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Environmental and Social Data Sheet

Overview

Project Name: UKRAINE EMERGENCY AND DECARBONISATION SUPPORT

Project Number: 2025-0200

Country: Ukraine

Project Description: This operation will finance the purchase of long-term gas reserves (technically equivalent to cushion gas), against which the Promoter will contractually commit and be required to allocate similar financing to sustainable energy and decarbonisation projects, which should be allocated to this operation in the medium-term, following framework loan allocation procedures. As such the operation addresses energy emergency needs and supports medium-term sustainable objectives of the Promoter.

EIA required: Some of the investments may require an EIA under the relevant national legislation or as determined by the competent authority on a case-by-case basis.

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 operation concerns a Framework Loan (FL) to Naftogaz to be fully disbursed within 3 months upon signature of the loan to finance the purchase and import of ca. 0.64 bcm² of cushion gas³, an exceptional emergency measure to make up for the domestic gas production losses following Russian attacks in February/March 2025. The operations will support the technical functioning of gas storages in the country, allowing critical gas withdrawals required during the upcoming heating period.

This component would be considered waiving temporarily the requirement to apply the “EIB Energy Lending Policy” eligibility related to the support of natural gas operations whilst being in line with the principles of the “Ukraine Energy Rescue Plan” by the Bank approved in October 2024 and applying until the end of 2025.

After resuming operation of damaged production assets and within up to five years from loan signing, the Promoter commits to use an equivalent financing amount towards a new portfolio of EIB eligible renewables/decarbonisation assets, which will be reviewed by the Bank in line with FL procedures. If not ready or acceptable to the Bank, the loan or a portion of it will be repaid, upon the above-mentioned timeline. The programme may include wind power plants,

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.

² Based on imported natural gas prices in July 2025 as provided by the Promoter

³ The volume of gas needed as part of the permanent inventory to maintain adequate reservoir pressures and deliverability rates throughout the withdrawal season.



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which are at different stages of maturity at this stage, with two plants of ca. 58 MW each having relatively progressed feasibility studies and environmental assessments.

The programme thus supports Naftogaz's national energy security and long-term decarbonisation strategy.

The EIA process in Ukraine is governed by national legislation. Ukraine has taken steps to align its environmental legislation with the EU's Environmental Impact Assessment (EIA) Directive (2011/92/EU, as amended by 2014/52/EU) and Strategic Environmental Assessment (SEA) Directive (2001/42/EC). This effort is part of Ukraine's broader commitment under the EU-Ukraine Association Agreement, which aims to align Ukrainian laws with EU standards.

The purchase of cushion gas does not trigger direct impact on the environment as it will not result in a change to the existing physical infrastructure of gas transportation and supply system. The transmission and storage may be associated with potential impacts related to routine and accidental gas leaks related to the technical integrity status of the gas pipelines and underground gas storage facilities which are understood to be in need of modernisation⁴. This is being mitigated by the Promoter based on generally recognised performance industry operational and maintenance standards, such as employing high-quality sealant materials, implementing innovative pipeline and joint repair methods, using composite wraps as well as regular inspection and maintenance. The gas component will have minimal or no adverse environmental or social impacts, it will not add natural gas capacity and therefore will not have negative environmental, social or climate impact.

The purchase, import, transmission and injection of cushion gas will not require an EIA as foreseen under the Ukrainian EIA legislation as it would not require, if it was in the EU, an EIA either.

Concerning the renewables/decarbonisation programme, the main impacts on the environment from the renewables/decarbonisation programme are expected to include waste generation, nuisance factors (dust, air, vibration, noise), and increased traffic during the construction phase and visual and land use impacts during operation. The implementation of large-scale renewable plants may also require significant land areas, which will need to be properly assessed, planned and managed. Mitigation measures will be implemented to reduce or prevent the impacts in accordance with common industrial practices and the requirements of the environmental legislation in the Ukraine. These typically include appropriate site organisation and construction management to minimize damages and disturbance, soil and flora restoration, traffic management measures and appropriate waste collection procedures. Where relevant, the specific impacts from the schemes and the mitigation measures will be assessed and identified in the environmental permitting process for each specific scheme.

Some of the schemes may fall under Annex I or Annex II of the EU EIA Directive, the latter leaving it to the national competent authority to determine according to Annex III of the said Directive whether an environmental impact assessment is required. Considering the indicative pipeline of schemes, the Promoter expects that some of the schemes (large-scale wind power farms) will be subject to an EIA process.

With regard to the requirements of the Habitats Directive 92/43/EEC and/or Birds Directive 2009/147/EC, the promoter will be required to verify that none of the schemes have a significant adverse impact on any site of nature conservation importance. The promoter will be required to obtain and provide to the Bank the written confirmation to this effect from the competent authority, or an equivalent confirmation satisfactory to the Bank. Schemes having a significant adverse impact on any site of nature conservation importance will not be eligible under this operation.

⁴ The natural gas pipelines network was constructed during the period ranging from the 1960s to the 1980s



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It will also be the Promoter's responsibility to implement the projects in line with the requirements of EIB E&S Standards for candidate countries and the applicable national legislation also considering limitations in place due to the emergency situation in the country and the temporary regulatory measures set under the martial law to ensure the defence and energy security of the State. For large schemes (with an investment cost above EUR 50 m), the Bank will review the environmental and social aspects as well as the permitting documentation (including screening decisions) at the appraisal of the individual allocations, and a separate Environmental Social Data Sheet will be published.

The main positive impacts expected are those related to:

- in the short-term, the maintenance of the technical integrity of underground gas storages and their safe operations,
- in the medium-term, the avoidance of CO₂ emissions related to decarbonisation and electricity generation from renewables.

The environmental and social due diligence has focused on the Promoter's capacity and capability to implement the schemes in line with the EIB environmental and social standards, as well as on the expected environmental and social impacts of the renewables/decarbonisation programme. The Promoter has in place an environmental management system which is considered adequate. Based on this assessment, the environmental capacity of the Promoter is deemed good.

Concerning the gas component, the main sources of air emissions are through natural gas leaks as a result of normal operations and equipment venting, as well as energy used for compressors to inject the gas into the underground storage. To mitigate its impact on the environment and reduce the inefficient use of resources, the Promoter monitors and reduces its direct GHG emissions (Scope 1), in particular through the reduction of methane leaks from the gas systems it manages. The Promoter also ensures that its pipelines meet international standards for structural integrity and operational performance and undertakes periodic leaks and corrosion detection whilst ensuring that its fuel combustion emissions are within regulatory limits. Prior to the war, the Promoter started implementing an overall modernisation programme of its facilities, including gas compressor engines, which progress is understood to be relatively on hold due to the on-going war. As the gas component, albeit representing relatively large volumes of gas, will be implemented in a short period of time, ie. within weeks or a month to be transported, injected and stored permanently in storage, and as the gas component is associated with a short-term working capital facility, the EIB carbon footprint was not applied to the component. There is no direct emission expected to be related to renewable energy generation or decarbonisation programme. The estimated emissions savings compared to the generation replaced by the schemes will be reported at the appraisal of the allocations, based on FL allocation procedure (ie., small and medium schemes less than EUR 50m will not be reported).

Concerning risks related to climate change, physical risk was assessed by the Promoter and no material risk was identified. This risk is indeed not foreseen in the case of gas purchased for injection into underground gas storages. This risk will be further assessed at the allocation stage of the FL renewables/decarbonisation schemes, based on the Bank's FL procedures.

The Project is expected to be aligned to the goals and principles of the Paris Agreement as set out in the Bank's Climate Bank Roadmap and the Energy Lending Policy in the medium-term (through the implementation of eligible renewables/decarbonisation programme), whilst applying in the short-term the temporary derogations by the Ukraine Energy Rescue Plan as described above.



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EIB Paris Alignment for Counterparties (PATH) Framework

The counterparty Naftogaz is in scope and screened in the PATH framework, because it is considered high emitting.

The counterparty has agreed to develop its decarbonisation plan and is expected to publicly disclose a new or updated alignment plan in the future.

The counterparty's activities that are considered incompatible with the Paris Agreement as defined in paragraph 4.24 of the PATH framework. Due to the emergency nature of this Project and the fact that the Project will ultimately incentivize the development and implementation of a renewable/decarbonisation programme, an exceptional derogation has been sought internally in the Bank, taking the decision that the counterparty can be supported by the EIB.

Social Assessment, where applicable

The Project is not expected to result in either physical or economic displacement of population, to be confirmed during the allocation of large-scale schemes. Schemes with significant negative social impacts shall not be eligible.

Ukraine has ratified all ILO fundamental conventions, and the documentation of the Project includes provisions for occupational health safety and labour-related matters. The Promoter has a labor protection management system in place, which is regularly updated and improved in accordance with international standards. It will ensure that health and safety and emergency preparedness procedures are in place and address both typical construction-related and war-related risks, such as potential air missile bombardments or drone attacks.

The Promoter's activities are aligned with national laws of labour and occupational health and safety (OHS), industrial and fire safety, road traffic safety, which are embedded in internal policies, procedures, and internal as well as controlled through State Labour Service inspections and audits. Staff members receive environmental and occupational health and safety trainings, including trainings on first aid and mine safety. The Promoter also has an Emergency Preparedness and Response procedure in place, including emergency response to surface equipment damage as a result of attacks.

The contractors and suppliers of the Project will be required to have an Occupational and Community Health and Safety management systems in place in line with the Promoter's requirements.

Impacts related to war include the threat of missile and drone attacks as well as other military actions introduce an element of extreme uncertainty and risk that cannot be entirely mitigated by health and safety measures.

The Project will generate significant social benefits. It will contribute to ensure a reliable heat and power supply, critical for essential services, and minimize disaster risks. It will further contribute to the reduction in air pollution through decarbonisation and implementation of renewable energy schemes.

Public Consultation and Stakeholder Engagement

It is expected that for all project components subject to EIA, the public consultation will be carried out under the EIA process, as required by the EIA Directive and national legislation, and a grievance mechanism set up.



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One notable achievement is the establishment of a nationwide online EIA database, which provides free and full access to all documents related to the EIA procedure. This system enhances transparency and public participation in environmental decision-making. However, the Unified Register of EIA was closed for public access in March 2022 due to security reasons and has currently limited public access.

Other Environmental and Social Aspects

The Promoter and its subsidiaries have integrated Environmental & Social Management Systems ("ESMS") in place that are certified to ISO 14001 for Environmental Management and ISO 45001 for Health and Safety Management.

In addition, the Promoter maintains an Occupational Health and Safety Management System, in accordance with industrial standards and the local legislation. Annual sustainability and environmental reports are prepared, in accordance with the Global Reporting Initiative standards. The environmental management system (EMS) entails provisions for implementation of procedures for identification and evaluation of environmental aspects and establishment of environmental management plans for specific projects.

On top of these systems, the Promoter also set up an Industrial Safety Management System, in line with the above ISO standards, as well as with ISO 9001 quality management systems. The Promoter is also experienced to implement gas-related projects in line with IFI standards.

The Promoter has a relatively robust organisational structure and sufficient E&S capacity to implement the projects through the subsidiaries in charge of renewable generation, which follow the same policies and standards as the main group.

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Conclusions and Recommendations

Based on the Bank's FL allocation procedures, the schemes under the present FL will be appraised by the Bank at the allocation phase, including the review of the permitting documentation and the compliance with the applicable EU Directives. A separate ESDS may be published by the Bank where applicable.

The following conditions will be included in the finance contract:

- The Borrower shall, and shall cause any contractor to, ensure that environmental and/or social risks and impacts arising from facilities used for the Project are managed and mitigated in accordance with applicable law, good international practice and the Bank's E&S standards.
- The Borrower undertakes to publicly announce a new or updated alignment plan following the completion of the decarbonization strategy/plan supported by an on-going technical assistance (TA) assignment managed by the EIB. The Borrower also undertakes to progress the corresponding action plan as an outcome of this TA.
- The Borrower shall, [and shall procure that each member of the Group] shall: a) Not directly or indirectly invest in or implement any Incompatible Activities (which for the avoidance of doubt includes the Borrower, or any member of its Group, acquiring shares in entities which invest in Incompatible Activities), as defined in the EIB Group PATH Framework (<https://www.eib.org/en/publications/the-eib-group-path-framework>); Exception to this clause concerns the planned increase in oil production.
- In the EU the Promoter shall ensure environmental compliance of the schemes concerned in line with EIA Directive 2014/52/EU amending 2011/92/EU, and the EU Habitats and Birds Directives (92/43/EEC and 2009/147/EC). In Ukraine the Promoter has to implement the project scheme in line with the E&S Standards of the Bank with consideration of the derogations and limitations in place due to the emergency situation in the country and the temporary regulatory measures in place under the martial law.
- The Promoter shall not commit any EIB funds against schemes that require an EIA, appropriate assessment or biodiversity assessment according to EU legislation and national law without, prior to commitment, receiving consent from the competent authority, and the EIA Report having been made available to the public.
- For schemes investment cost above EUR 50 m, the Promoter should deliver the environmental documents to the Bank prior to the Bank's approval of the allocation (EIA reports, environmental consent, etc).
- For schemes that may have an impact on a nature conservation site, the promoter shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation, that the scheme will have no significant impact on any protected site. Schemes with significant negative impacts on a nature conservation site shall not be eligible.



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- The Promoter shall store and keep updated any documents that may be relevant for the project (including competent authority decisions, environmental studies related to the EIA, Non-Technical Summaries of the EIA reports, nature/biodiversity assessments or equivalent documents) supporting the compliance with the EIA Directive Habitats and Birds Directives and national environmental regulations, and shall upon request promptly deliver such documents to the Bank.
- The promoter undertakes to implement the project schemes in line with the requirements of the environmental impact studies (EIA report or others) and Environmental Permits.
- The schemes should comply with the Bank's E&S Standards, which foresee zero tolerance for the use of forced labour. In particular, the promoter shall ensure that the supply chain of the solar PV panels used in the project is compliant with the applicable provisions of the relevant labour standard of the Bank. For this purpose, the promoter undertakes to make reasonable efforts to carry out appropriate due diligence throughout its supply chain, with the aim of avoiding the use of forced labour in the supply chains of the solar panels that will be used for this project. The Bank will assess the relevant documentation before allocation of funds to solar PV projects.

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