

Luxembourg, 23 May 2024

Environmental and Social Data Sheet

Overview

Project Name:	NORTEGAS BIOMETHANE PRODUCTION PLANTS	
Project Number:	2023-0093	
Country:	Spain	
Project Description:	The project concerns the construction and operation of a number of biomethane production plants in several regions in Spain.	
EIA required:	Multiple investments	
Invest EU sustainability proofing required	No, to be made at allocation stage	
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 operation consists of a Framework Loan to the Nortegas Group ("Nortegas" or the "Group") for the construction of 31 biomethane projects and a Digital Operations Center in Spain, to be located in 12 different regions.

The sub-projects to be financed will be consistent with the Main Policy Priority Areas of the Sustainable Infrastructure Window (InvestEU-SIW), specifically developing renewable energy and sustainable bioeconomy.

The operation will support Nortegas in its energy transition to renewable and sustainable energy, including the production and distribution of biomethane. The expected 1.4 TWh/y of biomethane produced will be injected into the natural gas grid and substitute fossil fuel. With feedstock composed mainly by agricultural residues, the Project is seen as more positive in environmental terms than other more energy-based biogas plants. The feedstock used will comply with the Renewable Energy Directive (EU) 2018/2001 (REDII) (manure, agroindustry by-products and green residues) and the digestate will be used as agricultural fertilizer.

According to Directive 2011/92/EU as amended by the EU Directive 2014/52/EU amending and transposed by Spanish authorities, an EIA Report is mandatory for biomethane installations (Annex II, screened in). Each Autonomous Community's environmental authority (17 regions in Spain) is competent to conduct the EIA procedure for projects located in its territory.

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.



Luxembourg, 23 May 2024

Nortegas has been assessed by the bank to have a good understanding of the environmental impacts of anaerobic digestion development and operation and showed capacity to properly implement and manage these facilities, under the mitigants requested in the permits (AAIs) and after public publication. In the plants Nortegas is operating, the effects on the ecosystem (flora, fauna and landscape) were assessed as moderate or low, and considered to be fully mitigated by the requested measures listed in the AAIs. The impacts on the socioeconomic environment, in terms of health and quality of life, were estimated between negligible and moderate. The overall impact of the installations are considered acceptable and compatible with the surrounding environment.

Climate Assessment

The operation contributes to climate change objectives by reducing direct GHG emissions from agricultural activity and by substituting the use of natural gas. As main feedstock comes from manure/ slurry (>70%), the Project will contribute to significantly reduce pollution to the air and water associated with livestock production in the target areas. It will substantially contributing to Circular Economy in agriculture by valorizing residues such as manure and other agricultural residues into biomethane and digestate that will be reutilised as fertiliser.

The activity is aligned with the Paris Agreement criteria established in the Climate Bank roadmap.

EIB Paris Alignment for Counterparties (PATH) Framework

The Promoter is in the scope of the PATH Framework as it is a large corporate. The company is screened in for low-carbon and climate resilience and is not engaged in incompatible activities.

Considered the double materiality of physical climate risk: the corporate demonstrates capacity to manage physical risk in their operations and the company does not contribute to climate vulnerability of other people or nature. Nevertheless, the reduction emission path showed by the company is currently too short-termed (2024) and it will be requested to show a mid-term objective (2030).

The counterparty is therefore in line with EIBG PATH framework resilience requirements, with the below undertakings.

EIB Carbon Footprint Exercise

As all feedstock will be renewable (agricultural & food by-products, bio-residues, etc.) absolute CO₂ emissions from biomethane production itself were considered to be zero. As the by-products from the food industry will not be incinerated, and instead be used as feedstock for biomethane production, the avoided emissions due to the use of this biomass for energy purposes also counts as a reduction in GHG emissions. No energy crops cultivation are foreseen in the project. The savings from less fertilizer production due to the digestate use as fertilizer (only for the non-manure fraction), as well as less natural gas combustion as a final use in the gas distribution networks have been also considered. Finally, the bank took into account expected methane slip (losses) within biomethane production units.

Absolute emissions: At project level, the GHG level is estimated to amount to 76.6 kt CO₂ equivalent per year.

Baseline: without the project, the GHG level is estimated to amount to 598.5 kt CO₂ per year.

Relative emissions: Based on the Bank's carbon footprint methodology, the relative emissions savings are estimated to be 521.9 kt CO₂ equivalent per year.



Luxembourg, 23 May 2024

With regards the economic analysis, the amount that corresponds to the EU CO2 rights under the Emissions Trading Scheme (ETS) is taken out from the total value of the GHG emission savings externality so as not to double count it.

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 mobilised by the EIB finance.

Social Assessment

Being certified ISO 45 001 (Health and Safety in the workplace), Nortegas fully integrates occupational health and safety matters in its business activities and this will be extended to the project sites. The company is certified Family Responsible Company and counts on an Ethics code. The projects will follow Royal Decree 1627/1997, establishing minimum health and safety requirements for construction sites and Law 31 of 1995 on the Prevention of Occupational Risks during Operation.

Public Consultation and Stakeholder Engagement

Consultations per sub-project will be carried out under the EIA process.

Other Environmental and Social Aspects

The quality of promoter's E&S&C management and governance systems is adequate to manage E&S risks and the implementation of the ESMPs. The promoter is accredited ISO 14001, ISO 45001, ISO 9001:2015 and these will be extended to each of the financed production facilities. The promoter is registered as a producer of biomethane with guarantee of origin in the Ministry of Ecological Transition and the Demographic Challenge.

The operation contributes to climate action and environmental sustainability objectives by valorising agriculture waste and food residues into bioenergy and digestate for its re-use as fertiliser in agriculture. It further contributes to reduce direct GHG emissions from agricultural activity and substitutes the use of natural gas and synthetic fertilizer. It will reduce the risk of emissions to the air and water pollution associated with livestock production and have a positive contribution to maintain attractiveness and economic activity in rural areas with risk of depopulation.

Conclusions and Recommendations

The promoter undertakes to respect, at each site, all environment, climate and social (ECS) requirements as stated in the EIB standards.

Sustainability proofing as required by the Invest EU Regulation will be carried out per sub-project at allocation stage.

For the purpose of this operation, the following conditions have to be fulfilled:

- The Promoter undertakes not to allocate Bank funds until the EIA and/or, if required the appropriate assessment have been finalised, approved by the relevant competent authority and provided to the satisfactory of the Bank.
- Additional provisions to mitigate specific sectoral risks (at allocation):
 - The biomass feedstock, when sourced from inside the EU, is compliant with the sustainability criteria of EU Directive 2018/2001 (and article 29 in particular).



Luxembourg, 23 May 2024

- Produced from the biomass feedstock listed in Part A and B of Annex IX of Directive (EU) 2018/2001.
- Manufacture of biogas and biofuels for use in transport and of bioliquids have to meet the technical screening criteria for substantial contribution defined in sections 4.13 Annex I of EU Taxonomy Climate Delegated Act. For the production of biogas/ biomethane, a maximum 20% of energy crops used as feedstock (in mass) may be considered (conditions to be discussed).
- methane leakage from relevant facilities (e.g., for biogas production and storage, energy generation, digestate storage) shall be minimised in line with industry practice and controlled by a monitoring plan.
- the digestate produced shall be used as fertiliser/soil improver – directly or after composting or any other treatment.
- the digestates/compost are aligned with directive 2019/1009/EU and national regulation on fertilisers, particularly in the case of using agro-industrial or urban sludge.
- Compliant with GHG savings as per Directive (EU) 2018/2001 and national conditions for the certificates of origin.
- External valid certification, ISCC or similar, for the sustainability of biogenic feedstocks.
- To provide to EIB with Climate Risk Vulnerability Assessment
- An Update on the emissions reductions path until 2030.

With these conditions and undertakings in place, the investment is deemed acceptable for financing from an environmental and social perspective.