

The Equator Principles

Review of Project EIA Category for Shoaiba (Phase III) IWPP

1.0 Introduction

1.1 This document has been prepared as part of the Environmental and Social Impact Assessment process being undertaken to assess the effects of the Shoaiba (Phase III) IWPP and to discuss the proposed classification of The Project as either *Category A* or *Category B* under the Equator Principles.

2.0 Background to the Equator Principles

2.1 The 'Equator Principles' (2003) outline the industry approach taken by financial institutions in determining, assessing and managing environmental risk in project financing. Adoption of 'The Statement of Principles' by the financial institutions will only allow loans to be directed towards projects such as Shoaiba III IWPP in the following circumstances:

- Where the risk of a project has been categorised in accordance with internal guidelines based upon the environmental and social screening criteria of the IFC;
- For all *Category A* and *Category B* projects, the borrower has completed an Environmental Assessment, the preparation of which, is consistent with the outcome of the IFC categorisation processes and satisfactorily addresses key environmental and social issues; and
- In the context of the scope of the project, the EIA report has addressed the following, where applicable:
 1. baseline environmental and social conditions;
 2. relevant host country laws and regulations and applicable treatise and agreements;
 3. sustainable development and use of renewable resources;
 4. protection of human health, cultural properties and biodiversity including endangered species and sensitive ecosystems;
 5. use of dangerous substances;
 6. major hazards;

7. occupational health and safety;
8. fire prevention and life safety;
9. socioeconomic impacts;
10. land acquisition and land use;
11. involuntary resettlement;
12. impacts on indigenous peoples and communities;
13. cumulative impacts of existing projects, the proposed project and anticipated future projects;
14. participation of affected parties in the design, review and implementation of the project;
15. consideration of feasible environmentally and socially preferable alternatives;
16. efficient production, delivery and use of energy; and
17. pollution prevention and waste minimisation, pollution controls (liquid effluent and air emissions) and solid and chemical waste management.

2.0 Project Brief and Environmental Scoping

3.1 There is a mandatory requirement stated within the technical guidance from the RFP that the EIA is to be based on European Union or World Bank Procedures. On this basis, a new power station would be defined under '*Schedule 1*' of the *UK Environmental Impact Assessment Regulations (amended 1999)* requiring a mandatory EIA in support of the planning submission, assessing all relevant environmental issues on a similar basis to the World Bank procedures and Equator Principles.

3.2 At this stage of the EIA process it is recognised that in the absence of appropriate mitigation measures including pollution abatement technologies, the Shoaiba Phase III IWPP would have significant environmental impacts. However it is proposed to provide the best practicable technology and appropriate mitigation measures in relation to atmospheric emissions, cooling water and other effluents and solid waste disposal, including fly ash.

3.3 On the basis of the environmental scoping study, consultations, preliminary baseline and desktop study, resulting in the Interim Report (5 September 2005), the

categorisation of the project under the Equator Principles has been proposed as *Category B*. Following the recent completion of the required baseline surveys and the intermediate stage of model predictions being undertaken for the EIA, this report now considers the project categorisation under the Equator Principles relying in part on unpublished material that will form part of the final ESIA documentation.

3.0 Equator Principles - Category A and B Requirements

4.1 The *Category A* principle classification criteria refer to significant adverse environmental impacts affecting sensitive sites, or diverse impacts, or they are unprecedented.

4.2 The IWPP site cannot be described as a wholly sensitive location as it is largely on a *brownfield* location, set aside for industrial development, in an area isolated from cities, towns and villages. With the exception of the adjacent coral reef which is a sensitive ecosystem, the resulting environmental impacts cannot justifiably be described as diverse and these are not unprecedented as there are two existing SWCC power and desalination plants at Shoaiba, the most recent of which was commissioned approximately 2 years ago. In addition there is a further large SEC power plant within 5km, with a second expansion plant which is currently under construction.

4.3 A *Category B* project is defined as those where the potential adverse environmental impacts on human populations, or environmentally important areas, are less adverse than those of *Category A* projects. The Shoaiba impacts are generally site specific (*Category B*) and few of them are irreversible while mitigation can be more readily designed than *Category A* projects.

4.4 The Shoaiba IWPP will result in few, if any, "Sensitive Impacts" (i.e. *Category A* criteria) because the project impacts are largely reversible and:

- do not affect vulnerable groups;
- do not affect ethnic minorities;
- do not involve involuntary displacement/resettlement; and
- do not affect significant cultural heritage sites.

4.5 The assessment of the IWPP will consider both positive and negative effects although there are no feasible alternatives to providing the much needed additional power and water to Jeddah and Mecca without acquiring new sites and extensive infrastructure facilities which already exist at Shoaiba. In addition a "without project" scenario cannot be practically considered when the requirement for additional water and

power provision is within the National Economic Development Plan for the Kingdom of Saudi Arabia.

4.6 In accordance with *Category A* requirements, there will be recommendations to prevent, minimise, mitigate or compensate for adverse impacts identified. Whilst the project is more closely aligned to *Category B* classification, the following *Category A* requirements will be incorporated within the EIA process through the full assessment of potential impacts as follows:

- Identification of opportunities to improve environmental performance;
- Preparation of a full environmental assessment i.e. a full EIA;
- Preparation of an Environmental Management Plan (based on the EA);
- Provide an EMP with mitigation, monitoring and management of risk;
- Undertake consultations in a structured and culturally sensitive way;
- Provide a non technical summary for public review; and
- The EA and EMP will be subject to an Independent Review.

4.0 Conclusions on Equator Principles Category

5.1 A review of the broad Equator Principles criteria and requirements for the classification of *Category A and B* projects has indicated that the Shoaiba IWPP is more closely aligned to *Category B* due to the relatively few “sensitive impacts”, as described under Equator Principles *Category A*, the reversibility of most effects and the ability to mitigate more readily those impacts which can be predicted.

5.2 Despite the classification aligning more closely with *Category B*, the preparation and presentation of the ESIA will extend beyond the requirements of a *Category B* EA and will broadly meet the full assessment and reporting standards required for *Category A* projects. While information will be disseminated to interested parties as required, it is not proposed to provide a 60 day advertising period which would be mandatory for *Category A* projects