Luxembourg, 10.06.2016

Environmental and Social Data Sheet

Overview

Project Name:	DASOS FUND II CO-INVESTMENT FORESTRY IRELAND
Project Number:	2016-0170
Country:	Ireland
Project Description:	The project is a co-investment in forestry assets in Ireland under the EIB Co-Investment Programme (ECIP), alongside Dasos Timberland Fund II (the Fund) and the Ireland Strategic Investment Fund (ISIF). The project goal is to aggregate Irish plantations into a professionally managed portfolio of up to 18,000 ha, with an estimated productive forest area of about 12,600 ha (70% of total area).
EIA required:	May be required for some sites
Project included in Carbon Footprint Exercise[1]:	no

Environmental and Social Assessment

The Fund Manager for the co-investment vehicle is Dasos Capital Oy (Dasos). Dasos is currently managing Dasos Timberland Fund I and Dasos Timberland Fund II. The Bank is participating in both of these funds. The co-investment vehicle is based on the due diligence system of Dasos II and it has been assessed having the necessary policies and capacity of carrying out project due diligence in compliance with the Bank's environmental and social standards.

The operation involves only investments in certified or certifiable timberlands and afforestation areas, and it will pursue sustainable forest management and well-designed forestry investments that will have a positive impact on three major environmental issues: (i) Climate change adaptation and mitigation, through carbon sequestration and solid biomass production generating raw material for renewable energy; (ii) Conservation of soil and freshwater (watershed protection against erosion, flood prevention); and (iii) Protection of biodiversity through habitat protection, and creation of buffer zones and wildlife corridors.

The operation makes an important contribution to more professional and sustainable management and use of forest resources by promoting more consolidated, coordinated ownership and management interventions. In Ireland, the increasingly fragmented privately-owned planted forest estate has emerged as a significant brake on sustainable, best-practice management of commercially viable plantations. Dasos will seek to obtain an internationally recognized forest certification (e.g. FSC, PEFC) so as to ensure sustainable forest management (SFM) in the whole asset portfolio.

The operation is fully in line with Irish forest policies. The Irish government aims to increase the forest coverage ratio from current 11% of the total land area to 17% by 2030, which will require a considerable increase in afforestation investments. The new Irish Forest Programme 2014-2020, with which the present operation will comply, places greater emphasis on environmental impacts, including requirements for more diverse species selection and special treatment of riparian areas.

[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.

In the EU, initial afforestation and reforestation for the purposes of conversion to another type of land use falls under Directive 2011/92/EEC. The decision of the Competent Authority whether to require an EIA on the basis of Annex III of the Directive will be assessed for each relevant investment, as well as the possible impacts on protected flora and fauna (Habitats' 92/43/EEC and Birds' 79/409/EEC Directives).

Other environmental benefits

Provided the operation reaches 18,000 ha including a productive forest area of 12,600 ha and assuming a baseline mean annual increment (MAI) of 13 m^3/ha/y, these plantations will annually produce 234,000 m^3 of wood, sequestering approximately 153 kt CO_2 eq/y. Assuming that the project's activities lead to an additional 25% productivity improvement, the net CO_2 sequestration would amount to approximately 38.3 kt CO_2 eq/y.