

# Environmental and Social Data Sheet

## Overview

Project Name: IBRD GUARANTEE SUPPORTING UKRAINE

Project Number: 2015-0583

Country: Ukraine

Project Description:

The project comprises an EIB guarantee in favour of IBRD, covering five IBRD investment loans in Ukraine that contribute to the development of economic infrastructure. The guarantee will release IBRD exposure to Ukraine and thereby enable IBRD to support emergency gas purchases by Naftogaz.

EIA required: yes

IBRD ensures full compliance of the projects with World Bank safeguard policies and Ukrainian regulation.

Project included in Carbon Footprint Exercise<sup>1</sup>: 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 Project consists of a guarantee to be issued by the EIB in favour of the IBRD. The Project will help IBRD make sufficient headroom available in Ukraine to enter into an IBRD-EBRD Gas Security Facility by end of October 2015. The Gas Security Facility will aim at securing Naftogaz' gas purchases during the coming winter season in order to help prevent a potential humanitarian crisis.

The guarantee will cover five IBRD loans listed below and is limited to the eligible cost among current accumulated disbursements:

1. Energy Efficiency Project, P096586
2. Second Road and Safety Improvement Project, P127156
3. Hydropower Rehabilitation project in Support of the Energy Sector Reform and Development Program, P083702
4. Power Transmission Project, P096207, and
5. Second Power Transmission Project, P146788.

Due to the nature of the operation and acknowledging that the projects have been fully assessed and bi-annually monitored by IBRD in compliance with recognized environmental and social best practices:

- EIB relies on a desktop review of IBRD's documents and monitoring reports
- the Gas Security Facility which will be funded as the immediate result of this operation has not been assessed and will not be monitored by EIB.

If undertaken within the EU, some sub-projects would fall under Annex I and Annex II of the EIA Directive 85/337/EEC, as amended, and a full EIA would be required, or, respectively, the competent authority would be required to determine the need for a full EIA. EIAs have been undertaken for all activities with potential for significant environmental and social impacts, as requested by IBRD and Ukrainian authorities. IBRD ensures full compliance of the projects

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<sup>1</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

with World Bank safeguard policies and Ukrainian regulation. This includes the full EIA process from the identification of environmental impacts, definition of mitigating measures, and public consultation. Implementation of the agreed mitigation measures, as captured in the Environmental Management Plans (EMSs) is subject to monitoring by IBRD. IBRD reports that no particular environmental or social risks have materialised or are anticipated. No substantial issues related to land acquisition or resettlement have been flagged. EIA and resettlement plan requirements have been enforced where appropriate. The operation is therefore considered to be compliant with the principles of applicable EU environmental and social legislation and acceptable to EIB.

## **Environmental and Social Assessment**

### **Environmental Assessment**

The EIAs for all concerned projects were deemed acceptable by IBRD. They included identification of environmental impacts and mitigating measures and were subject to public consultation. Monitoring visits by IBRD during implementation are showing that environmental management by Project Implementation Units is functioning appropriately.

IBRD has verified that the project is not impacting any protected areas or species, natural forests or related natural habitats.

Environmental risks are limited to the typical risks associated with road construction and rehabilitation, hydropower rehabilitation, electricity transmission construction and rehabilitation, and energy efficiency projects. The severity of potential impacts is low to moderate and mostly limited to the construction period.

Energy Efficiency Project, P096586: The sub-projects are mostly of small scale, and are expected to have limited negative environmental and social impacts. All sub-projects are subject to an environmental review process based on the Environmental Assessment Framework (EAF) which is put in place by IBRD after public consultation to guide environmental assessments ex ante. Further smaller scale allocations include the replacement of agricultural machinery, conversion of boilers from fossil fuel to agricultural wastes, overhaul of small glass melting furnace, and the rehabilitation of heat supply at two medical facilities.

The only major sub-project is the modernization of a cement facility to upgrade from outdated wet to dry process technology, thereby upgrading to Best Available Technology. A full EIA process has been conducted to the satisfaction of IBRD.

IBRD ensures full compliance of the sub-projects with World Bank safeguard policies and reports that no particular environmental or social risks have materialised or are anticipated. On the basis of the information provided by IBRD, the project is deemed to be acceptable for the Bank. All supported investments are expected to generate positive environmental impacts by generating energy savings and reducing greenhouse gas emissions.

Second Road and Safety Improvement Project, P127156: According to IBRD, in 2007, a corridor-specific Environmental Impact Assessment/OVOS for the entire M-03 road between Kyiv and Poltava, based on which a generic Environmental Management Plan (EMP) was prepared. In 2011, an additional EIA/OVOS was prepared and issued to cover the bypasses to be built in M03 as part of the project (not foreseen in 2007), based on which an Addendum to the EMP 2007 was prepared in 2011.

Hydropower Rehabilitation project in Support of the Energy Sector Reform and Development Program, P083702: The hydro project consists of the rehabilitation of up to 71 hydro units located in various parts of Ukraine and implementing dam safety measures in 7 hydropower schemes. According to IBRD, reconstruction is performed without involvement of additional land territories and only leads to temporary and localized negative impacts during construction without significant influence on the environment. These impacts include (i) dusting during construction, (ii) emission of hazardous substances during painting and

welding, and (iii) air pollution from automobiles and other machinery. The projects will not cause changes in the hydrological regime and will not have negative impact on flora and fauna. The refurbished sites will ensure better environmental performance during operation.

IBRD closely monitors this project and ensures full compliance with World Bank and Ukrainian standards and reports that no particular environmental or social risks have materialised or are anticipated. On the basis of the information provided by IBRD, the project is deemed to be acceptable for the Bank.

*Power Transmission Project, P096207:* The Project aims at improving the security, reliability and quality of power supply through the rehabilitation of transmission substations and the strengthening of the power transmission network. It comprises a new line of 77 km 330 kV to Dniester PSP, as well as rehabilitation efforts in Zahidnoukrainska, Dnistrovska, Vinnytska, Pivnichnoukrainska, Dniprovska, Pershotravneva, Pivdenna, Dniprodzerdzhinska, Donbaska, and Chaikino. A full EIA process was conducted to the satisfaction of IBRD for 19 concerned substations and transmissions sections with mitigation measures for each sub-project. The mitigation measures are focused on the avoidance and reduction of negative ecological impact from the construction phase through the use of low pollution machinery and dust control measures.

*Second Power Transmission Project, P146788:* The Project aims at improving the security, reliability and quality of power supply through the rehabilitation of transmission substations. The concerned substations are located in Khotiv village, Kyiv oblast, Kyiv, Zhytomyr, Cherkasy, Sumy, Kyiashky village, Kremenchuk, Poltava oblast, Novovolynska, Lutsk, Kovel, Shepetivka, Khmelnytsk oblast, and Kamenets-Podilsky.

According to IBRD EIAs were conducted in 2014 to IBRD's satisfaction. The EIAs and EMP identified the main issues as (a) during the construction phase: dust, noise, and disposal of waste and used equipment, and (b) during the operation phase: electric/magnetic field and noise. Appropriate mitigation measures are implemented through the Environmental Management Plan (EMP).

## **Social Assessment**

Social impacts are associated with land acquisition, affecting mostly agricultural land. There have been a few cases of involuntary resettlement. No businesses or other income-generating activities have been identified as potentially affected by the project. A Resettlement Policy Framework document and a Resettlement Action Plan have been developed for the projects and are implemented. Resettlement and compensation has taken place smoothly and deemed acceptable for IBRD. No additional resettlement is anticipated in the remaining project to be implemented. The overall social impact of the project is deemed positive as a result of the expected improvement in mobility and road safety that it will generate.

## **EIB Carbon Footprint Exercise**

Based on EIB's Carbon Footprint Methodology, the underlying projects result in an absolute carbon footprint of 6,758 kt CO<sub>2</sub>e per year and relative emission reductions of 7,018 kt CO<sub>2</sub>e per year. However, as a guarantee operation for existing IBRD projects, this operation is not included in EIB's carbon footprint.

### Energy Efficiency Project:

The energy efficiency project consists of a number of loans to industrial and agricultural beneficiaries. Approximately 35% of this framework loan is already disbursed. Carbon information for the three largest allocations is available and has been used to extrapolate the expected carbon footprint before and after energy efficiency interventions for the entire portfolio. Relative CO<sub>2</sub> emission reductions are driven by reductions in gas consumption, conversion to renewable energy, and reduced electricity consumption.

Hydropower Rehabilitation Project:

The hydropower rehabilitation project increases hydroelectricity generation by 360 GWh per year and will not result in absolute CO<sub>2</sub> emissions. The alternative to the project would be the generation of the same amount of electricity by the existing operating margin and future build margin. The weighted emission factor of the operating and build margin is used to determine the relative emission savings.

Transmission Project:

The transmission projects result in reduced network losses of 400 GWh. The relative CO<sub>2</sub> emission reductions from these energy savings are calculated with the relevant transmission grid emission factor.

Road Project:

The covered road project is a road safety project which will increase traffic, but improve operating conditions and road safety. Therefore it is not included in the carbon footprint exercise.

## **Public Consultation and Stakeholder Engagement, where required**

According to IBRD, consultations were carried out under the EIA, EMP, and RAP processes and verified by IBRD through monitoring missions. Records from the public hearings are available on World Bank and promoter websites.

The Promoters are state owned companies dominating the road and power sectors. With regards to energy efficiency, the end beneficiaries are small private and public investors. Based on IBRD reporting, the promoters' environmental and social capacities are deemed acceptable.