

## **Environmental Information Summary for the Public**

Screening: The project has been screened as Category A under OPIC's environmental and social guidelines because it is estimated that the project will emit more than 100,000 short tons of CO<sub>2</sub>eq/year. In addition, ethanol production requires large quantities of water and the Project also has the potential for significant air, noise, and odor impacts. We do not anticipate odor and noise will be problematic for this facility.

Applicable Standards: In addition to applicable Hungarian requirements, OPIC's due diligence indicates that the investment will have impacts that must be managed in accordance with the following standards: applicable provisions of the 2007 International Finance Corporation's (IFC) Environmental, Health, and Safety General Guidelines; applicable sections of the IFC's Environmental, Health and Safety Guidelines for Vegetable Oil Processing; of the IFC Performance Standards 1, 2, 3, 4, 6 and 8. Land for the project was acquired through a privately negotiated sale and there will be no physical or economic displacement as a result of the project. Based on the information currently available, there are no Indigenous People residing in the area of the Project. Therefore, IFC Performance Standards 5 and 7 are not applicable.

Environmental Risks: Ethanol production facilities require large quantities of water and generate air emissions, odor and noise. Other potential impacts are related to the transportation of ethanol and other by-products to market including increased traffic on local roads and transport of flammable materials through residential areas. Significant amounts of energy are used in the production process. Finally, ethanol projects which use food to make fuel raise issues related to increases in food prices and land use if the food used is scarce and if there is a need to convert farmland to grow the fuel feedstock.

Risk mitigation: The Project has been designed to operate in accordance with the European Union's (EU) integrated pollution prevention and control (IPPC) scheme and has received the required permit to construct from the technical safety authority of Southern Transdanubia Authority. The Project is also expected to operate in compliance with the EU Renewable Energy Directive, which requires that renewable energy producers achieve minimum rates of greenhouse gas savings when compared to conventional fossil fuel production. The Project's preliminary greenhouse gas assessment shows a life cycle greenhouse gas reduction of 53.8%, which is in accordance with EU standards.

It is anticipated that the Project can ultimately be operated in accordance with the applicable IFC standards. Construction impacts are anticipated to be temporary in nature and appropriate mitigation measures have been proposed by the Project. The Project produces just over 100,000 tons of CO<sub>2</sub>eq/ year due to the combustion of natural gas in the boilers. Air quality modeling results do not indicate an exceedance of any ambient air quality standards and the Project will continuously monitor air emissions to assure compliance with standards.

The Project has conducted a water supply study which shows that adequate groundwater is available for production needs. However, some questions remain regarding potential impacts on nearby wells. OPIC will examine water withdrawal impacts further and mitigation measures will be required should there be any significant impacts. Results from a noise modeling analysis show that noise levels are within the guidelines and a visit to a similar operating ethanol facility

indicates that odor is not problematic. Research has shown that excess corn is produced in the area and will be available to the facility and that the facility's corn supply needs will not require the clearing of any additional land. Transport of fuel along the roadways will be controlled through appropriate emergency response plans.

In order to achieve compliance with the Applicable Standards, the Project will be required to prepare and implement a detailed environmental and social management plan, a community grievance procedure, an erosion and stormwater management plan, an emergency response plan, and an occupational health and safety plan. Additionally, the Project will be required to conduct additional water studies in order to determine whether or not the Project's water withdrawals will impact local wells and mitigation will be required should this be the case. The Project will also be required to provide annual reports that will demonstrate compliance with Applicable Standards. The project will be frequently monitored during construction and its initial operations to assure compliance with its environmental, health, safety and social requirements. In addition, an independent audit will be required within three years of OPIC support to demonstrate compliance with environmental and social conditions set forth in the loan agreement.

**OPIC Site Visits:** OPIC staff undertook an environmental and social due diligence site visit in cooperation with USEXIM, from August 3 – 6, 2010. Meetings were held with local officials and representatives of the Directorate of Environmental Protection and Water Management of the Central Danube Valley. OPIC staff also visited a similar ethanol production facility in Lamberton, Minnesota on July 22, 2010.

**Community Consultations:** The city of Dunaföldvár held two public hearings on the project during 2010, and the first hearing was broadcast on the local cable station. Locally affected people did not voice any concerns related to the environmental or social impacts of the project. A 3-D model of the project and documentation related to environmental and social impacts was available in the local library during the permitting process and is now available in Pannonia's office. In addition, information on the project has been posted on the city of Dunaföldvár's website and public information notice boards. The Project has hired a community liaison officer, but has not yet established a formal grievance mechanism. OPIC will require that a formal grievance mechanism be developed and implemented.