



Six challenges in upgrading Environmental and Social Impact Assessments (ESIAs) to International Standards



Six challenges in upgrading EIA and ESIA to International Standards

To secure international finance for a power project, the Environmental and Social Impact Assessment (ESIA), prepared locally in the project's host country, will more often than not need upgrading to comply with the requirements of the lenders (banks) financing the project. The majority of international lenders require the project's ESIA to comply with international standards; e.g., the International Finance Corporation (IFC) Performance Standards and Asian Development Bank (ADB) Safeguards. Unfortunately, a number of challenges can arise when upgrading a project's ESIA to international standards. Without appropriate management, difficulties or delays in obtaining lenders approval, and therefore achieving financial close, are inevitable.

This article will explore six challenges facing consultants. Firstly the risks associated with translating ESIA into English; secondly, dealing with time pressures around financial close; thirdly, dealing with insufficient data in the original, local ESIA; fourth, understanding requirements at an early stage; fifth, ensuring locals get a fair deal; and sixth, the need for additional studies.

CHALLENGE #1: LOST IN TRANSLATION

A project's sponsor will appoint an international environmental consultant to upgrade their local ESIA to international standards. This appointee will seek to understand the "gaps" in the local ESIA relative to the international standards the project is required to comply with. This gap analysis often requires a translation of the original into English. Often this task is given to an interpreter, who is not familiar with technical terms used in the document, potentially leading to a misinterpretation of the results. Environmental consultants should try and engage a local partner familiar with the type of power project to support with translation and other aspects of the study that depend on the results of the gap analysis.



CHALLENGE #2: TICK TOCK, TICK TOCK...

Following the gap analysis, the scope of work needed to upgrade the ESIA should be fully understood. As it is upgraded to achieve financial close, there is often time pressure from the outset to deliver the upgraded ESIA Report to the regulatory authorities and lenders for approval. This can be challenging if the gap analysis deviates significantly from international standards, requiring more time than originally envisaged.

For certain lenders, the ESIA Report will be publically disclosed on their website prior to their board review meetings. The period of disclosure will be dependent on the project's categorisation. If multiple lenders are involved in the same project, it is important to agree on the project's categorisation as early as possible; this may require some preliminary studies to help define it. This is particularly important when multiple lenders are involved, as their different disclosure periods could significantly impact the timeframe of financial close. For long public disclosure periods, it is recommended to agree with the specific lender on the content of a preliminary ESIA, which can be used for the purpose of public disclosure. The preliminary ESIA can then be supplemented with the complete upgraded ESIA Report on completion.



CHALLENGE #3: BASELINE DATA COLLECTION

A typical example of a gap, which can have an impact on the overall timeline, is insufficient baseline data used in the local ESIA. This often requires the environmental consultant to undertake further field work, for example to collect social data to use in the social impact assessment, which is not considered a strict requirement in some local regulations. In addition, the baseline data from the local study may become out of date if there is significant time gap between when the local ESIA Report was produced and the start of the upgraded ESIA.

Identifying the baseline monitoring programme at the earliest opportunity is therefore critical to understanding the timeframe for completing the upgraded ESIA Report. There may also be a requirement to collect baseline data for more than one season, which would significantly affect the overall timeline. It may be possible to agree with the lenders that an addendum environmental report for the additional seasons be included as a requirement in the project Environmental and Social Action Plan (ESAP), and therefore submitted following financial close.

One of the key challenges in baseline data collection is obtaining reliable data, since

In addition to the 6 challenges described here, there are of course many other challenges in preparing international ESIA's such as identification of significant impacts, incorporating last minute design changes etc. There are also unique challenges in every project. However, implementing the lessons learnt from challenges experienced in the past should result in a much smoother ESIA process for the environmental consultant/sponsor and a high quality ESIA report which meets both the regulatory and international requirements.

baseline surveys are often undertaken by third party consultants with their own local equipment. The local consultant may interpret results differently, resulting in "duff" data being recorded.

Baseline data should be as accurate as possible, as the results of the baseline monitoring influence the environmental studies to follow. For example, if the equipment for monitoring air quality records incorrect data, the results might ultimately require the project to (unnecessarily) adopt more stringent stack emission limits. It is also essential that the local consultant is supervised by others with knowledge and experience of the monitoring being undertaken. There will always be some outliers in monitoring data but these can be easily identified if the monitoring has been managed correctly.

CHALLENGE #4: UNDERSTANDING THE REQUIREMENTS

The way in which some international standards are written can lead to a difference of opinion on the meaning of certain requirements, and of what needs to be presented to demonstrate compliance. There is a risk that the upgraded ESIA Report could go through a number of iterations during the lender's review, impacting the schedule of financial close. The resulting cost impact on the sponsors and environmental consultant might then require additional work to be completed. It is therefore best practice to agree the scope and specific methodology of the upgraded ESIA study with the lenders prior to commencing studies and hold progress meetings with the lenders at specified milestones to outline work completed to date and preliminary results.



CHALLENGE #5: ENSURING A FAIR DEAL FOR THE LOCALS

Land acquisition can often be led by governments, whose procedures for displacement (physical and economic) may not be in accordance with the international standards required for the project. This can be difficult for the sponsors to manage, as although the lenders will require the project to comply with international standards, the sponsor may not want to be seen as interfering with government processes. Therefore, the sponsor should work actively with the government, social experts, and local partners to understand the host country's land acquisition process. A framework Resettlement and Livelihood Action Plan, which identifies the gaps between the government process and the international standards, can then be prepared in consultation with the lenders. Hopefully, the sponsor and their support team of experts can identify which gaps they can address in order to finalise a Resettlement and Livelihood Action Plan that meets the requirements of the lenders.

CHALLENGE #6: ADDITIONAL STUDIES

The need for additional studies is generally a requirement. The following studies in particular often need to be addressed in order to meet international standards:

- **Associated Facilities Assessment:**

Associated facilities are those that are not funded as part of a project, but required by it, for example transmission lines and gas pipelines associated with power projects. For transmission lines, it is often the case that the sponsor is only responsible for part of the transmission line route and the government is responsible for the remaining part. It is therefore crucial to have a clear understanding of not just the project components, but also the project's associated facilities to ensure the area of influence for the environmental and social study is appropriately selected. This includes associated facilities that may not

fall under direct responsibility of the sponsor.

- **Cumulative Impact Assessment:**

The assessment should also consider impacts from existing, planned, or other reasonable defined developments. For power projects, this normally includes consideration of all gaseous emissions within the same air shed, noise, traffic, and other social impacts from projects in the same area of influence. It is therefore important to determine the projects for cumulative assessment at the outset, as this will also define the area of influence for the new environmental and social study.

- **Greenhouse Gas (GHG) Assessment:**

The quantification of GHG emissions for the construction and operational phase is often a requirement of international standards. The GHG assessment should include direct emissions from the facilities owned or controlled within the physical project boundary ("Scope 1" emissions) and indirect emissions associated with the off-site production of energy used by the project ("Scope 2" emissions). The Scope 1 GHG emissions calculation is based on international guidelines and any other applicable guidelines. For Scope 2 the GHG emissions calculation is based on tools provided by the GHG Protocol, which requires entering information into a spreadsheet that automatically calculates the CO₂ released.



About the Pöyry Point of View

Staying on top of your game means keeping up with the latest thinking, trends and developments. We know that this can sometimes be tough as the pace of change continues...

At Pöyry, we encourage our global network of experts to actively contribute to the debate - generating fresh insight and challenging the status quo. The Pöyry Point of View is our practical, accessible and issues-based approach to sharing our latest thinking. We invite you to take a look – please let us know your thoughts.

Pöyry has a global office network - please visit www.poyry.com/contacts for your nearest office.



Consulting. Engineering. Projects. Operations.

Smart solutions across power generation, transmission & distribution, forest industry, chemicals & biorefining, mining & metals, transportation and water. 5500 experts. 45 countries. 150 offices.

www.poyry.com

Disclaimer

Pöyry reserves all rights to this publication. No part of this publication may be reproduced or used in any form without the prior written consent of Pöyry. This publication is partly based on information that is not within Pöyry's control. Pöyry does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this publication. Pöyry expressly disclaims any and all liability arising out of or relating to the use of this publication.

This publication may contain projections which are based on assumptions subjected to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of projections, and because events frequently do not occur as expected, there can be no assurance that the projections contained herein will be realized and actual results may be different from projected results. Hence the projections supplied are not to be regarded as firm predictions of the future, but rather as illustrations of what might happen.