

Environmental and Social Data Sheet 2

Overview

Project Name:	TAP – Trans Adriatic Pipeline
Project Number:	
Country:	<i>Albania, Greece, Italy</i>
Project Description:	The Project concerns the construction and operation of the Trans Adriatic Pipeline (TAP), representing the part of the Southern Gas Corridor, which starts at the Greek/Turkish border and extends across Albania to Italy over a total length of some 878km
EIA required:	yes
Project included in Carbon Footprint Exercise ¹ :	yes

(details for projects included are provided in section: “EIB Carbon Footprint Exercise” in the ESDS 1)

Environmental and Social Assessment

The following ESDS focusses specifically on progress made on the outstanding issues identified in ESDS I.²

The TAP project consists of the design, construction and operation of a 878km cross-border natural gas pipeline. It will connect the Caspian Region and Southern and Central Europe as part of the Southern Gas Corridor, allowing gas to flow directly from the Caspian region to European Markets. TAP will start in Greece, close to Kipoi near the Turkish border, and then cross Albania and the Adriatic Sea to Southern Italy. The offshore section will be approximately 105km in length, entering the Adriatic Sea from the Albanian coast (northwest of Fier). Landfall in southern Italy will be in the area of San Foca.

Construction of the Project commenced in Q2 2015. To date, pipeline construction has been restricted to the onshore elements of Greece and Albania. Site preparation has begun in Italy, and, with the exception of the electrical and mechanical works in the micro-tunnel area, no significant construction works have been carried out as yet. As of August 2018, approximately 98% of the pipeline Right of Way (RoW) has been cleared in Greece and 100% in Albania. Restoration has been completed along 77 % and 66% of the RoW in Greece and Albania respectively.

In 2016, an Independent Environmental and Social Consultant (IESC) was retained to assist the Lenders to review and benchmark the Project against EIB’s Environmental and Social

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.

² Topics not treated here remain the same as in ESDS I.

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Standards (EIB E&S Standards) as well as EU environmental requirements. The EIB's and the IESC's initial assessment identified areas where the ESIA's prepared for the Project needed to be supplemented (see ESDS I). As a result, TAP was required to develop a Supplemental Lenders Information Package (SLIP) to bring the Project into compliance with EIB E&S Standards. The final SLIP, meeting EIB's requirements, was disclosed both on EIB's and on TAP's website in December 2017 together with an initial Environmental and Social Action Plan (ESAP). The ESAP describes the requirements that TAP needs to undertake to ensure that any outstanding issues, mitigation measures are addressed in a timely manner and to ensure continued compliance with the Bank's E&S requirements. The ESAP also describes the schedule and mechanism for external reporting on E&S issues. The ESAP forms part of the overall finance documentation package.

The IESC has confirmed that the Project has been structured to meet EIB's E&S Standards and relevant EU environmental legislation.

Environmental Assessment and Social Assessment

Route Selection: The TAP pipeline route has been developed and refined from the macro down to micro-scale throughout Project development. The assessment of route alternatives has been detailed in the respective national ESIA's. These assessments have been pulled together into the Routing Report for the whole of the Project pipeline corridor as part of the SLIP.

Local concerns in relation to the selection of the current routing option remain in the Kavala region of Greece, where local opposition have suggested an alternative route north of the approved route. This alternative routing has been presented in the in Routing Report, which provides for a comparison based on environmental and social considerations of the two options and for therefore a sound rationale for the selection of the approved pipeline corridor.

Terrestrial and Marine Biodiversity: TAP has employed internationally and locally recognised biodiversity experts to complete the fieldwork and to finalise all the required SLIP documents. The Critical Habitat Assessment was developed with significant stakeholder engagement input from two workshops in Greece and Albania and TAP is now working closely with conservation Non-Governmental Organisations (NGOs) in both Albania and Greece.

With the exception of the Biorestitution and Biodiversity Offset Management plans that are still being finalised, all required ecological documents have been completed to the satisfaction of the EIB.

The approach to ecological management has evolved throughout the construction phase and construction has been informed by site-specific information and the implementation of focused mitigation controls. Where construction had already taken place prior to the implementation of this best-practice approach, TAP has committed to undertake a review of prior construction activities in key sensitive areas and to implement any additional remedial actions, where required. This process is underway and TAP is committed to deliver no net loss and net gain as required.

The change in pipe laying method (anchor lay barge rather than dynamically positioned barge) will result in a wider impact corridor on the seabed that was previously foreseen in the ESIA. This has resulted in the requirements for additional detailed marine ecological surveys to understand the full extent of the impacts on the affected seabed. Pre-construction surveys

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are being carried out as well as the preparation of construction method statements for the offshore works and these have been included in the Ecological Management Plans.

Once all the additional marine surveys have been completed, the suite of ecological documents including the Biodiversity Offset Strategy will be updated. This condition has been reflected in the Environmental and Social Action Plan (ESAP).

Cultural Heritage: The Greek ESIA estimated the likelihood of chance finds along the pipeline corridor as low. However, more chance finds than anticipated have been encountered in the RoW, many of which have been of high importance. The work is being undertaken by qualified archaeologists and closely monitored by the local Ephorates of Antiquities (of Thessaloniki, Kilkis and Serres), as well as the Ministry of Culture and Sports.

At the time of preparation of the ESIA's it was envisaged that the vessels used to lay the offshore pipeline would maintain their position using thrusters. However, the method has been changed to an anchoring system, which means that the width of the potentially affected seabed has increased. Once the pre-construction seabed surveys have been completed, changes to the Cultural Heritage Management Plans may be required.

Land Acquisition and Livelihood Restoration: With careful route planning, the Project has not resulted in any physical resettlement. A Guide to Land Easement and Acquisition and a Livelihood Restoration Plan (LEA) has been prepared for each country outlining the nature and magnitude of land acquisition and the entitlement framework to compensation and livelihood assistance. The LEA process is based on the principle of providing compensation for land assets and restrictions on land use at full replacement cost. There are a number of grievances in each country concerning the rates of compensation. To address the issue, TAP has committed to undertaking an independent review of its compensation methodologies and rates in all three countries.

Grievance Management: Through continued engagement by the Lenders with TAP, TAP has reviewed its grievance management process and has put in place a "Tier 2" grievance mechanism that involves visits by two international-based social consultants to review grievances that were not resolved through TAP's internal "Tier 1" grievance process. The implementation of this third-party review mechanism for grievances is considered to be best practice and in line with not only Lenders' requirements but also with the UN Guiding Principles on Business and Human Rights.

Community Health and Safety: TAP has developed an appropriate suite of management plans to mitigate and minimise any potential effects of the Project on community health and safety. Traffic management was identified as a key risk for the Project and therefore Traffic Management Plans are in place for all countries. They define robust controls on permissions, routing, communications and implementation.

Safety and consultation zones have been defined within TAP's ESHS management documentation, which have also been reviewed by the Lenders Independent Technical Consultant. TAP continues to implement various public awareness programmes together with relevant local partners.

TAP has also developed a detailed emergency response planning, training and designated roles and responsibilities. Training and drills in various emergency response scenarios have taken place in Albania and Greece with the relevant local authorities.

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With regards to offshore construction, Offshore Community Security and Safety Plans for Italy and Albania are being prepared. These plans identify health and safety risks to communities and marine users and detail the notification procedures for both communities and government bodies in the event of emergencies, marine traffic stipulations including rules, training, speed limits, communications, routes, acceptable marine vessel specifications, coastal traffic management. The plans also includes details on anticipated behaviour of workers through the Code of Conduct, coastal traffic, emergency response procedures, security arrangements and grievance management.

Security Risk Management: The Security Management Plans in place are in line with good international practice and the management team of the security staff are well trained and have relevant experience gained from service in the army or police forces. The Corporate Security Plan provides details on security risks and scenarios, as well as appropriate responses, which are in line with the Voluntary Principles on Security and Human Rights (VPSHR) and UN Code of Conduct for Enforcement Agencies. TAP has a strong policy of de-escalation in place and will stop work to protect the workers and to enable protests to be defused.

Public Consultation and Stakeholder Engagement

Both TAP and its contractors have prepared Stakeholder Engagement Plans (SEPs) for each country and implemented a comprehensive engagement process with stakeholders at local, regional and national levels. However, TAP is facing continued opposition to the Project from stakeholders, particularly in Kavala, Greece and Italy. This opposition continues to pose a number of challenges and reputational risks to the Project.

In the case of Kavala, local opposition has raised a number of concerns with the approved pipeline route in Kavala. Through continued engagement with local stakeholders, TAP has provided responses to each of the issues raised with the approved route. The responses were reviewed both by the Lenders Independent E&S Consultant and Technical Advisor who have confirmed that such technical issues are either not significant or that they are appropriately managed in the design for the approved corridor.

EIB has been working closely with TAP to refine its stakeholder engagement activities so as to lead to a possible resolution of the conflict on the ground in both Greece and Italy or at least to a de-escalation of these tensions. At the request of the Lenders and as one of the conditions required by the EIB to proceed with the Project, TAP has put an alternative dispute resolution process in place in Greece, in order to be able to meaningfully re-engage with local stakeholders and the opposition. As part of this strategy, TAP proposed a mediation process, which was rejected by the local opposition. TAP nevertheless is continuing its engagement efforts to reach the citizenry thereby ensuring that best efforts are being made towards meaningful engagement.

TAP has initiated its Re-entry Plan for Kavala. Given that there has not been any negotiated resolution of the conflict with the local opponents to the Project, the Re-entry Plan has been developed in line with the Voluntary Principles on Security and Human Rights (VPSHR). As such, due to the risk of community protest, TAP is continuing its effort to reach a negotiated agreement. Furthermore TAP has deployed an experienced and independent negotiator in the field. Throughout the re-entry process, independent monitors have been retained by TAP and are in the field to ensure compliance with the VPSHR by local law enforcement authorities and private security and to monitor TAP's performance.

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To date, where protests have led to violence, particularly in Italy, TAP has been very cautious and has acted responsibly to de-escalate the situation and withdrawn its workforce.

Other Environmental and Social Aspects

Environmental, Social, Health and Safety Management Systems: TAP has developed an environmental and social management system (ESMS). The ESMS has been amended where there were gaps to EIB and Lenders' Standards and is now in line with applicable requirements.

TAP's ESHS organisational structure is now appropriately staffed and experienced at the corporate, country and regional levels, with defined roles, responsibility and lines of reporting.

TAP has engaged a full-time internal biodiversity specialist (manager) to oversee the implementation of biodiversity-related commitments. It is key that this full-time biodiversity manager position is retained as the project progresses beyond construction, as the biodiversity commitments are wide-ranging and resource intensive.

TAP is in the process of appointing an Independent Environmental and Social Monitoring Group (IEMG) in each country to ensure overall conformity with Lenders' E&S Standards specifically as they relate to social impact management, stakeholder engagement, grievance management, livelihood restoration and compensation.

Conclusions and Recommendations

The Lenders and EIB have required TAP to revise the ESAP of December 2017 to capture additional items identified during EIB's ongoing due diligence of the Project and following a number of site visits and engagement with local stakeholders. These include, but are not limited to (i) the engagement of independent experts to monitor the implementation of Project commitments to the Voluntary Principles on Security and Human Rights in both Italy and Greece during the construction period; (ii) the development of a Biorestitution Management Plan with commitments outline in the Project's Ecological Management Plan; (iii) the development of Health, Safety and Emergency Response Plans during Operations. The revised ESAP of June 2018 has been disclosed on both TAP's and EIB's websites.

The Project remains subject to criticism from civil society organisations and opposition from communities. The Lenders have therefore required that the Independent Environmental and Social Consultant be retained throughout the loan duration. The EIB will continue to closely monitor Project performance against the commitments in the ESAP and any additional conditions that have been spelled out in this ESDS and the financing documentation.

The status of the E&S conditions identified in ESDS I is the following. The agreed ESAP has also been disclosed both on EIB's and TAP's websites.

Prior to Signature:

- TAP provide confirmation from the relevant national competent authorities that no protected areas nor sites of conservation importance have been significantly

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impacted by the Project; for Italy and Greece this has been fulfilled. Confirmation from the Competent Authority in Albania is still outstanding.

- TAP shall develop and finalise the Environmental and Social Action Plan to reflect agreed internal and external monitoring obligations; this condition is reflected in the ESAP.
- Shall submit a finalised Offset Strategy acceptable to the EIB for achieving No Net Loss and Net Gain for residual impacts on critical habitats as well as the associated ecological plans; this condition has been fulfilled and the Strategy has been disclosed on both the EIB and TAP's website.
- Mobilise all efforts and resources towards resolving community trust and social licence issues in Greece, including establishing an Independent Technical Committee (The Technical Committee was put in place and issued its report) and engaging conflict management and alternative dispute resolution expertise; this condition has been fulfilled – see section on Stakeholder Engagement of this document. There is ongoing monitoring in place, which includes current efforts undertaken by TAP.

TAP undertakes to:

- Maintain during construction and operation of the Project an Integrated Project Management Structure consisting of TAP and relevant external and local international experts; in line with the ESAP, the undertaking has been reworded to the following: Establish, maintain and strengthen the TAP organisational structure (including provision of adequate human and financial resources) during construction and operation of the Project that defines roles, responsibilities and authority to implement the Environmental and Social Management System for ensuring compliance with the national regulatory requirements, EIB E&S Standards and the ESAP;
- Ensure that the Project (including all works performed by the contractors) is carried out in accordance with the provisions contained in the ESIA documents, the ESMP and associated management and action plans and the ESAP;
- Develop the Biodiversity Offset Management Plan associated with the Biodiversity Offset Strategy; this undertaking has been reflected in the ESAP;
- Develop the in-country Biodiversity Action Plans as well as the Biodiversity Action Plan for the offshore section. As the condition is partly covered by ESAP, the condition that remains is the following: Ensure that the Offset plan includes the schedule for completion of the individual biodiversity action plans;
- Develop the Marine Monitoring Programme including the Marine Mammal Mitigation Protocol; this undertaking has been reflected in the ESAP;
- Maintain independent third-party monitoring firms, with staffing and terms of reference satisfactory to the Bank, to independently monitor the Project's implementation progress and compliance with the terms of the ESIA package, and to report regularly to the Bank; this is the role of the IESC and the undertaking has been reflected in the ESAP;
- Shall appoint an external independent third-party monitoring firm, with staffing and terms of reference satisfactory to the Bank, to monitor the implementation of the Ecological Management Plan, Reinstatement Strategy, the Offset Strategy and all outstanding activities from construction and related to operations included in the ESIA

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package; this condition has been reflected in the ESAP and is the role of the Independent External Monitoring Group (IEMG) and IESC;

- Carry out pre-operational and operational noise monitoring as required in the ESMP; this undertaking has been reflected in the ESAP;
- Notify the Bank, within 2 days after its occurrence, of any significant environmental, occupational health and safety relevant event; and within 30 days provide to Bank with a summary report that includes a description of such significant event, and the measures that TAP is taking or plans to take to address the event and prevent any future similar events; this undertaking has been reflected in the Project contractual agreements;
- Maintain a grievance redress mechanism and include an independent Appeal Grievance Redress Committee for addressing complaints not resolved by TAP's grievance mechanism related to the implementation of the ESIA package including LALRPs. With the ongoing work on the grievance redress mechanism this undertaking has been reworded to the following: Ensure that the tier 2 process of the grievance redress mechanism is formally provided in resolution communication if the grievance is not closed to the satisfaction of the complainant;
- Carry out an independent review on the implementation of the Grievance mechanism;
- Establish an Independent Technical Committee in all three countries to address community concerns related to the Project E&S matters; this is the role of the IEMG and the undertaking has been reflected in the ESAP;
- Update the ESMS, ESMP and relevant plans, policies and procedures for the operations phase satisfactory to the Bank – no later than 3 months prior to commencement of the operation phase; this undertaking has been reflected in the ESAP;
- Provide to the Bank an impact evaluation study on the outcome of the LALRP activities carried out by TAP no later than one year following completion of all resettlement and compensation activities; this undertaking has been reflected in the ESAP;
- TAP to develop ToRs agreed with the Lenders for an expert advisory panel to monitor the Project in all three countries focusing on compliance with international standards. TORs and role of the IEMG have been disclosed on TAP's website and this undertaking has been reflected in the ESAP.

With the conditions/undertakings in the ESAP and the above-mentioned conditions in place, the Project is acceptable for financing in environmental and social terms for the EIB.