Luxembourg, April 2019

Public

Environmental and Social Data Sheet

Overview

Project Name:	SIDENOR SPECIALTY STEEL CAPEX & RDI
Project Number:	2018-0803
Country:	Spain
Project Description:	The project covers the promoter's strategic investments in (i) new equipment and machinery as well as the modernisation of some key manufacturing lines, (ii) in RDI activities and (iii) digitalisation measures in the period 2019-2021.All investments will take place in the Basque Country (Spain).

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 investments in two components: (a) in R&D and digitalisation activities, (b) new equipment and machinery as well as the modernisation of some key manufacturing lines.

a) Investments in R&D and digitalisation activities of the group: This component encompasses the promoter's R&D and digitalisation activities for the next three years. The R&D activities focus among others on the development of new lightweight special steel products with improved mechanical properties and lifetime (fatigue properties) and the increase in resource efficiency in steelmaking processes. The activities included in this component do not fall under any Annex of the EIA Directive 2014/52/EU amending the Directive 2011/92/EU; moreover, they will be carried out in existing already authorised facilities that will not change their scope due to this project component. The products and process improvements resulting from various R&D activities are expected to bring some positive environmental impacts.

b) Investments in new equipment and machinery as well as the modernisation of some key manufacturing lines: Examples are among others: (i) the increase in capacity and the modernisation of its billet warehouse; (ii) the installation of new downstream finishing lines for special bar qualities (SBQ); (iii) the installation of new modern heat treatment furnaces replacing old ones and slightly increasing the promoters heat treatment capacity and (iv) the

modernisation and capacity increase of its hot rolling mill in Basauri. The latter is a modification of a manufacturing line falling under Annex II of the EIA Directive. Based on current knowledge and expectations the modification of the line is considered to be a non-

[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.

substantial change of an existing already authorised hot rolling mill and hence is expected to be screened out by the competent authorities. All other activities part of this component do not fall under any annex of the EIA directive.

Some of the new manufacturing machinery and equipment will be implemented in a new building within the existing plant facility. As far as applicable, all components are in line with Best Available Techniques (BAT) conclusions. The project is expected to have the following main environmental impacts by slightly reducing GHG or air emissions. This is achieved through the reduction of specific GHG emissions of the new modern preheating furnaces and heat treatment furnaces and by reducing transportation of goods (i) through an increase of internal storage capacity and the reduction of external storage and (ii) the regrouping of several manufacturing lines in different locations in a single manufacturing facility.

The promoter is familiar with the implementation and modernisation of these types of installations. During implementation, main impacts will result from activities typical for construction sites, such as dust, increased road traffic, transport of equipment and noise. These impacts are temporary, limited to the construction phase and to the close surroundings, and can be mitigated by appropriate planning and construction practices. Biodiversity or nature conservation issues are not touched upon, as the project and ensuing activities will be carried out within the borders of existing industrial facilities.

EIB Carbon Footprint Exercise

The carbon footprint is based on the estimation all GHG emissions related to the second component of the project (modernisation of existing and in new manufacturing equipment and machinery). 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 increased as part of the project the overall capacity of the special steel plant is not increased. After project implementation the estimated annual nominal GHG emissions of the project will amount to 62.4 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 assumption that the existing equipment would continue to operate as today. 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. As a conservative approach reductions in transportation resulting from the project have not been considered.

Based on the bank's carbon footprint exercise methodology it is estimated that the overall project will thus result in emission saving of 3.3 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. Over the last five years the promoter has increased its share of valorised waste from 71% to 82% and reduced water consumption by roughly 1 million cubic meters per year.

Conclusions and Recommendations

The modification and modernisation of the hot rolling mill falls under Annex II of the EIA directive and based on current knowledge it is expected to be screened out by the competent authorities as a non-substantial change of the mill. Thus, the project does not require an EIA according to Directive 2014/52/EU amending the Directive 2011/92/EU. The project adheres to Best Available Techniques (BAT) as identified by the European Commission for the ferrous metal processing industries. As the project covers an increase of some downstream manufacturing capacity, the overall GHG emissions of the facility will increase accordingly. However, if compared to a baseline scenario, i.e. comparable output from other state-of-the-art EU manufacturing facilities and the old existing manufacturing lines to be modernised or replaced, the project leads to a reduction of GHG emissions in relative terms. In addition, some outcomes and products of the RDI component are likely to contribute to more efficient steel manufacturing and will support the transformation towards lightweight mobility. The project is considered acceptable for Bank financing.

Contractual undertaking:
Considering the modification of the hot rolling mill in Basauri, the promotor shall send to the bank as soon as available, the screening decision and a copy of the environmental impact assessment if required by the authority.

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