

Luxembourg, 11.12.2024

## Environmental and Social Data Sheet

### Overview

Project Name:	MARCEGAGLIA AMT AND R&D INVESTMENTS
Project Number:	2024-0370
Country:	Italy
Project Description:	The Project refers to the Promoter's investment plan including (i) advanced manufacturing technology (AMT, 84%) capital expenditures (capex) comprising four different sub-components that will modify and improve the Promoter's existing steel processing plants in Ravenna and Gazoldo degli Ippoliti (Italy) and (ii) the Promoter's R&D activities (16%).
EIA required:	no
Project included in Carbon Footprint Exercise <sup>1</sup> :	yes

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

### Environmental and Social Assessment

#### Environmental Assessment:

(i) The **AMT capital expenditures** have multiple aims, including but not limited to energy efficiency improvements, the decarbonisation of selected equipment through electrical energy recovery (cranes) and electrification of heat (furnaces), the increase in product quality as well as higher levels of automation to optimise the production process and cost efficiency.

AMT capital expenditures component comprises 4 different sub-components:

a) and b) Investment in the Promoter's **logistics** and steel coil handling areas including among others fully automated cranes with kinetic energy recovering systems (KERS) and electrified automated guided vehicles (AGVs). These sub-components will be implemented within **two** different existing sites<sup>2</sup> of the Promoter that are already authorised for these type of activities without impacting the respective manufacturing capacity. These types of activities are not mentioned in the Annexes of the EIA Directive; 2014/52/EU amending 2011/92/EU.

c) Investment in fully electrified annealing furnaces for the manufacturing of special steel grades to be used in electrical drives (electrical steel grades) using the Pinnovative process. These types of activities are not mentioned in the Annexes of the EIA Directive; 2014/52/EU amending 2011/92/EU.

d) Modification of one of the Promoter's existing hot dip galvanising (HDG) lines. The aim is to partially electrify the furnaces on this line, to switch from natural gas powered heating to electrical heating. This sub-component is a modification of a manufacturing line falling under Annex II of the EIA Directive. Based on information shared by the Promoter and also expectations the modification of the HDG is a non-substantial change of an existing already authorised installation that is expected not to have significant adverse effects on the environment and hence is not subject to EIA screening.

<sup>1</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.

<sup>2</sup> Hence its 2 sub-components, i.e.: 1.a) and 1.b)



Luxembourg, 11.12.2024

(ii) **Investment in the Promoter's R&D activities:** The component covers the several of the Promoter R&D projects to be implemented among others with specialised third party research institutes. The activities will be carried out in existing facilities of Marcegaglia or of its research partners. These types of activities are not mentioned in the Annexes of the EIA Directive; 2014/52/EU amending 2011/92/EU.

As far as applicable, all components of the Project will be in line with the respective Best Available Techniques (BAT) conclusions.

The Project is fully in line with the Paris Agreement according to its latest definition in the EIB's Climate Bank Roadmap, as the investment concerns the implementation of low carbon solutions (electrification), higher levels of automation of the Promoter's logistics facilities or R&D activities related focused on product improvements.

The Project's results will entail GHG emissions reductions through the reduction of fossil fuel consumption by implementing fully or partially electrified solutions and also by reducing overall energy consumption. Furthermore, the Project will lead to significant improvements in terms of safety for workers through the implementation of innovative digital and highly automated solutions in its logistics operations.

### **EIB Carbon Footprint Exercise**

The carbon footprint is based on the estimation of the scope 1 and scope 2 GHG emissions related to the Project. The majority of the emissions stems from the natural gas consumption of the hot dip galvanising (HDG) line (project component 1c)). For the analysis of the Project and baseline emissions the natural gas, gasoline and electricity consumption of the sub-components 1a, 1b and 1c have been considered to estimate the absolute emissions of the Project. With the installation of the sub-component 1b the Promoter will be able to manufacture a new product, i.e.: electrical steel grades. The processing capacity of the sub-component 1a and 1c will not change and the Promoter's overall steel processing capacity remains unchanged. After Project implementation the estimated annual nominal GHG emissions of the Project will amount to 28.7 kt of CO<sub>2</sub> 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 using gasoline AGVs, cranes without KERS and natural gas based heating in HDG line. Furthermore, it is assumed that the same quantity of electrical steels would be produced by a competitor using the traditional equipment and the traditional high temperature process. Besides the overall reduction in scope 1 and scope 2 GHG emissions the Project will induce a shift towards an increased share of electrical energy consumption in the Promoter's energy mix. Based on the bank's carbon footprint exercise methodology it is estimated that the overall Project will thus result in emission saving of - 10.4 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.

### **EIB Paris Alignment for Counterparties (PATH) Framework**

- In terms of the PATH framework, the counterparty Marcegaglia is in scope and screened-in, because it is considered to be high emitting.
- The counterparty has agreed to adjust its decarbonisation plan and publicly disclose an updated alignment plan.
- The counterparty is not involved in any 'incompatible activities' as defined in the EIB's PATH framework.
- The counterparty is assessed as meeting the Bank's PATH resilience requirements.



Luxembourg, 11.12.2024

## **Other Environmental and Social Aspects**

The Promoter has clear corporate governance structures and practices with regard to corporate social responsibility and this is entrenched in the company culture. All manufacturing sites of the Project operate in compliance with the ISO 14001 environmental management systems and ISO 50001 energy management system. They are also in compliance with ISO 45001 regarding operational health and safety matters.

## **Conclusions and Recommendations**

In case the Promoter is notified by one of the competent environmental authorities that – contrary to current knowledge and expectation – one of the components constituting the Project should require an EIA, a copy of such EIA needs to be sent to the EIB once established.

The Project is not expected to result in significant additional negative environmental and social impacts. It is therefore considered acceptable for Bank financing.

### **Undertakings:**

- Undertaking from the counterparty to publicly announce an updated decarbonisation plan aligned with the SBTi's target-setting criteria.
- Undertaking from the counterparty to not undertake investments in incompatible activities, in line with the PATH Framework.