

Environmental and Social Data Sheet

Overview

Project Name:	BRDE CLIMATE ACTION FL
Project Number:	2016-0942
Country:	Brazil
Project Description:	This Framework Loan will part-finance a series of climate action projects in the southern states of Brazil, including small-scale hydroelectric power plant projects as well as energy efficiency and mobility projects in urban areas, which could benefit from technical assistance under the FELICITY (Financing Energy for Low-Carbon Investment - Cities Advisory Facility) Initiative.
EIA required:	Most of the sub-projects will require an EIA.
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental and Social Assessment

The operation is a framework loan (FL) that will predominantly support small run-of-river hydropower plants in South Brazil (each below 30 MW). The loan also will be utilised to support eligible climate action projects in municipalities located in South Brazil. It will bring environmental benefits through the financing of the underlying projects in the renewable energy, energy efficiency and clean transport sectors that contribute to reducing environmental pollution and mitigating climate change.

The financial intermediary/promoter of this loan is BRDE, a Brazilian sub-sovereign development bank fully owned by the States of Rio Grande do Sul, Santa Catarina and Parana. BRDE has gained considerable experience in financing small hydropower plants and has established an internal policy (Social and Environmental Policy/2390) and procedures for screening such projects by a dedicated team. Financing of small hydro projects is in line with the BRDE's environmental policy to accelerate financing in sustainable energy projects as well state- and nation-wide environmental policies, which aim at the expansion of small hydro projects.

Through the dedicated project team, BRDE reviews and ensures that all projects are in line with the national and state environmental and social requirements. These include, inter alia, environmental permits, prior licence (Licença Prévia) or installation licence (Licença de Instalação), use of water resources permit; Environmental Impact Assessment Report or study, opinion of the Institute for Conservation of Biodiversity (ICMBio), etc.

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.

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In Brazil, hydroelectric projects above 10 MW require an EIA (Estudo de Impacto Ambiental) including RIMA (Relatório de Impacto Ambiental – non-technical summary), whereas for projects below 10MW a simplified environmental study or RAS (Relatório Ambiental Simplificado) is necessary. Different states may also impose additional requirements depending on the exact location, the river concerned and whether the impact is local or regional. Based on the pipeline, none of the projects is located in or in the vicinity of a protected location. Notwithstanding, all projects under this framework loan are expected to require Environmental Impact Assessments, in line with the relevant Brazilian regulations.

It is likely that the projects under this FL will add to a number of existing small hydro plants located on the same rivers. This will result in an increased risk of cumulative impact. However, the Brazilian environmental regulations require cumulative impact assessments, which should mitigate the increased risks of several plants located in proximity. Moreover, projects under this FL will not feature conventional dams with reservoirs, only a weir (low head dam) to form a headpond for diversion of inlet water to the turbine. Unused water will flow over the weir and the headponds will only be capable of a single day's storage. Data on flow alterations and other hydro morphological changes will be assessed and monitored at the project level by the financial intermediary.

Municipal investments may include public lighting, new sustainable buses and building integrated solar photovoltaic systems in urban areas. The urban projects have limited environmental impact; however, through the FELICITY initiative², the projects would benefit from technical assistance and consultants will ensure that they comply with the EIB's environmental and social standards and the principles of relevant EU Directives. The municipal investments will be screened, implemented and monitored with the assistance of GIZ.

Social Assessment

The sub-projects are small without reservoir and are not expected to have any serious social impact including resettlement. However, a proper assessment will be undertaken for each project by the project promoter, verified by BRDE and reviewed ex-ante by the EIB.

According to the Brazilian regulation and procedures, if deemed necessary, the opinion of the Institute of the History and Artistic Servants National (IPHAN) of Indigenous people (FUNAI) has to be sought prior to the licencing. Based on the pipeline received, only one project is near an indigenous area. This project will be screened carefully at allocation stage.

Public Consultation and Stakeholder Engagement

The Bank will verify for each allocation that adequate public consultations and disclosures have taken place, including with the indigenous population when applicable. The financial intermediary has to ensure that the comprehensive grievance mechanism is established for every project under this FL. The grievance mechanism shall be in place during the implementation and throughout the whole operation period of the plants.

² Felicity stands for Financing Energy for Low-carbon Investment - Cities Advisory Facility, and is a joint initiative of the European Investment Bank (EIB) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

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Other Environmental Aspects

Although BRDE has extensive experience appraising similar projects, which are ultimately subject to national legislations, it has however no prior experience with international financial institutions in general and with the EIB in particular. The allocation procedures of the loan are adjusted accordingly.

The FELICITY initiative is supported by GIZ - a public entity and service provider with extensive experience providing technical assistance for economic development and employment promotion, energy and the environment, and security. It offers advisory services to enhance the capability of people and institutions and to support effective, efficient, socially equitable and ecologically sound development.

Conclusions and Recommendations

The investments targeted by the operation are expected to have limited social and environmental impact provided that the national and state legislation as well as all mitigation measures, assessed individually at project level by the Bank as part of the approval process, are implemented. As per BRDE's internal due diligence procedures and policy (Social and Environmental Policy/2390) a dedicated project team, reviews and ensures that all projects are in line with the national and state environmental and social requirements and additional checks with the promoter and/or relevant authorities are carried out if deemed necessary.

According to the allocation procedures of the loan, all projects will be subject to a full ex-ante appraisal, including E&S aspects that will be carried out by the Bank and a dedicated consultant, who is envisaged to be hired by the EIB to ensure compliance with the Bank's standards. The Bank will authorise the allocation of the funds to the project promoters only once compliance with the Bank's standards is confirmed.

The Bank's requirements with regard to eligibility, including environmental and social aspects, will be incorporated into the finance contract of the framework loan.

Under these conditions, it is considered that the due diligence procedures carried out for individual schemes will appropriately address environmental and social issues and ensure that the schemes to be financed under this loan meet the Bank's requirements.