

Environmental and Social Data Sheet

Overview

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| Project Name: | MARCEGAGLIA INNOVATION AND ENERGY EFFICIENCY |
| Project Number: | 2019-0017 |
| Country: | Italy |
| Project Description: | The project concerns the promoter's investments in innovation, digitalization, Industry 4.0 and energy efficiency at its main production facilities in Italy over the period 2019-2021. |
| EIA required: | no |
| 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:

The project comprises three components: (a) investments in different advanced manufacturing technology (AMT) and innovative manufacturing equipment and machinery, (b) investment in multiple energy efficiency improvement measures and (c) investment in in-house electricity and heat generation equipment.

a) Investments in AMT and innovative manufacturing equipment and machinery of the group (56% of the project):

This component encompasses the promoter's investments in measures increasing the automation of equipment, in new highly automated manufacturing lines or modernisation and implementation of new and improved supply chain management solutions. One item of this component encompasses modifications related to the automation and the cleaning section of a hot dip galvanizing line (HDG). The latter is a modification of a manufacturing line falling under Annex II of the EIA Directive 2014/52/EU amending the Directive 2011/92/EU. Based on current knowledge and expectations the modification of the existing and already authorised manufacturing line is not considered to have significant adverse effects on the environment and hence this activity is not considered to be part of annex II point 13 of the EIA directive and no screening is required. All other activities part of this component do not fall under any annex of the EIA directive and, will be carried out in existing already authorised facilities that will not change their scope due to this project component. This component will have among others some beneficial environmental impacts by implementing energy efficiency gains in the manufacturing processes and by improving scrap rates leading to resource efficiency improvements.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

b) Investment in several different energy efficiency measures of the group (18% of the project):

This component represents multiple energy efficiency measures identified by the promoter as part of their ISO 50001 energy management procedures. Activities encompass for example the replacement of burners and heating furnaces with new more environmentally friendly equipment and the replacement of laser welding systems with new state of the art energy efficiency solid-state laser welding equipment. Two items of this component encompasses modernisations of two of the promoters HDG lines for instance the replacement of burners. The latter is a modification of a manufacturing line falling under Annex II of the EIA Directive 2014/52/EU amending the Directive 2011/92/EU. Based on current knowledge and expectations the modification of the existing and already authorised manufacturing line is not considered to have significant adverse effects on the environment and hence this activity is not considered to be part of annex II point 13 of the EIA directive and no screening decision is required. All other activities part of this component do not fall under any annex of the EIA directive and, they will be carried out in existing already authorised facilities that will not change their scope due to this project component. As far as applicable, all items will be in line with or in some cases even go beyond Best Available Techniques (BAT) conclusions. The implementation of these energy efficiency measures will reduce the environmental impact of the installations mainly by improving energy efficiency and hence reducing direct and indirect GHG emissions and other air emissions.

As far as applicable, all items of this component will in line with Best Available Techniques (BAT) conclusions.

c) Investment in electricity and heat generation equipment of the group (26% of the project):

This component encompasses the installation of two combined heat and power plants (CHP) plants in two of the promoter's manufacturing facilities as well as the installation of photovoltaic (PV) electrical power generation. The installation of CHP plants of this size are classified in Annex II of the EIA Directive and therefore requiring a determination made by competent authority based on the information provided by the promoter. The installation of the photovoltaic power generation (12MWp in total) will be integrated on the existing building within the different manufacturing facilities of the promoter in Italy and as such, there is no negative environmental impact.

The CHP plants are high are considered to be highly efficient and therefore comply with the CHP directive (2004/8/EC) and energy efficiency directive (2012/27/EU).

EIB Carbon Footprint Exercise

The carbon footprint is based on the estimation all GHG emissions related to the project. The majority of the emissions stems from the CHP energy generation and installations subject to the energy efficiency measures and to some extent some of the advanced manufacturing technology equipment. Natural gas consumption as well as electrical power consumption have been considered to estimate the absolute emissions of the project. Although the manufacturing capacity of several downstream processing equipment is marginally increased as part of the project the overall processing capacity of the promoter is not significantly increased. After project implementation the estimated annual nominal GHG emissions of the project will amount to 342 kt of CO₂ per year. The project's baseline scenario represents a realistic scenario that delivers the same output as the proposed project considering comparable quantities, quality and geographical area. The baseline scenario is based on the

Luxembourg, 16.07.2019

assumption that the existing equipment would continue to operate as today for one third of its economic lifetime (roughly 4 years) before being replaced by state-of-the-art equipment with similar GHG emission performances as the components in this project. In the cases where the manufacturing capacity is increased either through additional new lines or through the modernisation and upgrade of existing equipment the baseline scenario assumes that the new capacity would be manufactured by competitors using similar equipment with similar GHG emission performances.

Based on the bank's carbon footprint exercise methodology it is estimated that the overall project will thus result in emission saving of 52.4 kt of GHG per year.

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.

Other Environmental and Social Aspects

The promoter has a clear corporate governance structure and practices corporate social responsibility, which is entrenched in the company culture. All its manufacturing sites operate in compliance with ISO 14001 environmental management systems, ISO 50001 energy management system and with OHSAS 18001 regarding operational health and safety matters. The energy generation and energy efficiency measures of the project will lead to the additional reduction of other emissions related to NG combustions as NOx.

Conclusions and Recommendations

The environmental impact of the project's AMT component is expected to be limited, whereas some outcomes are likely to contribute to more energy and resource efficient steel processing. The energy efficiency measures and power generation components will lead to an reduced environmental footprint of the promoter's manufacturing facilities and lead to substantial GHG emission reductions. The project adheres to the conclusions of Best Available Techniques (BAT) as identified by the European Commission for the iron and steel production industries, CHP plants and energy efficiency measures. The project is considered acceptable for Bank financing.

Disbursement condition:

- 1) Considering the implementation of the CHP plants the disbursement of the corresponding (pro rata) loan amount is subject to the decision of the competent authorities that this sub-projects are screened out, i.e. no EIA is required. If an EIA is required, the disbursement is subject to the reception of the full EIA report.

Contractual undertakings:

- 1) Considering the modification of the HDG lines 1 and 3 part of the project, the promotor shall send to the bank as soon as available, the final environmental decision.
- 2) In case a screening decision according to the EIA directive would be required for any of the other components part of the project (i.e. neither CHP nor HDG lines 1 and 3) a copy of the screening decision or a copy of the final environmental impact assessment report shall be send to the bank as soon as available.