

Pilot Auction Facility for Methane and Climate Change Mitigation
Third Auction: Environmental, Health & Safety and Social Criteria, and Integrity Criteria

Process

Just prior to the redemption date for the put option, the PAF will require the option owner (only if (s)he intends to redeem) to submit an independent inspection report that confirms that the project from which the emission reductions will be sourced meets the EHS criteria. The inspection report will be carried out by a DOE, duly accredited by the CDM at the date of the inspection report. Several audit firms registered as CDM DOEs have indicated their ability to complete this inspection report in combination with their standard verification of the emission reductions. The inspection report will incorporate input from the host site and project staff as well as representatives of nearby/affected communities and responsible local government agencies, as appropriate.

The EHS criteria have been worded so as to be readily answered, in order to achieve a pass or fail result. The criteria and corresponding inspection will be identical for all projects in a given sector. To be given a “pass” result, answers to each question posed will generally be “yes” or “not applicable,” with supporting evidence and/or written justification. Any answer of “no” will automatically cause a “fail” result in the case of those criteria written in italics. For all other criteria, an answer of “no” will likewise disqualify a project from redeeming the put option, unless the auditor determines that it is not material in nature. An issue is “material” in this context if the issue could result in risk to/of: (a) the lives, health or safety of workers and affected communities; (b) the integrity of the local environment (e.g. ground or surface water quality, habitat quality); (c) the reputation of the project and its financial supporters; (d) adverse media attention and/or (e) legal action/fines. Given the complexity of issues involved, it is understood that auditors will be able to provide a limited level of assurance of compliance for the period of emission reduction generation with the EHS criteria, based on direct observations, available documentation, stakeholder input, and operator representations.

The cost of the EHS inspection is to be borne by the option owner. An EHS audit will be required for each put option redemption (i.e., annually). The inspection will correspond to the period of emission reduction generation. Thus, if a put option owner brings emission reduction credits from the same project site at each redemption, the owner must obtain a fresh inspection report each time.

Scope

The criteria have been selected by a team of EHS specialists within the World Bank Group and tailored for sub-sectors. They are based upon the most relevant risks identified and observed in these sub-sectors on Bank Group projects and related guidelines. In doing so, these criteria seek to assess the reputational risks arising from both the host site (e.g., a fertilizer plant) and that of the project itself (e.g., N₂O destruction facility), which is likely to take up a very small fraction of the host site and have a very different risk profile.

Integrity Criteria

There is also a requirement to review the integrity of the project owner, separate from the EHS criteria. The audit firm’s inspection report must confirm a positive response on the integrity criteria in order for the project to be eligible to deliver emission reductions to the PAF.

Projects at Existing¹ Chemicals and Fertilizer Plants with Nitric Acid Production: E&S criteria

PS 1: Assessment & Management of Environmental and Social Risks and Impacts

- Plant site and project possess the required necessary environmental, health & safety, and social (EHS) permits and are in compliance with EHS permit conditions, based on monitoring and reporting documentation and site/operator representations.
- No social unrest or negative campaign by affected communities² or NGOs involving either the plant site or the project in relation to the lives or health & safety of workers and affected communities and the integrity of the local environment in the past 12 months, based on an electronic media review, outcomes of a meeting with directly affected communities, and operator representations.

PS 2: Labor & Working Conditions

- *No child labor (i.e., hazardous or potentially harmful work involving persons under the age of 15 years, or 18 years for hazardous work) or forced labor (where work is not undertaken voluntarily, or is undertaken under threat of penalty) involved in plant or project site-related works.*
- Effective measures in place to protect plant site and workers from key safety risks,³ including provision of personal protective equipment appropriate to working in proximity to ammonia and nitric acid. Safety measures to include proper ventilation of confined spaces used by workers and gas leak monitoring during start-up.
- Hazard Operability Study (HAZOP), Hazard Identification Study (HAZID) or equivalent has been conducted for potentially dangerous components of the plant to identify safety mitigation measures.

PS 3: Resource Efficiency and Pollution Prevention

- Effluent is being managed in such a way as to minimize or eliminate excess total Nitrogen from entering surface and sub-surface water sources through deployment of treatment systems, storm water management, and regular monitoring and testing programs.
- Ammonia emissions from the plant site and project, including leaks and fugitive emissions, are being continuously monitored and controlled through the installation and operation of appropriate leak detection and scrubber systems.

PS 4: Community Health, Safety and Security

- Quantitative Risk Assessment (QRA) or equivalent was conducted for ammonia storage arrangements and any nearby communities are (a) out of the immediate high threat area and (b) aware of any emergency response measures necessary to keep them safe in the event of a significant incident.
- Measures in place⁴ to minimize and control hazards to nearby communities arising from management, storage and shipping of hazardous products with potential for accidental leaks/releases of toxic and flammable gases (e.g. ammonia, nitric acid, ammonium nitrate), and from disposal of hazardous wastes.

PS 5: Land Acquisition & Involuntary Resettlement

- No notable reputational risk associated with legacy (historic) impacts of the plant or projects on land acquisition or involuntary resettlement of people, based on an electronic media review, outcomes of a meeting with directly affected communities, and operator representations.

PS 6: Biodiversity Conservation & Sustainable Management of Living Natural Resources

- *No ongoing adverse impacts from the plant or project on recognized protected (conservation) areas, sensitive habitats or vulnerable or endangered species, based on the project EIA, third party EHS audit(s), environmental permitting documentation or similar; outcomes of a meeting with directly affected communities; and operator representations.*

¹ The host site must have been built and/or operational prior to the auction date.

² Groups of people within affected communities with sustained and active grievances (not individual claims or protests)

³ Chemical hazards, work in confined spaces or poorly ventilated areas, exposure to toxic gases such as ammonia, explosion risk, exposure to nitric acid.

⁴ Such as use of gas leak detection systems; fire and explosion control management systems; availability and dissemination of emergency response procedures to communities, and availability of emergency response arrangements for road/rail spills.

- No notable reputational risk associated with legacy impacts of the plant or sites on recognized protected (conservation) areas, sensitive habitats or vulnerable / endangered species, based on an electronic media review, outcomes of a meeting with directly affected communities, and operator representations.

PS 7: Indigenous Peoples

- *No ongoing adverse impacts from the plant or project on recognized communities of Indigenous Peoples⁵ (IPs, if any are present) or IP customary lands, based on outcomes of a meeting with directly affected communities and review of project documentation, project EIA, third party EHS audit(s) and environmental permitting documentation.*
- No notable reputational risk associated with legacy impacts of the plant or sites on recognized communities of IPs or IP customary lands, based on an electronic media review, outcomes of a meeting with directly affected communities and operator representations.

PS 8: Cultural Heritage

- *No ongoing adverse impacts from the plant or project on key cultural heritage features as identified in the project EIA, third party EHS audit(s), environmental permitting documentation, outcomes of a meeting with directly affected communities, and operator representations.*
- No notable reputational risk associated with legacy impacts of the plant or sites on key cultural heritage features, based on an electronic media review, outcomes of a meeting with directly affected communities and operator representations.

Integrity Criteria

- *Project Participant does not appear on either the Consolidated United Nations Security Council Sanctions List or The World Bank Listing of Ineligible Firms & Individuals as of the date of the independent inspection report.*
- *Project owner's operations are not related to the production of weapons or munitions.*

⁵ As defined in IFC Performance Standard 7.

Annex A

Pilot Auction Facility: EHS Criteria -- Stakeholder Meeting Guidance Note (Version February 20, 2015)

Aim: To obtain first hand input on environmental and social reputational risks from directly affected communities.

Organization: Small meeting, to be arranged by the CDM project developer, in consultation with the host site operator.

Logistics: To be requested by the audit team 2-3 weeks prior to the proposed site visit. No per diems or other payments to be offered for attendance. Translator to be provided by project developer where necessary.

Participants: Auditors, leaders/representatives of each directly affected community (e.g. village headman, local councilor) and/or social group (e.g. third party landfill scavengers, where these are present). Local government and host site representation optional.

Suggested timing: 30 – 60 minutes (depending on # of participants)

Focus: Establishing whether there is, in relation to the host and/or CDM site:

- any significant community campaign or active protest against the site(s) on environmental, social or safety grounds
- any ongoing or significant unresolved legacy impact(s) with respect to Indigenous Peoples, resettlement, cultural heritage or the environment

Suggested approach: Introductions by developer (or local authority). Auditors thank participants and provide a brief intro to audit process, emphasizing that this is not an approval meeting, just an info verification exercise. Auditors pose questions to participants along the lines suggested below:

- Please explain to us who the neighboring/affected communities or groups are for this site? Do you know whether any of them regard themselves as 'Indigenous Peoples', that is, vulnerable minority groups with their own language and customs which are recognized by law as requiring special consideration?
- How would you describe relations between these communities and the project/site? Are there any major disagreements or community complaints currently against the site?
- To your knowledge, was there a need for resettlement of people to create the site? If yes, are there any major outstanding issues or complaints related to this resettlement? (if so, please describe)
- To your knowledge, was there any damage to or relocation of cultural heritage or buildings/structures of importance to the community to create the site, for example grave sites, religious buildings? If yes, are there any major outstanding issues or complaints related to this process?
- To your knowledge, have there been any adverse impacts from the project on recognized protected (conservation) areas, sensitive habitats or vulnerable or endangered species?
- Are there any other major environmental, social or safety concerns that you'd like to make us or the developer aware of?

Outcome: Any significant community campaign or legacy reputational risk identified? **Yes/No** with brief explanation.

Annex B

Project Developer EHS Representation

I **Name** in my role of position and representing **Company Name** certify that

To the best of my knowledge, in relation to the CDM Project and its host site there is/are no:

- Circumstances or occurrences that have given or would give rise to violations of Environmental, Health & Safety, Social and/or Labor (EHS) laws or related claims;
- Social unrest or negative community or NGO campaigns with respect to the lives, health, safety of workers and affected communities and the integrity of the local environment;
- Material EHS issues of the type listed in the list of EHS criteria provided by the CDM Auditors;
- Existing or threatened complaints, orders, directives, claims, citations or notices from any Authority due to EHS issues other than those disclosed to the CDM Auditors.

All EHS information provided to the CDM Auditors is accurate in all respects at the time of submission and no such document or material omitted any information which would have made such document or material misleading.

Signature

Date

Pilot Auction Facility for Methane and Climate Change Mitigation Environmental, Health & Safety and Social Criteria, and Integrity Criteria	
INSPECTION REPORT	
CDM Projects at Existing Nitric Acid or Caprolactam Plant Sites	
<i>Complete this Inspection Report in accordance with the Instructions on page 2 of this form</i>	
CDM Project Reference Number	
CDM Project Title	
Host Party(ies)	
Sectoral scope(s)	
Methodology(ies) used	
Monitoring Period	
Date of Inspection	
Name of DOE	
Date of Report	
Name, position and signature of the approver of the Inspection Report	
Inspection Report result (PASS/FAIL)	

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Confirmed

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GUIDANCE ONLY – TEMPLATE USE NOT MANDATORY BY DOE FOR INSPECTION REPORT

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