilitation of water supply systems improving their resilience to climate change and reducing water losses. These schemes can also include District Metering Areas (DMAs) and meters at consumer level.
- Providing first-time sanitation to underserved customers through the construction of sanitation infrastructure, including collection and treatment.
- Rehabilitation of sanitation infrastructure to improve efficiency in terms of energy and to mitigate the pollution effects produced by aged infrastructure.

<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, 19.06.2025

## Environmental Assessment

The national environmental legislation applicable to this project comprises Decree 1076 of 2015 “Environment and Sustainable Development”, Law 99 of 1993 and Decree 1974 of 1974.

Depending on the location of the project component and its potential impact and size, the Competent Authority (CA) may be:

- The national entity, *Agencia Nacional de Licencias Ambiental - National Agency for Environmental Permitting (ANLA)*;
- Regional entities in the Department of Antioquia, *CORANTIOQUIA*, *CORNARE* and *CORPOURABA*;
- Supramunicipal entity *Autoridad Ambiental Urbana AMVA – Area Metropolitana del Valle de Aburrá*, which covers the municipalities: Medellín, Caldas, La Estrella, Sabaneta, Itagüí, Envigado, Bello, Copacabana, Girardota y Barbosa.
- In addition, each municipality has its own Environmental secretariat to manage the environmental issues in its jurisdiction.

The Promoter has experience in the management of projects in compliance with the environmental and social standards of International Financial Institutions (IFIs), such as the World Bank and the IDB. In particular, the Promoter has already implemented projects of a similar type and size financed by the WB and IDB, and therefore its capacity is considered satisfactory.

### Energy schemes

Due to the nature of this operation, the final renewable energy generation schemes and their environmental and social (E&S) impacts are not fully known at this stage. These schemes will require ex-ante approval by the Bank prior to authorising the use of its funds, and, if they were in the EU, they would fall under Annex II of Environmental Impact Assessment (EIA) Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring the national competent authority to decide on the need for a full EIA process. In the case of the electricity network schemes, some might be included in Annex I of the mentioned Directive, thus also requiring full EIAs to be performed. All energy schemes will go through appraisal on E&S and an alignment with the basic principles of the relevant EU Directives will be sought, including compliance with Best-Available-Technique (BAT), where appropriate. For hydropower schemes the Promoter will ensure that these investments will comply with the EIB's Environmental, Climate and Social Guidelines on Hydropower Development.

The electricity network investments have the potential for some environmental and social adverse impacts, including land degradation and soil erosion, vegetation clearance, disturbance during construction, electromagnetic fields and nuisance during operation. They may involve temporary loss of access to land or property due to construction works within the right of way as well as crop and tree destruction. The Promoter has the capacity and is committed to implementing the necessary mitigation measures at both design and construction stages. These typically include special construction procedures to minimise damages and disturbance, construction of facilities to contain oil leaking from transformers of grid infrastructure, soil restoration, traffic management measures, appropriate waste collection procedures and others.

### Water and sanitation schemes

Sanitation investments are subject to a Strategic Environmental Assessment carried out by AMVA. The latest assessment in this regard was carried out on 15.04.24 and is related to the Sanitation Management Plan for the period 2022 – 2032. Water supply components are in line with the Aburrá River Basin Management Plan approved also by AMVA.

It is not expected that water and sanitation schemes will have significant negative impacts and it is unlikely that they will require full ESIA. In case a scheme requires a full ESIA, its



Luxembourg, 19.06.2025

implementation will not start before first receiving all the necessary approvals from the Competent Authority. In this case, the Bank will also require the Promoter to provide a full copy of the ESIA.

The project mainly contributes to the protection of water resources by avoiding the pollution of water due to the discharge of untreated wastewater and overflows of combined sewer networks. Negative environmental impacts are associated mainly with the period of construction and are considered to be localised and temporary: (i) dust and air emissions, (ii) potential impacts on water or soil due to mismanaged waste and (iii) noise and vibrations.

The schemes' compliance with the Biodiversity and Habitats National Legislation, their alignment with the Habitats and Birds EU Directives (92/43/EEC, 2009/147/EC), international conventions which Colombia has endorsed, and the EIB Environmental & Social Standards will be further checked during the appraisal of individual schemes, before allocation and during their implementation.

This Framework Loan will not finance schemes with significant negative environmental and/or social impacts or requiring significant involuntary physical resettlement and/or with impact on indigenous people.

## **Climate Change**

The Project will have a significant contribution to Climate Change adaptation by increasing the resilience of the water supply service and Climate Change mitigation, which stems from the generation and transmission/distribution of renewable energy, and improved wastewater treatment under aerobic conditions. Climate Change risk assessments, in particular for hydropower schemes, will be performed by the Promoter. Framework loans as a whole are not covered by the EIB's Carbon Footprint Exercise. Each scheme will be included in the carbon footprint exercise if emissions are above the threshold.

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

The Counterparty is considered in scope of PATH since it is a Public Sector Entity but is not active in incompatible activities. EPM Group is a multiutility entity involved in distribution and transmission of electricity, power generation (mainly hydro, thermal and wind) plus water distribution, wastewater treatment and solid waste management.

The EPM Group generated 15,774 GWh from the following sources: hydroelectric 14,367 GWh, thermal 1,344 GWh, wind 60 GWh and a remaining small amount of distributed solar PV generation. The overall Renewable Energy Source (RES) generation constitutes 91.4% of the overall production. The company is therefore screened out because it has less than 20% of annual consolidated revenues coming from high-emitting sectors.

EPM has demonstrated institutional capacity to manage physical climate risk. According to its 2023 group reporting and corporate climate strategy, EPM is aware of the increasing risks associated with climate hazards, such as flooding, wildfire, drought, and others. The analysis performed concluded that the counterparty has demonstrated sufficiently its alignment with the PATH resilience requirements.

## **Social Assessment**

Energy investments will generate social benefits, in terms of supporting better health through improving indoor air quality and supporting employment generation. Recent reports are pointing out the possibility of use of forced labour in the supply chain of solar PV panels. In case solar



Luxembourg, 19.06.2025

PV generation is included in the pipeline of investments, the Promoter will undertake to use reasonable efforts to perform supply chain due diligence to mitigate the risk of forced labour in the solar PV supply chain of the investments and shall pass down to its suppliers the requirement to avoid forced labour.

The project is also expected to bring important long lasting benefits to the population by increasing the quality and reliability of water and wastewater services. The project will generally benefit public health, either by increasing or improving sanitation services, and by collecting and treating wastewater before discharging it into receiving water bodies. The project will also have a significant positive impact on temporary employment.

Negative social impacts are likely to be limited to possible disruption of services and traffic, noise and temporary occupation of public and private space, and safety hazards during construction only. The project is not expected to cause any involuntary resettlement. In the unlikely event that temporary economic or physical displacement becomes necessary during implementation, the promoter will be responsible for the preparation of satisfactory documentation required under the EIB's Social Standards.

The Promoter's environmental policies require that for each intervention an Environmental and Social Management Plan (ESMP) is prepared and implemented. The ESMP's will be prepared also in line with the EIB's Environmental and Social Standards.

The Republic of Colombia ratified the Indigenous and Tribal Peoples Convention, also known as ILO Convention 169, which is the major binding international convention concerning indigenous peoples and tribal peoples. Colombia has a legislative framework (Decree 1069/2015 and Law 1753/2015) that includes a process of public consultation ("consulta previa") in case an investment affects such kind of community. However, the operation will not finance schemes affecting indigenous communities.

## **Public Consultation and Stakeholder Engagement**

The Promoter has a well detailed procedure to engage with stakeholders. The process includes consulting with the local population not only to explain the impact of the investment but also to gather requests and needs. This information is essential for the ESIA completion and for designing specific Corporate Social Responsibility (CSR) programmes to support the most vulnerable segments of the population. Grievances relevant to the schemes will be collected, recorded and solved by dedicated local social staff and social entities that are implementing the CSR Programmes.

## **Conclusions and Recommendations**

The project contributes towards the fulfilment of SDGs, particularly SDG 6 on "Clean water and sanitation", SDG 7 on "Access to affordable, reliable, sustainable and modern energy", SDG 11 on "Sustainable Cities and Communities" and SDG 13 on "Climate Action". Overall, the project has positive net social and environmental benefits.

The Bank reviewed the Promoter's environmental and social capacity, including its organisation, processes, and procedures, and found them to be satisfactory. The Promoter undertakes to implement the Project in accordance with the EIB's Environmental and Social Standards and in compliance with the national environmental legislation.



Luxembourg, 19.06.2025

Furthermore, at the time of appraisal, the operation does not entail components with significant, negative environmental and/or social impacts or requiring physical resettlement and/or impacting indigenous people.

The following undertakings shall be included in the finance contract:

- EPM shall not commit any EIB funds against schemes that require an ESIA or biodiversity assessment according to applicable laws without, prior to commitment, receiving the development consent from the competent authority or the screening out decision, as well as submitting the ESIA report to the EIB for publication on the Bank's website.
- EPM shall store and maintain updated the relevant documents (including if required, environmental studies related to the ESIA's, Nature/Biodiversity Assessments, other additional assessments (e.g. fulfilment of the principles of the WFD), Environmental, Social Management Plans, Resettlement Action Plans and Stakeholder Engagement Plans) to be provided to the Bank upon request.
- EPM will ensure that the contractors implement the schemes in compliance with the EIB's Environmental and Social Standards, and ILO core labour standards.
- EPM will not allocate funds from the EIB loan to components that have impact on indigenous people or require their physical resettlement.

Considering the above, the project is acceptable for EIB financing from an environmental and social point of view.