Luxembourg, 3rd February 2015

Environmental and Social Data Sheet

Overview

Project Name: **CAUCASUS TRANSMISSION NETWORK**

Project Number: 20140347

Country: Armenia (and Georgia)

Project Description: *The project consists of the construction of an electricity transmission line and a High Voltage Direct Current (HVDC) station to develop an interconnection link between Armenia and Georgia. The link will allow continuous energy trade between the two countries, enabling Armenia to access better regional and, via Georgia and Turkey, European (ENTSO-E) markets. The link will improve security of electricity supply in both participating countries.*

EIA required: yes

The ESIA is required for both Armenia and Georgia. The ESIAs have not been compiled yet, and are therefore not available on KfW or EIB websites.

Project included in Carbon Footprint Exercise[1]: no

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

The environmental and social screening that was implemented as part of the feasibility study concluded that the impacts of this interconnection are not expected to be significant. The screening concluded that there are no environmentally sensitive protected areas close to the project. Resettlements are not needed. Main negative impacts are limited construction disturbances at implementation stage, impacts of power lines to the landscape and potential land expropriation needs for lines and substation. These impacts are typical to any electricity transmission project and can be mitigated with appropriate project environmental and social management systems in place. The KfW evaluates HVEN to be reliable partner and to have qualified staff base.

Environmental and social impacts of the project are in progress to be detailed through two full Environmental and Social Impact Assessments (ESIAs, one by Armenian HVEN and one by Georgian GSE). KfW monitors the implementation of ESIA implementation on Armenian side, with requirement of ESIA and ESMP as disbursement conditions, but Georgian GSE is not contractually obliged to submit their ESIA for HVEN review or to comply with standards that the financiers would require from overall project.

EIB therefore requires that HVEN establishes such review and compliance mechanisms for financiers as part of the agreements between GSE and HVEN. The KfW environmental conditions, including the ESIA on Armenian side should be required as cross-references. Residual risks after mitigation are evaluated low, and the project is considered acceptable for financing under KfW and EIB environmental and social guidelines.

[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.

Environmental and Social Assessment

Environmental Assessment

The project, if situated inside EU, would fall under Annex 1 of EIA directive, requiring an EIA. The promoter's of the project, Georgian GSE and Armenian HVEN are both in process of compiling an EIA on their own territories. The project has so far been subject to environmental and social screening as part of the feasibility study. This screening did define that there are no environmentally sensitive protected areas that would be crossed by the new transmission lines, and that no resettlements are expected for the project. Full ESIAs are still to be compiled, and these, together with acceptable Environmental and Social Management Plans, are required by the financiers prior to the start of the line works and prior to the first disbursement.

The project is situated partly on high altitudes and environmental screening recognizes visual impact as main environmental concern, in addition of the construction impact and nuisance. Other parts of the line are situated on agricultural land. The line route does not cross forests, and does not require clearance of significant amount of trees.

Due to the strengthening of the transmission network, power generation capacities are used more efficiently and reduce transmission losses. Partial substitution of thermal generation capacities through hydro power will take place. This leads to a reduction in greenhouse gas emissions, although quantities are not possible to be estimated reliably. The project itself does not generate any significant climate-relevant emissions. By linking the power grids of Armenia and Georgia and with their interconnection to the national integrated system in South Caucasus, energy users in both countries will become more independent of climatic fluctuations in the local hydro power production. The project consequently boosts the adaptation capacity of the target countries.

Social Assessment, where applicable

The project is not expected to require resettlements. The occupational health and labour standards are considered to be on acceptable level with work sites of promoters (both GSE and HVEN are state-owned companies)

Public Consultation and Stakeholder Engagement, where required

Public consultation will be carried out as part of the EIA process.

Other Environmental and Social Aspects

None