



Luxembourg

## Environmental and Social Completion Sheet (ESCS)

### Overview

Project Name:	<i>CEZ Distribution Network Upgrade II</i>
Project Number:	<i>2020-0786</i>
Country:	<i>Czech Republic</i>
Project Description:	<i>The Project comprises investment schemes in the electricity distribution network in the Czech Republic over the period 2021-2022. It encompasses reinforcements and refurbishments in medium and low voltage networks, including the installation of automation and tele-control systems and e-mobility charging stations' infrastructures.</i>

### Summary of Environmental and Social Assessment at Completion

**EIB notes the following Environmental and Social performance and key outcomes at Project Completion.**

During the implementation period 2021-2022, the Promoter installed new and refurbished 6871 km of MV and LV lines (4558 km underground cables and 2213 km aerial lines), as well as new and refurbished MV/LV transforming substations adding overall 1354 MVA of new capacity. The realized investments made it possible to connect new customers, maintain the reliability of electricity supply, and integrate additional generation capacity from renewable energy sources. In addition, the Project contributed to the deployment of electro-mobility in the country through the connection of dedicated charging stations and collection points e-mobility charging compatible.

The realization of the Project required standard and mature technology for the installation of the network distribution equipment.

The implemented schemes are located in the areas served by the promoter, corresponding to the Regions of Plzeň, Karlovy Vary, Ústí nad Labem, Central Bohemia, Liberec, Hradec Králové, Pardubice, Olomouc, and Moravia-Silesia.

None of the Project schemes required a full EIA. The electricity distribution schemes included in the Project do not meet the minimum threshold for EIA screening set out in national legislation (set at 110kV), as per provision of Article 4(3) of Directive 2014/52/EU amending the EIA Directive 2011/92/EU.

Environmental analyses, as appropriate, were carried out for some schemes in the context of the permitting process. All programme schemes have been screened with respect to the need for appropriate assessment under the EU Habitats and Birds Directives. The Promoter did not report any issue regarding this aspect <sup>1</sup>.

<sup>1</sup> The Promoter informed that in total, during the years 2021 – 2022, over 3,000 constructions potentially affecting protected areas were implemented, for which opinions were obtained from the competent environmental institutions within the process relevant to achieving the permission to implement the construction. The relevant required permits obtained for the planned construction, included an environmental assessment. The Promoter confirmed the compliance with all applicable legislation.



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Thanks to several “preventive” measures implemented during design and construction phases to minimize Project’s impacts, no significant environmental or social issues were reported by the Promoter. Only some minor negative, locally limited impacts (noise, vibration, dust, and traffic-disruption) were present during the works.

Regarding the Project carbon footprint, at completion the absolute emissions due to the electricity losses of the new and refurbished network equipment being installed are estimated at 23.1 kt CO<sub>2</sub>e per year (approx. 13% lower than the absolute emissions estimated at appraisal<sup>2</sup>). Overall network losses increased from 3.3% of the demand (in 2021) to 3.42% of the demand (in 2023), therefore the absolute emissions due to the Project are not offset by the reduction of system losses (as it was initially estimated at appraisal). 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.

Regarding the alignment of the Promoter<sup>3</sup> to the objectives of the Paris Agreement, although the PATH framework does not formally apply in this case<sup>4</sup>, ČEZ’s decarbonisation targets have been monitored over the Project implementation period. According to the information provided, ČEZ’s plan for the gradual decommissioning of coal and lignite-fired plants are confirmed, with a significant capacity dismission (approx. 2 GW) expected from 2024 to 2030.

#### **Summary opinion of Environmental and Social aspects at completion:**

EIB is of the opinion that, based on reports and information provided by the Promoter, the Project has been implemented in line with EIB Environmental and Social Standards, applicable at the time of appraisal.

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<sup>2</sup> Mainly due to the update of the relevant emission factor in the last version of the EIB Carbon Footprint Methodologies (version 11.3 of January 2023).

<sup>3</sup> ČEZ Distribuce belongs to the ČEZ Group, controlled by ČEZ A.S. (the Borrower). ČEZ AS is significantly involved in CO<sub>2</sub>-intensive power generation activities. Currently, CEZ’s generation fleet comprises coal and lignite-fired plants (in 2020, the relevant installed capacity was 4.6 GW). According to the CEZ Group sustainability report evaluated at appraisal, CEZ intended to be carbon neutral by 2050, reducing its electricity generation emissions from 330g of CO<sub>2</sub>e per kWh in 2020 to about 100g by 2040. This goal is being achieved by closing selected coal plants and by investing further in renewables.

<sup>4</sup> The PATH framework only applies to counterparties with operations with a Project Initiation Note approved after the 1<sup>st</sup> of January 2022.