

Spain Gas Network Expansion II

Complaints SG/E/2018/13-18 and 20-23

Complaints Mechanism - Complaints Mechanism - Complaints Mechanism - Complaints Mechanism

INITIAL ASSESSMENT REPORT

Prepared by

Complaints Mechanism

The EIB Complaints Mechanism

The EIB Complaints Mechanism provides the public with a tool enabling alternative and pre-emptive resolution of disputes in cases where the public feels that the EIB Group has done something wrong, i.e. if a member, or members, of the public considers that the EIB has committed an act of maladministration. When exercising the right to bring a complaint against the EIB, any member of the public has access to a two-tier procedure, one internal – the Complaints Mechanism Division (EIB-CM) – and one external – the European Ombudsman (EO).

If complainants are not satisfied with the outcome of the EIB-CM's procedure, a confirmatory complaint can be submitted by the complainant within 15 days of receipt of the EIB-CM's reply. Complainants who are not satisfied with the outcome of the EIB-CM's procedure and who do not wish to make a confirmatory complaint may also bring a complaint of maladministration against the EIB before the EO.

The EO was created by the Maastricht Treaty of 1992 as an EU institution to which any EU citizen or entity may appeal with a request to investigate any EU institution or body on the grounds of maladministration. Maladministration means poor or failed administration. This occurs when the EIB Group fails to act in accordance with the applicable legislation and/or established policies, standards and procedures, fails to respect the principles of good administration or violates human rights. Some examples, as identified by the European Ombudsman, are: administrative irregularities, unfairness, discrimination, abuse of power, failure to reply, refusal of information, unnecessary delay. Maladministration may also relate to the environmental or social impacts of the EIB Group's activities and to project cycle related policies and other applicable policies of the EIB.

The EIB Complaints Mechanism intends to not only address non-compliance by the EIB with its policies and procedures but to endeavour to solve the problem(s) raised by complainants such as those regarding the implementation of projects.

For further and more detailed information regarding the EIB Complaints Mechanism please visit our website: <http://www.eib.org/about/accountability/complaints/index.htm>

CONTENTS

EXECUTIVE SUMMARY	5
1 BACKGROUND	7
1.1 Programme	7
1.2 Complaint	7
2 ANALYSIS	8
2.1 EIB/EU objectives and principles	8
2.2 Project viability	13
3 PROPOSED WAY FORWARD	14
ANNEX I ACRONYMS	16

EXECUTIVE SUMMARY

On 18 July 2017, the European Investment Bank (EIB or "the Bank") Board of Directors approved a EUR 125 million loan to Redexis Gas S.A., a Spanish gas transmission and distribution company established by Redexis Gas Group (Redexis Gas or "the promotor"). The Bank has an established relationship with the promotor, having participated in a previous project during the period 2015-2018. The Bank's loan will be used to support in the reinforcement and extension of natural gas distribution networks across 11 Spanish regions ("the programme").

Between 7 February and 2 March 2018, the Bank received 10 complaints of similar or exact content regarding Spain Gas Network Expansion II investment programme. The complaints make a number of allegations of non-compliance with EIB policy and its objectives relating to the promotor's expansion into newly licensed areas of the Canary Islands ("the project"). In particular, the complaint raises concerns in relation to: (a) EIB/European Union (EU) objectives and principles (including those of the European Fund for Strategic Investments (EFSI)), particularly as relate to energy and climate mitigation and (b) economic, environmental and social viability of the project.

Defining EIB's role in assessing project compliance with EIB/EU objectives and principles is a challenging one, given that EU commitments leave wide discretion to Member States to decide how they are to be achieved. Having considered the issues raised by the complainants and undertaken a review of available documentation, EIB-CM considers that in respect of the first set of allegations, the Bank is not in breach of EIB/EU objectives and principles. In this instance, EIB-CM concludes that EIB's eligibility screening of the programme was appropriate and therefore has determined to close allegations concerning programme consistency with (a) EIB priority objectives, policies and criteria and (b) EFSI objectives and eligibility criteria.

Nevertheless, in respect of the second set of allegations, i.e. economic, environmental and social viability of the project, EIB-CM has identified a number of questions regarding EIB's due diligence of the programme. EIB-CM's outstanding questions in relation to the programme, in what concerns the components located in the Canary Islands, relate to whether in the context of EIB's policies, standards and procedures:

- a) EIB's appraisal was scaled appropriately to the programme context, including the assessment of potential environmental and social (E&S) risks and impacts and capacity of the promotor to address and manage these in an adequate manner;
- b) EIB took adequate steps to assure itself of compliance with EU and national laws, particularly in relation to the environmental impact assessment (EIA) screening decision;
- c) EIB properly applied its climate-related standards, especially in relation to the carbon footprint assessment; and
- d) EIB adequately assessed the economic viability of the programme.

Resolution of the above issues requires in-depth review of project documentation and assistance of technical experts. As a result, and in order to respond to allegations concerning components located in the Canary Islands, EIB-CM will conduct a compliance review into EIB's financing of Redexis Gas expansion programme.

1 BACKGROUND

1.1 Programme

On 18 July 2017, the European Investment Bank (EIB or "the Bank") Board of Directors approved a EUR 125 million loan to Redexis Gas S.A., a Spanish gas transmission and distribution company established by Redexis Gas Group (Redexis Gas or "the promotor"). The Bank's loan will be used to support the expansion of an existing gas distribution and transmission operation in Spain. The loan will be guaranteed under the European Fund for Strategic Investments (EFSI), which forms a central part of the Investment Plan for Europe (known as "the Juncker Plan") to address investment gaps in the European Union (EU). The loan was signed between EIB and the promotor in two tranches: an initial tranche of EUR 50 million on 22 December 2017 and a second tranche of EUR 75 million on 19 January 2018. To date neither tranche has been disbursed.

The investment programme¹ consists of (i) 845 kilometres (km) of new distribution pipelines, (ii) 115,000 new gas connection points, (iii) 15 liquid natural gas (LNG) satellite stand-alone regasification stations and (iv) 8 propane-air stations. Some 22 municipalities across 11 autonomous Spanish regions will be connected between 2018 and 2019, including 8 new municipalities in the Canary Islands of Tenerife and Gran Canaria. The Canary Islands will be served provisionally with a propane-air mix, until natural gas is made available via a new LNG terminal. The 8 propane-air stations will supply 240 km of new distribution pipelines and 19,000 new connection points.

1.2 Complaint

Between 7 February and 2 March 2018, the Bank received 10 complaints of similar or exact content relating to the promotor's expansion into newly licensed areas of the Canary Islands. Pursuant to paragraph 4.3 of the EIB-CM Operating Procedures, the complaints were found admissible and subsequently registered between 8 February and 16 March 2018.

The complaints, in sum, make a number of allegations of non-compliance with EIB policy and its objectives, particularly as relate to EIB assessment and due diligence of the proposed financing. As circumscribed by the complaint, and considering the outcome of the review process, EIB-CM has clustered issues for consideration into two themes, as follows:

- Allegations concerning EIB/EU objectives and principles, particularly as relate to energy and climate mitigation
- The complainants allege the project contravenes international agreement obligations for the mitigation of greenhouse gases (GHG) signed by the EU or by the EIB. They claim this substantively undermines EIB's policy priorities and objectives, particularly its fight against climate change. In addition, the complainants allege the project fails to comply with EU regional energy policy, specifically in relation to the outermost regions. They assert that this policy strongly prioritizes clean energy with emphasis on the reduction or replacement of fossil fuel consumption. See section 2.1.1.

¹ Investment programmes are multi-scheme operations with one (or more) common features designed for networks such as for transport, electricity and gas transmission/distribution. Such investment programmes fall under the category of investment loan where the information about the underlying investment expenditures is sufficient to analyse the project in one stage.

- The complainants allege EIB failed to fulfil its responsibilities to ensure compliance with EFSI principles in connection with the financing. See section 2.1.2.
- Allegations concerning the economic, environmental and social viability of the project
- The complainants believe the project lacks long-term vision and fails to consider wider environmental and economic sustainability factors in a number of respects. Firstly, the complainants allege that the assessment of GHG emissions was limited in scope, failing to consider emissions inherently associated with components of the LNG value chain (i.e. extraction, processing, transport and distribution). Secondly, they contend that renewable energy alternatives were not considered by the EIB in the context of the Canary Islands. The complainants consider EIB's investment to be counterproductive and to undermine global efforts to reduce carbon footprint. Thirdly, the complainants claim the due diligence process failed to evaluate consumer demand in the Canary Islands. They raise concerns about the potential cost to end-users and, in the second instance, impact on public finances resulting from the tariff deficit. See section 2.2.
 - The complainants contend that the promotor failed to adequately consult public and private sector stakeholders in order to ascertain the degree of community support for the project.

2 ANALYSIS

2.1 EIB/EU objectives and principles

2.1.1 Consistency with EIB priority objectives, policies and criteria

The complainants allege that *'the decision to fund the expansive activity of fossil fuels in Europe – or in any other territory on the planet – with European public capital, violates the statements of the EIB itself by explicitly contravening the international agreements for the mitigation of greenhouse gases (GHG), affecting both present and future social, territorial, economic and environmental interests of the Canary Islands and, therefore, of the European Union.'* As regards the specific 'international agreements for the mitigation of greenhouse gases', the complainants focus on the Paris Agreement under the UN Framework Convention on Climate Change. The complaint therefore focuses on two fundamental requirements of EIB Policy: consistency of the programme with (a) EIB priority objectives, policies and criteria and (b) fundamental principles embodied in the Paris Agreement.

EIB priority objectives, policies and criteria

For all prospective projects, EIB carries out sector and eligibility screening at (pre-) appraisal. In conducting the screening, the Bank verifies consistency with its policies, such that the project (i) fulfils the criteria, (ii) contributes to the EU objectives, translated into sector lending policies, and (iii) is consistent with the objectives of the mandates.²

The Bank's priorities and operational orientations are set out in a three-year rolling operational plan. The Corporate Operational Plan (COP) for 2017-19³ calls for the Bank to continue supporting the Europe

² EIB internal procedures manual, March 2016

³ The EIB Group Operational Plan 2017-2019

2020 targets for smart, sustainable and inclusive growth, featuring energy - competitive and secure supply, energy efficiency and renewable energy - as a key area of activity.

As regards sector lending policies, EIB's 2013 Energy Lending Criteria⁴ makes clear that all natural gas network projects, in principle, are eligible for financing. More specifically, the criteria identifies gas distribution grids as eligible, particularly where natural gas would substitute less efficient and more polluting sources of energy.

The criteria further suggest complementarities between natural gas and renewable energy sources. Whilst EIB investments in renewable energy are a matter of continued priority, the Bank recognises that *"natural gas will continue to play a role in the EU's energy mix in the coming decades and will gain importance as a key transition fuel to a low-carbon economy."*⁵ Ultimately, however, EU energy policy leaves the Member States flexible choice in deciding the optimal mix of technologies to meet the EU's climate and energy objectives.

As a general matter, EIB requires that projects it supports comply with applicable national law and, where relevant, EU legal requirements. The United Nations Framework Convention on Climate Change is expressly included as an applicable convention under EIB Environmental and Social Standard 1.

EU legislation and policy

The mission of the EIB is set out in Article 309 of the Treaty on the Functioning of the European Union (TFEU) that states in relevant part: *"The task of the European Investment Bank shall be to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the internal market in the interest of the Union."*⁶

In respect of the loans made within the Community, the project must satisfy at least one of the economic policy objectives laid down in Article 309:

- a. The project must further the economic development of the Community's less prosperous regions.
- b. The project must involve modernisation and must generally improve the competitiveness of Community industry.
- c. The project must be of common interest to several member states or to the Community as a whole.

The above referenced Article 309 also makes reference to the 'interest of the EU'; such reference clarifies the direct relationship between the EIB and EU, with the former following the principles and pursuing the goals defined by the latter.

Relevant to the issues raised by the complainants, the 2016 'Clean Energy for All Europeans' legislative package aims to facilitate a clean energy transition. The package builds on the EU's 2030 climate and energy framework - including targets for cutting greenhouse gas emissions and increasing the share of

⁴ Available at <http://www.eib.org/en/infocentre/publications/all/eib-energy-lending-criteria.htm>

⁵ EIB Energy Lending Criteria, July 2013, para. 153

⁶ Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12012E%2FTXT>

renewable energy and energy efficiency - and serves to deliver on its Paris Agreement commitments. In line with the agreement's central aim - to limit global warming to well below 2°C above pre-industrial levels, and pursue efforts to further limit the temperature increase to 1.5°C - the EU and its Member States have committed to reducing domestic greenhouse gas emissions by at least 40% compared with 1990 levels, by 2030.

More specifically, the 'Clean Energy for EU Islands' initiative⁷, launched with the Clean Energy for all Europeans package, provides a long-term framework to develop the clean energy potential of European island communities. Having regard to regional vulnerabilities, the European Commission recognises the need for coordinated actions at EU and national level, as well as by the outermost regions themselves, based on context-specificities.

Documentation

EIB's eligibility screening is documented in its appraisal of the project dated June 2017. The project documentation notes that the programme will support Spain's national gasification strategy, with 68% of the investments located in EIB priority cohesion regions (Andalusia, Castile-La Mancha, Extremadura, Murcia, and Canary Islands). The programme is therefore found to be eligible under Article 309 point (a) projects for developing less-developed regions and point (c) common interest (energy).

The project documentation further notes that the financing of the programme will primarily contribute to the Bank's lending priority policy on security and diversification of energy supply. It indicates that investments in gas distribution grids are eligible for EIB financing under EIB's 2013 Energy Lending Criteria. According to EIB, improving the penetration of gas will displace less efficient and more polluting sources of energy - particularly in the Canary Islands where the dominant fuel source is oil-based - thereby contributing to EU objectives relating to the reduction of greenhouse gas emissions and security of energy supply. The main quantifiable benefits of the investments are said to be derived from cost savings and environmental benefits made possible through the substitution of liquefied petroleum gas, heating oil and electricity (corresponding to an estimated 71 kt CO₂eq/year avoided at completion, per the Bank's carbon footprint methodology).

Assessment

For purposes of this initial assessment, it is not necessary to engage in an extended evaluation of EU policies in relation to energy and climate change. It is apparent from a holistic review that while there is an established framework for the promotion of renewable sources, the programme does not violate the established objectives or policies of the EIB, in which gas distribution networks are fully eligible investments. Regarding the first key question, i.e. whether EIB financing of fossil fuels 'violates the statements of the EIB', the programme appears to meet the broad objectives, policies and criteria of the Bank. In this regard, the programme is compliant with one or more eligibility criteria, in line with Article 309 of the TFEU, EU policy framework and closely linked COP and sectoral lending objectives.

Regarding the second key question, i.e. whether the programme is consistent with the fundamental principles embodied in the Paris Agreement, it is clear from Bank calculations that a reduction in carbon equivalent emissions is anticipated against higher emitting alternative fuels. In this regard, EIB-CM notes

⁷Available at

https://ec.europa.eu/energy/sites/ener/files/documents/170505_political_declaration_on_clean_energy_for_eu_islands- final version 16_05_20171.pdf

that the Bank has undertaken a GHG emissions quantification process, the result of which appears to contribute to climate change mitigation. In the interest of consistency and coherence, the specific concerns expressed by the complainants in connection with EIB's emissions assessment are addressed in section 2.2. Therefore, it is possible to conclude that EIB financing of the programme appears to be consistent with the fundamental principles embodied in the Paris Agreement.

Lastly, the complainants have cast their complaints in terms of the fundamental and overarching objectives of the EIB. EIB-CM notes that the Bank maintains a technology neutral approach in line with the EU energy policy, acknowledging the right of individual Member States to determine their energy mix.

Based on the findings set out above, EIB-CM will not proceed to examine further this complaint.

2.1.2 Consistency with EFSI objectives and eligibility criteria

The complainants allege that EIB investment in Redexis Gas under the Investment Plan for Europe (IPE) framework is '*diametrically opposed to the fundamental principles of this European Plan*'.

The IPE aims to revive investment in strategic projects across Europe. The programme at issue benefits from one of the three pillars of the Plan - the EFSI. In brief, the core elements of the EFSI are as follows:

The EFSI is intended to stimulate participation by private investors in a broad range of new investment projects. It is established within the EIB by an agreement between the EIB and the European Commission. The EFSI has its own dedicated governance structure: a steering board to set the overall strategy, investment policy and risk profile to the fund and an independent investment committee to select operations to receive EFSI guarantee support. However, the management of EFSI operations are carried out under the exclusive responsibility and control of EIB.

Requirements

EFSI-financed projects are required to undergo standard EIB due diligence as well as an independent assessment by the Investment Committee (IC) of the potential use of the EU guarantee, in response to a submitted proposal by the EIB. The latter procedure is intended to ensure that IC members are able to provide a decision in relation to any particular operation prior to its consideration by the EIB Board of Directors.

Projects benefiting from the EU guarantee must fulfil the general objectives and eligibility criteria set out in EU Regulation 2015/1017⁸. According to Article 9(2), the granting of an EU guarantee for EIB financing and investment operations must be consistent with Union policies and support any of its general objectives. This includes, inter alia, point (b): development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks. Article 9(2) point (b) is understood to include (i) expansion of the use or supply of renewable energy; (b) energy efficiency and energy savings; and (iii) development and modernisation of energy infrastructure (in particular interconnections, smart grids at distribution level, energy storage and synchronisation of networks).

⁸ Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L .2015.169.01.0001.01.ENG>

In addition, Article 6(1) requires that EFSI support projects which:

- a) are economically viable according to a cost-benefit analysis following Union standards, taking into account possible support from, and co-financing by, private and public partners to a project;
- b) are consistent with Union policies, including the objective of smart, sustainable and inclusive growth, quality job creation, and economic, social and territorial cohesion;
- c) provide additionality⁹;
- d) maximise where possible the mobilisation of private sector capital; and
- e) are technically viable.

Documentation

EIB's submitted its proposal to the IC in July 2017. According to the proposal, the programme demonstrates additionality and alignment with EFSI eligibility criteria, in particular the development of the energy sector in accordance with Energy Union priorities. As regards additionality, the proposal suggests that EFSI support would address market inefficiency persistent in the utilities sector. This is attributed to the investment horizon of available financing which is often shorter than the underlying assets. Market inefficiency is said to be aggravated by a lack of market-based financing and less diversified pool of investments often faced by smaller utilities such as Redexis Gas.

The proposal notes further that two-third of the investments will be located in cohesion priority regions where the availability of cleaner and cheaper fuels provides greater positive economic, social and environmental externalities. It also notes that the programme is in line with the Spanish Government's objective of increasing the demand base for natural gas in the country.

Following a review of the proposal, the IC approved the use of the EFSI guarantee for the programme.

Assessment

EIB-CM considers that the EIB's proposal to the IC demonstrates programme consistency with the corresponding objectives and other relevant requirements set out in Articles 6 and 9 of EU Regulation 2015/1017. EIB-CM notes that programme eligibility and additionality was justified and documented by the Bank at time of appraisal. To the extent that the Bank's own eligibility criteria is broadly in line with that established in the Regulation, EIB carried out its own assessment of the relevant criteria, including a cost-benefit analysis to determine the economic and technical viability of the programme. As for EU policy alignment, criteria has been examined earlier in this report. In the view of EIB-CM, the information submitted by the EIB to the IC in respect of the programme is adequate. The specific inadequacies alleged by the complainants concerning the economic viability of the project will be further examined in section 2.2.

On this basis, EIB-CM will not proceed to examine further this complaint.

⁹ Additionality, as defined in Article 5(1), means the support by the EFSI of operations which address market failures or sub-optimal investment situations and which could not have been carried out in the period during which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union financial instruments without EFSI support.

2.2 **Project viability**

The complainants raise concerns regarding the economic, environmental and social viability of the project. They allege that the EIB failed to: (a) conduct an adequate assessment of GHG emissions; (b) assess renewable energy alternatives; (c) evaluate consumer demand; and (d) ensure promotor compliance with consultation requirements.

For all prospective projects, EIB carries out an environmental and social (E&S) assessment that is *"scaled appropriately to the project context."*¹⁰ In conducting the E&S assessment, EIB considers E&S risks associated with the project and the capacity of the promotor to manage these risks. The E&S approach to investment programmes focuses on *"identifying consideration areas at a strategic or conceptual level, rather than evaluating quantitative, detailed environmental and social impacts and risks, as in a project-level assessment."*¹¹

EIB's Environmental and Social Data Sheet¹² (ESDS) was published on the Bank's website on 12 September 2017. The scope of EIB's E&S due diligence, as relates to the investment programme, consisted of a desktop review, including the review of previously prepared documentation in relation to Redexis Gas Transmission and Distribution project¹³. Further, the Bank's due diligence of the programme has been approached from a conceptual level with consideration for the overall risk profile of the programme. The programme is perceived by the Bank as being without major risks, and presented by a well-known and reliable promotor. According to the ESDS, the project components fall under Annex II of Directive 2011/92/EU. In this respect, the ESDS states that the infrastructure associated with the programme will be located primarily in urban areas, is expected to have limited environmental impact and is thus not expected to require an environmental impact assessment (EIA). As explained to EIB-CM, the Bank maintains that in its procedures for such programmes, the E&S due diligence is focused on the capacity of the promotor and it is not necessary to obtain a screening decision by the relevant authorities during appraisal. EIB-CM notes there is no information in EIB's disclosed material to suggest that it verified a screening decision by the relevant authorities during appraisal.

Relevant to the complainants' concerns regarding the methodology and scope of emissions, the ESDS notes absolute CO₂ emissions estimated at 159 kt CO₂eq/yr. An examination of the GHG footprint assessment reveals that sources of GHG emissions include gas compression, gas leakages, LNG trucks, LNG regasification and gas burned. As explained to EIB-CM, this absolute forecast is based on sector specific activity data and documented emission factors provided by the promotor.

Relevant to the complainants' concerns regarding assessment of alternatives, the Bank's project documentation notes that the availability of feasible alternatives for the programme are limited given the scattered municipalities in question and low-consumption volumes by users. This conclusion follows a brief consideration of alternative sources of energy, including electricity, biomass-based individual heating and district heating network. The project documentation does not exclude the potential use of solar water heating technology to supply a portion of energy needs.

¹⁰ EIB Environmental and Social Handbook Volume II, December 2013, para. 29

¹¹ EIB Environmental and Social Handbook Volume II, December 2013, para. 277

¹² Environmental and Social Data Sheet, September 2017,

<http://www.eib.org/en/infocentre/registers/register/76251049>

¹³ <https://www.eib.org/en/infocentre/registers/register/60139425>

Relevant to the complainants' concerns regarding economic viability and associated consumer demand, the Bank notes that an economic appraisal for the programme was conducted as per EIB's methodologies and policies. The economic rate of return for the programme was calculated taking into account the effects of the extension of the gas distribution service to new users. More specifically, project documentation notes that the regulatory framework set by the Government is fully dependent on the number of users served and volume distributed by the promotor. It acknowledges that depressed demand scenarios could impact the programme's return negatively, particularly where uncertainty in demand prospects exist (e.g. Canary Islands). The project documentation anticipates that expanding the programme to profitable areas with high consumption and/or density of population will mitigate the risk of low programme return. It indicates that the Bank will specifically monitor the network development in the Canary Islands of Tenerife and Gran Canaria closely.

On the basis of available information, EIB-CM could not determine whether EIB's E&S due diligence conducted in respect of the programme was sufficient in relation to the concerns raised by the complainants. Owing to the significance and complexity of the issues presented, and considering the limited set of information available to EIB-CM at this time, EIB-CM has determined that a compliance investigation is warranted. Resolution of the above issues will require detailed consideration with involvement of relevant technical expertise.

3 PROPOSED WAY FORWARD

This compliance assessment considers a complaint regarding project consistency with EIB/EU objectives and project viability of the Redexis Gas expansion programme, in what concerns the components located in the Canary Islands.

Defining EIB's role in assessing project compliance with EIB/EU objectives and principles is a challenging one, given that EU commitments leave wide discretion to Member States to decide how they are to be achieved. Having considered the issues raised by the complainants and undertaken a review of available documentation, EIB-CM considers that with respect of the first set of allegations, the Bank is not in breach of EIB/EU objectives and principles. In this instance, EIB-CM concludes that EIB's eligibility screening of the programme was appropriate and therefore has determined to close allegations concerning programme consistency with (a) EIB priority objectives, policies and criteria and (b) EFSI objectives and eligibility criteria.

Nevertheless, with respect to the second set of allegations in relation to economic, environmental and social viability of the project, EIB-CM has identified a number of questions regarding EIB's due diligence of the programme, in what concerns the components located in the Canary Islands. These include:

- a) Whether EIB's appraisal was scaled appropriately to the programme context, including the assessment of potential E&S risks and impacts and capacity of the promotor to address and manage these in an adequate manner;
- b) Whether EIB took adequate steps to assure itself of compliance with EU and national laws, particularly in relation to the EIA screening decision;

- c) Whether EIB properly applied its climate-related standards, especially in relation to the carbon footprint assessment; and
- d) Whether EIB adequately assessed the economic viability of the programme.

On the basis of the above analysis, and in order to respond to the allegations concerning components located in the Canary Islands, EIB-CM will conduct a compliance review into EIB's financing of Redexis Gas expansion programme. Resolution of the above issues requires detailed consideration with involvement of relevant technical expertise.

Complaints Mechanism

ANNEX I ACRONYMS

COP	Corporate Operational Plan
E&S	Environmental and Social
EFSI	European Fund for Strategic Investments
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIB-CM	European Investment Bank Complaints Mechanism
ESDS	Environmental and Social Data Sheet
EU	European Union
GHG	Greenhouse Gases
IC	Investment Committee
IPE	Investment Plan for Europe
KM	Kilometre
LNG	Liquefied Natural Gas
TFEU	Treaty on the Functioning of the European Union