Luxembourg, 16th December 2014

Environmental and Social Data Sheet

Overview

Project Name:	Grupa Azoty Modernisation Programme
Project Number:	2014-0486
Country:	Poland
Project Description:	The project concerns the construction of three new fertilizer granulation lines, the modernisation of two ammonia plants and the construction of a polyamide (PA6) plant. The project area covers three chemical complexes of Grupa Azoty (GA), namely Tarnów, Puławy and Kędzierzyn-Koźle in south and south-eastern Poland.

EIA required:	YES
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

The two granulation plants at Puławy, distinct parts of the revamping of five lines of ammonia unit 1 at Puławy, one granulation line at Tarnów and the polyamide (PA6) plant at Tarnów) fall under Annex 2 of the Directive 2011/92/EU, thus requiring a formal EIA following respective screening-in by the Competent Authorities. One of these EIAs covering the granulation plant at Tarnów has been established and is currently under public consultation.
Also for the PA6 plant an EIA was prepared and submitted for approval. The EIA screening process for the other components has been initiated, and the company awaits the decision of the Competent Authorities. Provision of respective copies of these decisions and EIAs (if required) being satisfactory to the Bank will be a condition for the first disbursement on the respective project component.

The proposed upgrades and the new granulation and PA6 production lines are in compliance with Best Available Techniques (BAT). Both construction and operation of the project will not cause any negative impact on protected areas, Natura 2000 areas, cultural objects or human life and health.

Considering all of the above, the project is acceptable for Bank financing.

Environmental and Social Assessment

Environmental Assessment

The project's purpose is (a) to replace, modernise and optimise parts of the existing ammonia production lines to increase energy-efficiency and reduce costs, (b) to continue to move towards mechanical granulation for fertilizer finishing instead of prilling and (c) to add capacity for polyamide (PA6) production. All these components are in compliance with BAT.

It is expected to have the following environmental and social consequences:

[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.

- Reduction of the specific carbon footprint of ammonia production (expressed in ton CO_2/ton NH_3) due to improved energy-efficiency;
- Medium residual and global impacts (mainly air and water), with all emissions kept well below allowed EU and national emission limits by the use of BAT (dust filters, scrubbers, increased water recycling and recirculation of wastewater sludge in the production process) and implementation on existing industrial sites, remote from residential and protected areas.
- Continued safeguarding of employment by the company for the long term future.

The company has defined an extensive investment plan focussing on two areas: i) improved energy-efficiency of production processes to reduce production costs and improve the carbon footprint of its products and ii) improved energy and environmental performance of its energy production facilities, i.e. CHP – Combined Heat and Power, to comply with upcoming (2016) BAT standards. The latter is not part of this project.

EIB Carbon Footprint Exercise

The annual CO_2 emissions of the project in a future standard year (2020) of operation are estimated at 3,800 kton CO_2/a, which constitute the project's absolute emissions. This figure assumes full production of all project components and takes into account direct emissions and indirect emissions resulting from use of raw materials and energy.

The baseline scenario represents a realistic and credible scenario that delivers the same output as expected in the proposed project with comparable quantities and qualities.
The baseline emissions are based on:

i) the current situation for the related fertiliser prilling lines, as these could still be technically operated after 2020;
ii) the operation of the ammonia plants cannot be continued long term and has therefore not been considered as the baseline. Neither building completely new ammonia plants on the sites nor ammonia transport of the required amounts to the sites from somewhere else are realistic alternatives. It is therefore reasonable to assume the proposed upgrades to represent the baseline;
iii) production of PA6 using EU best practices for PA6 production.

Using the above assumptions, the relative emissions are estimated by the Bank at about minus 60 kton CO_2/a (decrease), resulting from the transition from prilling to granulation.

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 public consultation on EIAs is a well-developed procedure in Poland and is systematically carried out for the approval by the respective competent authority. The public consultation for the granulation plant in Tarnów is on-going, and those for the other components will be undertaken in due time once the draft EIAs have been established.

Other Environmental and Social Aspects

- The company is well managed with regard to environmental and social issues:
  - It complies with all environmental protection regulations and standards provided by national and EU law. Grupa Azoty holds the required Integrated Permits (IPPC) for all the industrial activities on site – which incorporates the requirements of the Seveso Directive 2012/18/EC and the provisions introduced by the Industrial Emissions Directive 2010/75/EU ensuring the application of BAT.
  - It has an ISO 14001 certified Environmental Management System, ISO 9001 Quality Management System and PN-N 18001 Occupational Safety Management System.

  - It meets for all its products the requirements set out in regulation EC/1907/2006 (REACH) concerning the registration, evaluation, authorisation and restriction of chemicals.
- The promoter is an important employer in the regions in which it operates, employing currently about 14 000 FTE of which some 10% are younger than 30 years, and is well aware of the social dimension of employment. The project will result in a total of 40 new jobs created.
- Since 2014, Grupa Azoty publishes a detailed sustainability report covering its economic, social and environmental performance in line with the GRI Sustainability Guidelines (G4). This integrated annual report is accessible online: www.grupaazoty.com.