

Luxembourg, 17.07.2023

Environmental and Social Data Sheet

Overview

Project Name:	CHILE - TEAM EUROPE GREEN HYDROGEN PLATFORM
Project Number:	2022-0628
Country:	Chile
Project Description:	EIB financing, to be structured as a framework loan (FL) with the Sovereign, will be integrated in the Team Europe Green Hydrogen Fund for Chile, which is a platform to finance the incipient green hydrogen market, foster local supply chains and strengthen the potential for green hydrogen exports to Europe.
EIA required:	The schemes may require an EIA under the relevant legislation
Project included in Carbon Footprint Exercise ¹ :	no
(details for projects included are provided in section: "EIB Carbon Footprint Exercise")	

Environmental and Social Assessment

This operation concerns a Framework Loan (FL) that will provide funding to the Chilean public development agency CORFO (Corporación de Fomento de la Producción), which will on-lend, as Financial Intermediary (FI), to final beneficiaries in the green hydrogen value chain in Chile.

The operation supports the EU policy objectives in the field of climate change mitigation beyond the borders of the Union, security of energy supply, and the development of a green hydrogen economy. It will primarily extend the EIB's financing to green hydrogen production infrastructure and associated renewable energy capacity, an emerging sector which would require significant funding over the next years to accompany its expected growth. The financing is consistent with the EIB public policy goals on "Sustainable Energy & Natural Resources – Decarbonising Energy Supply" and supports the achievement of climate, energy, and economic objectives of the EU and Chile. The investments will generate environmental benefits in terms of reduction of GHG emissions and air pollutants, ultimately helping to mitigate climate change.

The scope of the operation goes from the infrastructures required to provide the two key inputs (water, power) to the green hydrogen production process, to the manufacturing of hydrogen or hydrogen-derivate products (inclusive), as well as hydrogen-consuming assets. Due to the nature of this operation, the final allocations and their environmental and social (E&S) impacts are not fully known at this stage. Specific eligibility criteria will apply, and all allocations will require ex-ante approval by the Bank to determine potential environmental and social impacts and compliance with its Environmental and Social standards, prior to authorising the on-lending of funds to final beneficiaries. The Bank's requirements with regard to eligibility, including environmental and social criteria, will be incorporated into the finance contract.

Environmental Assessment

The infrastructure could cover assets such as water desalination plants; renewable generation capacity (expected to be principally wind onshore or solar PV); associated power transmission and/or distribution infrastructure; hydrogen production, storage, compression, and transport

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB 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.



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(e.g. pipelines, trailers, trucks); and production, storage, and transport of hydrogen-derivate products (e.g. ammonia, methanol).

Renewable energy power plants and production/storage of hydrogen are in principle required to undergo EIA processes under the relevant national legislation in Chile. If they were located within the EU, they would fall under Annex II of Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring the competent authorities to determine whether an EIA is required. High Voltage (HV) lines connecting the renewable energy plants to the grid may fall under Annex I and would in this case mandatorily require an EIA if located in the EU. Since the “green” hydrogen production plants will be most likely located at the sites of (or close to) the industrial off-takers, the environmental approvals for implementing the “green” hydrogen facilities are normally granted through non-substantial additions/modifications to/of its Integrated Environmental Authorisations. The hydrogen part of the project needs to further demonstrate compliance with applicable industrial safety regulations related to the handling and storage of chemical products in terms of safety and accident prevention, such as the SEVESO Directive within the EU.

The investments have the potential for some environmental and social adverse impacts, including land degradation and soil erosion, vegetation clearance, disturbance during construction, electromagnetic fields and nuisance during operation. They may involve temporary loss of access to land or property due to the construction works within the right-of-way as well as crop and tree destruction. The final beneficiaries will be committed to implementing the necessary mitigating measures at both design and construction stages. These typically include special construction procedures to minimise damages and disturbance, construction of facilities to contain oil leaking from transformers of grid infrastructure, soil restoration, traffic management measures, appropriate waste collection procedures and others.

In alignment with the EIB E&S Standards, an Environmental and Social Impact Assessment (ESIA) report will be produced for allocations under the FL where applicable. The Bank will review the ESIA (including the relevant screening decisions), as well as the Resettlement Action Plans (RAPs), Resettlement Policy Frameworks (RPFs) – as and when applicable – during the appraisal of each individual allocation. Whenever an ESIA process is required, the environmental and social impact study (EIS) and the non-technical summary of the EIS report will be provided in copy to the Bank prior to the Bank’s approval of the allocation, and will be published. The same requirement will apply in the case of an RPF being applicable. During the review, the Bank will assess compliance of the aforementioned documents with the EIB’s Environmental and Social Standards. The FI will be required to verify that none of the allocations has a significant adverse impact on any site of nature conservation importance. Schemes (allocations) with significant E&S negative impacts including on areas with high biodiversity value and bird migration routes will not be eligible under this operation.

The operation intends to generate environmental benefits by supporting sustainable energy infrastructure that helps to mitigate climate change. The operation is fully aligned with the goals and principles of the Paris Agreement as set out in the Bank’s Climate Bank Roadmap and the Energy Lending Policy.

EIB Paris Alignment for Counterparties (PATH) Framework

The counterparty is a sovereign entity thus not in scope of the PATH framework.

Social Assessment

The envisaged allocations may give rise to typical occupational and community health, safety and security risks and impacts. These risks are primarily linked to traffic, dust and noise nuisances, presence of security personnel and the influx of labour force during construction. The final beneficiaries will secure the right-of-way, as necessary. The main mitigation and monitoring measures to address these risks/impacts and others will be considered in the



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respective Environmental and Social Management Plan (ESMP), and in the respective RPF/RAP, if applicable. The Bank will require that the assessment of social impacts, including the development of necessary mitigation measures (as applicable), and compliance with national law and ILO Core Labour Standards will need to be ensured by the FI at allocation level in accordance with the Bank's Environmental and Social Standards. Schemes may require the acquisition, lease or easements of land for the installation of their components. The final beneficiaries will seek to secure voluntary agreements for the lands required for all schemes' assets. It will be required that the implementation of the schemes under this FL will not lead to involuntary physical displacement. Schemes with physical displacement and/or impact on indigenous people will be excluded from the project scope to be financed by the EIB.

The FI may lend part of the credit line to final beneficiaries to implement solar PV projects. In view of reports pointing out the possibility of use of forced labour in the supply chain of solar PV panels, to be compliant with the applicable provisions of the relevant E&S standards of the Bank (including Standard 8 - Labour - of EIB E&S Standards), the FI or the underlying final beneficiaries will be required to undertake reasonable effort to assess and address risks of forced labour in the supply chain. This will include, on a reasonable effort basis, enhanced due diligence commensurate with the capacity and leverage of the final beneficiaries also guided by the FI's human rights commitment, and ensuring that appropriate contractual provisions are cascaded to contractors/suppliers of the projects. The Bank will assess this as part of the allocation process.

Public Consultation and Stakeholder Engagement

As part of the approval of an allocation, the Bank will ensure that adequate public consultation and stakeholder engagement, in compliance with EIB Standard 2, are carried out. The FI will ensure that comprehensive grievance mechanisms, both for communities and for the workforce (including EPC contractor and sub-contractors), are in place during both implementation and the entire operation period of the allocations.

Stakeholder engagement activities will be conducted in compliance with national legislation, and with the Bank's relevant E&S standards.

Other Environmental and Social Aspects

CORFO has a strong commitment to sustainable development and green financing highlighted in its Corporate Environmental and Social Policy, which is a core part of an integrated management system. The FI prepared a specific Environmental and Social Framework and Stakeholder Engagement Plan for the green hydrogen programme with the participation and support of the MDBs which take part in the financing platform, i.e. World Bank and Inter-American Development Bank. The Framework is currently under a public consultation process.

The FI has experience in applying E&S safeguards, including reporting and monitoring requirements from international financial institutions, i.e. KfW. It has preliminary policies and procedures to assess environmental and social (E&S) risks in the operations it finances, and has a basic team to assess and monitor E&S matters. The Bank has assessed the FI, and agreed that its institutional capacity would be reinforced to have adequate capacity to ensure compliance with the EIB's Environmental and Social Standards, in addition to the E&S national laws and regulations.

Conclusions and Recommendations

The Financial Intermediary is aware of the Bank's E&S requirements and its management capacity is considered adequate and commensurate with the E&S risk of the underlying projects. The environmental and social obligations under the national laws of Chile and the FI's ESMS (currently under consultation) provide comfort and support the fulfilment of the EIB's E&S standards under this operation. A separate ESMS will be produced for allocations with



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investment costs above EUR 50m. The investments targeted by the operation are not expected to have major residual social and environmental impacts, provided that all respective mitigation measures are implemented in full.

The following conditions and undertakings will be included in the legal documentation of the Framework Loan. Other/Additional contractual conditions and undertakings may be decided at allocation level, and will be published in the respective ESDS, if applicable.

- The FI will be contractually obliged to incorporate the EIB's environmental and social requirements into its legal documentation.
- Prior to the first disbursement of the loan, the Environmental and Social unit, set up within the existing operational structure of the FI, will formally designate and/or contract full time dedicated environmental and social specialists.
- Under the allocation procedures, all underlying schemes, including their compliance with EIB E&S standards, will be reviewed ex-ante by the Bank.
- The FI shall store and maintain updated the E&S documentation that may be relevant to this operation (including but not limited to: EIA screening decisions, environmental and social studies related to the EIA, the Non-Technical Summaries of the EIAs, and Nature/Biodiversity Assessments or equivalent documents supporting the compliance with the Bank's E&S standards and principles of the EU Habitats Directive) and shall, upon request, promptly deliver such documents to the Bank.
- For schemes that may have an impact on a nature conservation site, the FI shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation satisfactory to the Bank, that the scheme does not have a significant negative impact on any such site. Such confirmation should be delivered to the Bank before the funds are allocated. Schemes with significant negative impacts on areas with a high biodiversity value, nature conservation areas, shall not be eligible.
- Schemes (i) with significant, negative environmental and/or social impacts or (ii) requiring physical resettlement and/or (iii) with impact on indigenous people shall not be eligible.
- The FI will undertake to monitor and report to the Bank on the compliance with EIB E&S Standards, with a periodicity and scope yet to be defined for the individual allocations.
- The FI shall ensure that the supply chain of the solar PV panels used in any allocation is compliant with the applicable provisions of the relevant labour standard of the Bank, and avoids the use of forced labour. For this purpose, the FI undertakes to make reasonable efforts to carry out enhanced due diligence and ensure that appropriate contractual provisions are cascaded to final beneficiaries and their contractors/suppliers. The Bank will assess this before the allocation of funds to solar PV generation plants.

In view of the above findings and with appropriate conditions in place, the operation is acceptable for EIB financing in environmental and social terms.