Luxembourg, 4th June 2014

Environmental and Social Data Sheet

Overview

Project Name:	SGN GAS DISTRIBUTION NETWORK (2014-2017)
Project Number:	*20130494*
Country:	*United Kingdom*
Project Description:	Investments to upgrade Scotia Gas Network's gas distribution networks – 2014-17, covering 3150 km of pipeline replacement and 61,000 new connections.

EIA required: no

Project included in Carbon Footprint Exercise[1]: yes

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

This is a typical gas distribution project in the EU applying proven technologies. The project's activities are: i) replacing the use of existing metallic pipelines by inserting polyethylene pipes within them and thus improving safety, reducing leaks and increasing asset life; and ii) connecting new customers to the gas network. The main environmental impacts occur during construction, are temporary in nature, and are mitigated according to established practices in the sector.

The project components fall under Annex II of Directive 2011/92/EU. In the UK, the primary environmental legislation applicable to the promoter is Regulation 14 consent of the Public Gas Transporter Pipeline Works (Environmental Impact Assessment) Regulations, amended 2007. Part 1 makes an EIA mandatory if the pipeline is >800 mm diameter and >40 km length while Part 2 requires a screening determination if the pressure is >7 bar or the construction is within a sensitive area. The screening obliges the promoter to produce a supporting statement or volunteer an Environmental Statement. The screening and assessment for nature conservation issues is fully integrated in the EIA procedures.

Every project scheme requires local authority approval. If the local authority believes that an EIA could be required, the competent authority is informed and depending on the screening result could require the promoter to undertake per the Regulation cited above. In certain activities (demolition of gas holders) that are not part of this project, the promoter confirmed that it is voluntarily undertaking EIAs to ensure better project outcomes.

None of the planned components of the project meet the requirements for a full EIA. The following has been included in the contract:

The promoter undertakes to provide to the Bank, if requested, any decisions that screen out project components from undertaking a full EIA.

The project's environmental basis is acceptable for Bank financing.

Environmental and Social Assessment

Environmental Assessment

The promoter's concessions areas cover all of Scotland and a large part of Southern England (including London south of the Thames). The majority of the activities involve the replacement of old metallic pipes with polyethylene ones. This is achieved by inserting the polyethylene

[1] Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO2e/year absolute (gross) or 20,000 tons CO2e/year relative (net) – both increases and savings.

pipe into old pipe. The disturbances are therefore minimal and temporary, given that significant trenching is not needed.

In terms of work on adaptation to climate change, the promoter is classed as Reporting Entity under the Climate Act 2008 and as a result was required to submit a report to the Secretary of State containing:

i. an assessment of the current and predicted impacts of climate change in relation to its functions; and
ii. a statement of its proposals and policies for adapting to climate change.

This report was submitted in 2011 and recognises that a large proportion of the promoter's gas distribution assets are fairly resilient to climate change since most of them are buried underground, are designed to be regularly exposed to saturated conditions, and are largely unaffected by changes to the weather at the surface. In addition, some of the risks are related to obsolete technology that is still in use, principally cast and spun iron gas mains and above-ground gas holders. Through the existing investments to remove all gas holders and the mains replacement programme, these risks are being reduced.

The promoter maintains a flexible approach to the management of climate change, and factors in improved understanding of this factor into its decisions.

EIB Carbon Footprint

The project's source of CO2e emissions is from the fugitive emissions of gas. The absolute emissions of the project during an average year of operations are estimated to be 3 kT CO2e/y. The network that is not part of the project emits 727 kT CO2e/y. The alternative to the project would be to use the existing network which has higher fugitive emissions. The baseline emissions are estimated at 798 kT CO2e/y, resulting in relative emissions of -68 kT CO2e/y.

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.

Public Consultation and Stakeholder Engagement, where required

The new regulatory framework incentivises good customer engagement and feedback. The promoter and its contractors put significant efforts into this aspect prior to, during and after construction activities, which was observed during appraisal site visits.

Other Environmental and Social Aspects

The promoter has provided evidence of sound practice with respect to environmental management and confirmed that all new projects are assessed for environmental impact including the impact on sensitive areas which include nature conservation sites. In addition to systems to meet regulatory requirements, the promoter has a comprehensive environmental management system which assesses on-going operations as well as any new projects. A site visit demonstrated strong engagement with contractors regarding health, safety, security and environmental compliance.

The operation will provide environmental benefits through the reduction of methane leaks and through the substitution of more expensive and polluting fuel sources by gas. In addition to complying with legislation the promoter has also launched a focused environmental campaign to reduce emissions from operations and internal activities (e.g. vehicular transport); and reducing impact on landfill, including recycling and minimising waste.

The promoter's operations are ISO 14001 certified.