

BUSINESS CASES

2019 BNP PARIBAS BUSINESS CASES – EQUATOR PRINCIPLES



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EVMII - Gas power plant (Mexico)

The Bank participated in the financing of a large gas-fired combined cycle power plant in Mexico. Following the Equator Principles framework, the project was categorized according to its environmental & social impacts and risks.

As a large power plant, the project had some potential impacts such as significant GHG emissions and water consumption (the project was located in a water stressed area). While both impacts have been mitigated by the technological choices of the project (highly efficient power plant and a dry-cooling system), compliance with the applicable standards (IFC Performance Standards and World Bank EHS Guidelines) was assessed by an independent consultant.

As a result, other minor points have been identified (such as improvement of a grievance mechanism and development of a community safety and security plan) and an environmental & social action plan (ESAP) was developed to address those gaps. The independent consultant concluded that, providing the ESAP is followed, the project will comply with the Equator Principles.

The selection of reputable independent consultants to assess and monitor projects' compliance with the Equator Principles is critical for the Bank. This enables the Bank's internal experts to rely on and review the consultants' thorough reports (and when relevant question, clarify and follow up some points with the consultant).

Duqm Refinery

BNP Paribas was approached to participate in the financing of the development of a large petrochemical export complex in the EMEA region. Following the application of the Equator Principles, the project has been reviewed internally and categorized according to its potential environmental and social risks.

Since the project is located in a Non-Designated country (as per the EPs definitions) the project must be developed in compliance with the IFC Performance Standards and the World Bank Environmental, Health & Safety Guidelines, in addition to the relevant host country laws, regulations and permits.

The project includes a petrochemical import pipeline, storage units, a refinery and export terminal. As a large project, its development carries a significant amount of potential environmental and social risks. The most sensitive potential risks for the project were identified as hazardous wastes, GHG emissions and impacts on endangered and critically endangered species and its habitats.

The environmental and social due diligence carried by an independent consultant was reviewed by CIB CSR team. Such due diligence confirmed that each of the potential risks could be properly managed by the project. For example, the technologies selected for the project were the best possible as demonstrated by a GHG technologies alternatives study.

Regarding the project's impacts to biodiversity, these were mainly caused for its location near the shore as potential injuries and mortality of endangered species of sea turtles from collisions with ships or entrainments in water intake systems were identified. The project had developed an early "offset framework" but the lenders' consultant identified several points for improvement of such offset. Therefore, a Biodiversity Action Plan had to be developed to establish a proper framework for neutral offset and net gains as per the IFC Performance Standards.

An Equator Principles Action Plan was proposed and accepted by the client to ensure the project will be developed and operated in accordance with all applicable standards.

In addition to assessing the project, BNP Paribas also ensured that the project shareholders – being already corporate clients of the Bank – were assessed against the relevant internal risk assessment framework (the CSR Screening) and had a solid background to manage a project of this dimension.

More information at: <https://www.duqmrefinery.om/environment-safety/>

Formosa I Wind Power Farm (Taiwan)

The Bank was approached to finance the second phase of Taiwan's first offshore wind farm, Formosa I, located on the country's west coast. Phase two contemplated the addition of twenty wind turbines to the existing two, accumulating a production capacity of 128 MW. The second phase of the already operating project would increase the scale of the existing environmental & social (E&S) impacts, both during the construction and operation stages; therefore, Formosa I was assessed and categorized according to the Equator Principles framework.

The E&S Risks of Formosa I Phase two were intrinsic to its location: potential impact on Chinese white dolphins habitats - a vulnerable species - and on local fisheries. The project isn't located near identified white dolphins' habitats and the sighting frequency near the project was low; however there was a risk that the species' activity patterns could overlap with marine traffic during the construction phase. Regarding the impact on local fishing activities, both the construction and operation phases of the project could impact their productivity.

As proposed in the Independent Consultant's E&S Action Plan, the company should continuously monitor white dolphins' activities during the construction stage. Regarding the impact on local fishing, the company was able to reach an agreement with the Nanlong Fishermen Association (which owns the fishing rights in the project's location), however, the E&S Action Plan contemplated the continuous engagement of the company with the affected communities.

The Lenders Technical Advisor prepared the E&S Review based on the Equator Principles framework and considered the project complied with the IFC Performance Standards as well as the World Bank Group Environmental, Health and Safety Guidelines for wind energy - important conclusions since Taiwan is not a Designated Country. The Bank was asked to review the due diligence report but no particular comments were made given its structure and level of detail; both aspects were key in smoothing the categorization process and accurately identifying the potential risks of Formosa I Phase two.