

Environmental and Social Data Sheet

Overview

Project Name:	<i>SAINSHAND ONSHORE WIND PROJECT</i>
Project Number:	<i>2014-0699</i>
Country:	<i>MONGOLIA</i>
Project Description:	<i>Construction of a 54MW onshore wind farm near Sainshand, the capital of Dornogobi province in Mongolia.</i>
EIA required:	yes
Project included in Carbon Footprint Exercise ¹ :	yes

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

Environmental and Social Assessment

Environmental Assessment

If located within Europe, the project would fall under Annex II of the European EIA Directive 92/2011/EU. Following the Law of Mongolia on Environmental Impact Assessment (2012) the competent authority screened in the project and requested a “Detailed Environmental Impact Assessment” to be carried out by a specialist certified by the authority. An EIA was conducted already in 2009 but the subsequent environmental permit expired after five years and thus the assessment had to be renewed and also include additional requirements on especially social issues as introduced by the law of 2012.

The ESIA was presented to the competent authority in May 2015 and approved in June. In addition, the promoter has conducted a bird study, although that was not required by the authority. The ESIA concludes that the project has no significant negative impacts.

While the studies undertaken at some level cover all the issues they do not fully meet the expectation of the Bank. Therefore an external due diligence review and gap analysis, including the necessary studies to close identified gaps, of the Project against the Bank’s Environmental and Social Standards has been requested from the promoter and will be a condition for the Bank’s financing of the project. Mostly the gaps relate to how the undertaken assessment is presented and documented. Also the 8 km transmission line from the wind farm to the nearest substation is included in the bird study but not the ESIA. Further the Environmental and Social Management Plan (ESMP) is to be updated.

The project will be located in an arid desert landscape. The nearest nature conservation site is located 9 km away and is not impacted by the project. The area is not on the route of bird migration. A few predatory birds nest close to the site but they can be scared off from the wind farm and its transmission line with bird diverters, for which there is good experience in Europe.

Construction, transport and storage on site will damage the top-soil that has to be restored after construction. On-site activity will also create dust and to bind that the contractor will spray water. For this, water, which is scarcely available, will be brought in. The project is otherwise located outside the water catchment area in the territory and will thereby not affect surface flood-flows in the rare case of heavy rain.

All in all, the project’s environmental impact is likely to remain low, but the ESIA needs to be updated to an international standard to remove uncertainties.

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.

EIB Carbon Footprint Exercise

The project has no direct greenhouse gas emissions. Estimated emissions savings are 156 000 tonnes of CO₂ equivalent per year compared to the existing system and alternative solution based on combined heat and power produced by coal.

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.

Social Assessment, where applicable

The project area is occasionally visited by nomadic herders that use the region for pasturing in the summer season. The wind farm will not affect them during operation but during construction, i.e. at most two summer seasons, they will be prevented from entering the project site. This constitutes economic displacement for which the affected families are entitled a compensation. The project site covers 480 ha and there is abundant land available for herders and the compensation measure proposed by the ESIA is accounted for by the promoter.

A survey was conducted in the summer of 2014 as part of the ESIA and according to that one family is permanently residing in the region whereas two families occasionally visit the region in the summer season, i.e. not every summer.

Mongolia has signed up to the ILO core labour standards. Also the developer and the contractors have certification according to OHSAS 18001:2007. Particular to the project is that there will be an influx of Chinese workers as well as Mongolian workers especially related to infrastructure works. This is not uncommon for a project in Mongolia and as well the contractor as the authorities are familiar with the situation. The responsibility for the Environmental and Social Management lies with the promoter, who will be supported by an Owner's Engineer and further supervised by the Lender's Technical Adviser.

Public Consultation and Stakeholder Engagement

Public consultation was conducted in the ESIA process, as required by Mongolian law. Consultation covered as well the nearby city of Sainshand and reached out to the nomadic herders by a presentation in the "bag", i.e. the lowest administrative unit representing the herders.

Conclusions and Recommendations

The following conditions are recommended for the finance contract with the promoter:

Prior to financial close, the Environmental and Social Impact Assessment needs to be updated to comply with the Bank's Environmental and Social Standards by a complementary study satisfactory to the Bank.

Prior to financial close, the promoter will be required to develop an Environmental and Social Management Plan (ESMP) to guide implementation of the wind farm and its grid connection, satisfactory to the Bank.

The borrower shall undertake not to start works on site before compensation of affected people for economic displacement is carried out in accordance with the updated ESIA and Mongolian law.

Following an updated ESIA including an ESMP acceptable to the Bank, the project is acceptable for EIB financing in environmental and social terms.