

**NEFCO ENVIRONMENTAL GUIDELINES for PROJECT APPLICATIONS**

NEFCO has no rigorous application requirements but expects a brief project description in which the following items are included:

- The Nordic Partner/s or potential Nordic equipment suppliers
- Project Country
- Local partner/s
- Project category, e.g. renewable energy, energy efficiency, water, waste management
- Environmental benefits
- The size of the financing
- Other financiers
- Possible feasibility studies

**PROJECT CRITERIA**

The main criteria for NEFCO's participation in projects are:

- The project should be carried out in one of NEFCO's countries of operation North-West Russia, Ukraine and the Baltic States. Priority is given to the Baltic Sea region and the Barents region. Thus the most important countries of operation are Estonia, Latvia, Lithuania, Ukraine and North-West Russia.
- The project should have relevant quantifiable environmental effects. Priority will be given to projects that have substantial environmental effects for the Nordic region, i.e. projects that lead to reduction of pollution in the Baltic Sea and the Barents Sea or reduction of transboundary airborne pollution.

Projects resulting in positive environmental effects can for example be related to modernization of industrial plants and energy utilities. Another group consists of projects carried out in cooperation with municipalities and other authorities to supply environmental services, such as purification of water and wastewater or waste management. A third category consists of companies that manufacture environmental equipment and equipment for more effective use of energy, or that supply consulting and engineering services within the field of environment and energy to create better conditions for the realization of environmental measures.

To some extent NEFCO also participates in projects of mainly local environmental interest but offering a desirable demonstration effect. A Nordic partner should take part in the project on a long-term basis. Generally this implies participation in an enterprise, and so acquisitions and joint ventures are typical. The Nordic partner is required to have sufficient experience of the business.

The environmental, technical, institutional, economical and financial feasibility of the project should be demonstrated, normally through an adequate feasibility study. NEFCO requires projects to meet reasonable profitability criteria but, this having been established, focuses more on the environmental effects. In this NEFCO represents a green equity concept, unlike commercial investment funds.

NORDIC PARTNER requirement could be replaced by equipment supplies from Nordic countries.

The technical solutions should be based on the best available technology, taking into consideration the economical conditions and suitability for local conditions. Procurement of equipment and services financed through the fund, can be based on Nordic competition or, if considered practical with a view to the procurement guidelines of co-financers, international competitive bidding.

## **NEFCO ENVIRONMENTAL GUIDELINES**

### **1. Environmental Policy**

In order to fulfil its task NEFCO will pursue the following environmental policy priorities:

- to verify that all the projects to be financed have a direct or indirect positive environmental impact on local as well as Nordic environment;
- to promote in all of its activities environmentally sound and sustainable development;
- to identify and quantify positive environmental impacts in the projects to be financed and to ascertain that possible negative environmental impacts are identified and assessed and all relevant mitigation measures are considered; and
- to adopt adequate environmental assessment, management planning, audit and monitoring procedures throughout its activities.

### **2. Environmental Procedures**

#### **Purpose of Procedures**

The purpose of these procedures are to ensure that NEFCO projects comply with appropriate international and local standards and the environmental requirements of the host country, and that:

- procedures are followed throughout the project approval and implementation process;
- potential environmental liabilities are avoided;
- all relevant mitigation measures and efficiency improvements are identified and considered;
- environmental costs are estimated along with other costs and liabilities; and
- all significant environmental issues are adequately addressed prior to submission of project documents to the Board of Directors.

#### **Procedures**

This chapter outlines the process by which NEFCO determines the adequacy of the Project Sponsor's environmental investigations of proposed project and works with the Project Sponsor to address environmental issues associated with the project.

## **2.1. Request for Environmental Information**

Project description should include information as follows:

- Environmental benefits and positive impacts of the project on local and Nordic environment, e.g. energy savings/environmental improvements;
- Anticipated main negative impacts of the project and proposed environmental controls/technology to mitigate negative impacts;
- Potential environmental liabilities/concerns associated with the project or the property; and
- Available environmental information, such as environmental audits or environmental impact assessments.

Project Sponsors are responsible for providing adequate information.

## **2.2. Screening**

Screening serves two purposes: (1) to determine which projects need further environmental consideration, and (2) to eliminate those unlikely to have negative environmental impacts. During screening, two questions will be asked of each project:

### 2.2.1. Does the project need an environmental impact assessment (EIA) ?

The purpose of an EIA is to identify, scope and assess environmental impacts and to identify and propose adequate mitigation measures.

An EIA is normally needed for projects involving any of the following:

- development on a greenfield site;
- industrial developments;
- manufacture of products;
- expansion of an existing facility to undeveloped land;
- public infrastructure projects (e.g. water supply, sanitation, transport, energy);
- projects which have the potential to cause environmental impacts outside the area occupied by the project;
- whenever required by law.

### 2.2.2. Does the project need an environmental audit (EA) ?

The purpose of an EA is to identify any environmental concerns which may be a potential liability, either to the Sponsor or to NEFCO.

An EA is normally a requirement for projects that involve:

- expansion and modernization of a property; or
- transfer or lease of a property.

## **3. Environmental Investigations**

Following approval of an indication of interest, NEFCO is likely to request that more comprehensive feasibility study is undertaken. The Environmental Investigations belong to this stage of the project cycle. Projects which require some form of environmental investigation will be identified through the screening process described in the previous chapter.

Project Sponsor is normally the responsibility of the preparation of environmental investigations.

Regardless of the level of detail, EIA involves normally the following basic tasks:

- Identification of alternatives and their environmental impacts
- Scoping
- Prediction of impacts
- Evaluation of impacts
- Identification of mitigation measures
- Preparation of environmental monitoring plan
- Presentation of results
- The process and the results of the EIA are described in a formal document, often a chapter in the project description document.

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