European Bank for Reconstruction and Development

Independent Project Accountability Mechanism

Compliance Assessment Report

Regional Gasification Project

Project ID 51747

Case 2024/02

October 2026

The **Independent Project Accountability Mechanism (IPAM)** is the project grievance mechanism of the EBRD. It reviews environmental, social, and Project disclosure-related concerns raised by Project-affected people and civil society organisations. IPAM can address concerns through two avenues: i) Problem-solving, which supports dialogue between Requesters and Clients without attributing blame or fault; or ii) Compliance, which determines whether the EBRD has complied with its Environmental and Social Policy and Access to Information Policy in relation to the Project.

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How to submit a complaint to the IPAM

Concerns about the environmental and social performance of an EBRD Project can be submitted by email, in writing, or via the online form at:

https://www.ebrd.com/project-finance/ipam.html

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Acknowledgements

The Independent Project Accountability Mechanism (IPAM) would like to thank the Requesters, EBRD Management and the Client in dealing with the Compliance Assessment stage of the Case.

List of Abbreviations

AIP	Access to Information Policy
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESAS	Environmental and Social Advisory Services
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
GA-MA	Transmission System Operator Gas Macedonia
GHG	Greenhouse Gas
GIP	Good International Practice
IESC	Independent Environmental and Social Consultant
IPAM	Independent Project Accountability Mechanism
km	Kilometre
MoEPP	Ministry of Environment and Physical Planning
MRV	Monitoring, Reporting and Verification
NECP	National Energy and Climate Policy
NER	National Energy Resources Skopje
NTS	Non-technical Summary
OGMP	Oil and Gas Methane Partnership
PAP	2019 Project Accountability Policy
PIU	Project Implementation Unit
PR	Performance Requirement
PSD	Project Summary Document
SIA	Social Impact Assessment

Executive Summary

The Request

On 26 April 2024, the Independent Project Accountability Mechanism (IPAM) received a Request concerning the Regional Gasification Project (Project ID 51747) in North Macedonia, financed by the European Bank for Reconstruction and Development. The Request was submitted by the Center for Environmental Research and Information "Eko-svest" and the CEE Bankwatch Network and raised concerns regarding: i) the lack of meaningful consultation and information disclosure as part of the Environmental Impact Assessment process and the EBRD's appraisal of the Project: and, ii) the Bank's failure to adequately assess the Project's impacts derived from greenhouse gas (GHG) emissions.

The Project

On 24 April 2024, the EBRD approved a sovereign-guaranteed loan of EUR 98.6 million to NOMAGAS, the state-owned gas transmission system operator, to co-finance the construction of the Regional Gasification Project (OP ID 51747). The Project comprises three underground gas pipelines sections:

- The 66-km North Macedonian section of the Greece-North Macedonia interconnection pipeline;
- Section I, a 34-km domestic transmission pipeline from Gostivar to Kicevo; and
- Section II, a 28-km domestic transmission pipeline from Sveti Nikole to Veles.

Outcomes of IPAM Compliance Assessment

Regarding lack of meaningful consultation and information disclosure, IPAM considered allegations relating to the national EIA process for the Greece-North Macedonia Interconnector and the Bank's own stakeholder engagement obligations under Performance Requirements (PRs) 1 and 10.

IPAM noted that concerns relating to compliance of the national permitting process with the EU EIA Directive are being examined separately by the Energy Community Secretariat.

On whether the Bank appropriately identified and addressed shortcomings in the consultation process during its appraisal, IPAM found that EBRD due diligence identified weaknesses in stakeholder engagement and required supplementary environmental and social studies, additional consultations, extended disclosure, and corrective actions through the Environmental and Social Action Plan (ESAP) and Stakeholder Engagement Plan (SEP). IPAM found no indication that the Bank failed to fulfil its obligations under the ESP with respect to consultation and information disclosure.

Regarding GHG emissions and climate-related impacts, IPAM assessed allegations concerning downstream combustion emissions, upstream fugitive methane emissions, cumulative climate impacts and associated facilities. IPAM found that the scope of GHG assessment required under PR3 is limited to direct project emissions and indirect emissions associated with energy used by the Project itself. Emissions arising from other upstream third-party activities or from the combustion of the transported gas by third-party off-takers fall outside the assessment scope required by the ESP. Accordingly, IPAM found no indication that EBRD Management departed from the relevant provisions of the ESP in its appraisal of climate-related impacts.

Conclusion and next steps

IPAM concluded that the information reviewed did not establish a plausible link between the alleged harms and potential non-compliance by the Bank with the applicable provisions of the ESP or AIP.

While assessments identified certain weaknesses in the national consultation process, the evidence reviewed indicates that the Bank recognised those shortcomings and required measures to address them through supplementary assessment, disclosure, stakeholder engagement, and ongoing monitoring arrangements. Similarly, IPAM found that the Project's treatment of GHG emissions was consistent with the scope of assessment prescribed by the ESP.

IPAM therefore concludes that the criteria for initiating a Compliance Review is not met and recommends that the Board approve the closure of Case 2024/02.

Following the Board's approval, this Compliance Assessment Report will be shared with the Parties and published in the Case Registry under Case 2024/02. Upon disclosure of this report, the processing of this case will be formally concluded.

1. The Case and Processing to Date

1.1 The Request

On 26 April 2024, the Independent Project Accountability Mechanism (IPAM) received a Request related to the Regional Gasification Project (Project ID 51747) located in North Macedonia and funded by the European Bank for Reconstruction and Development (EBRD, or the Bank). The Request was submitted jointly by the Center for Environmental Research and Information "Eko-svest" – Skopje, as an affected organisation, and the CEE Bankwatch Network as a non-affected organisation.

They are referred to as the Requesters, and presented two main categories of issues:

1. **Lack of meaningful consultation and information disclosure as part of the Environmental Impact Assessment (EIA) process and the EBRD's appraisal of the Project**, which the Requesters contend resulted in them not being informed about the project and prevented meaningful participation in stakeholder engagement and environmental decision-making. This aspect of the Request focuses on alleged non-compliance of the EIA process with national permitting requirements, EU legislation, and the Aarhus Convention, and with the EBRD Environmental and Social Policy (ESP) and its Performance Requirements (PRs) 1 and 10.
2. **Inadequate assessment of the Project's impacts derived from greenhouse gas (GHG) emissions** which the Requesters contend may result in the project contributing to the global climate emergency, fossil fuel lock-in, stranded assets, economic harm, and the undermining of North Macedonia's climate commitments under its enhanced Nationally Determined Contribution (NDC). These allegations of non-compliance may be linked to PR1, PR3, and ESP Paras 3.4 and 3.5.

The issues raised and specific allegations are summarised in Table 1.

Table 1. Issues raised in the request and related performance requirements

Issues raised	Allegations made by Requesters	Related PRs
Lack of meaningful consultation and information disclosure	• The national Environmental Impact Assessment (EIA) process for the Project did not comply with applicable domestic legislation or the EU EIA Directive. No legally compliant public consultation period or public hearing open to the public was organised, no period for written comments was duly advertised; the required information was not transparently disclosed. • Interested stakeholders and the public were denied effective access to information, participation in decision-making, and access to justice, contrary to obligations under the Aarhus Convention, to which North Macedonia is a party. • The supplementary Environmental and Social Impact assessment (ESIA) and stakeholder engagement process undertaken with EBRD support does not substitute for compliance with legally binding national EIA requirements. • Certain consultation activities, including an event held at the Ministry of Economy on 21 March 2023, were inaccurately characterised by the Bank as public consultations.	ESP Paras 2.2, 2.3, 2.9 PR1 Paras 9, 10 PR10

Inadequate assessment of the project's impacts related to GHG emissions	• The project's environmental assessment did not identify or assess downstream GHG emissions resulting from the combustion of the gas transported by the pipeline, nor upstream fugitive methane emissions associated with gas extraction and transport, instead limiting its analysis to fugitive emissions from the pipeline's own operation. The assessment considered the pipeline largely in isolation, focusing on construction-related emissions and a narrow scope of operational emissions, without assessing impacts from related facilities such as gas-fired power plants, household and industrial gas use. • The cumulative impacts of the project, including unplanned but predictable activities such as the expansion of gas use across sectors, were not adequately assessed. • The project failed to assess the Project's consistency with North Macedonia's climate objectives and commitments, including its NDC under the Paris Agreement, and may enable further fossil fuel infrastructure with potentially significant climate impact.	ESP Paras. 3.4, 3.5 PR1 Paras. 9, 10 PR3 Paras. 20, 21

While the Request concerns the Project as a whole, allegations concerning public participation and the national EIA process relate primarily to the Greece-North Macedonia Interconnector, whereas allegations concerning greenhouse-gas emissions relate in addition to the domestic transmission pipelines part of the Project (see Project description below).

1.2 The Project

On 24 April 2024, the EBRD approved a sovereign-guaranteed loan of EUR 98.6 million to NOMAGAS[1], the state-owned gas transmission system operator, to co-finance the construction of the Regional Gasification Project (OP ID 51747). The Project comprises three underground gas pipelines sections in North Macedonia:

- The 66-km North Macedonian section of the Greece-North Macedonia interconnection pipeline;
- Section I, a 34-km domestic transmission pipeline from Gostivar to Kicevo; and
- Section II, a 28-km domestic transmission pipeline from Sveti Nikole to Veles.

The EBRD loan is structured in tranches: the committed financing covers the Interconnector and Section II (Sveti Nikole–Veles), while Section I (Gostivar–Kičevo) is an uncommitted tranche to date, to be considered for financing only once its environmental and social documentation has been completed and disclosed in line with the Bank's requirements.

The Project is co-financed by the European Investment Bank (EIB), which provided a EUR 28.9 million loan for the North Macedonian section of the Interconnector, and by a EUR 12.4 million investment grant from the Western Balkans Investment Framework (WBIF). The Greek section of the interconnector is being implemented by Greek transmission system operator DESFA, with the support of a separate EUR 25 million EIB loan.

According to the Project Summary Document (PSD), the pipelines are designed to be hydrogen-ready and are intended to facilitate the diversification of gas supply to North Macedonia through the Trans

[1] NOMAGAS JSC Skopje was established in 2022 through the merger of the two state-owned transmission system operators, National Energy Resources JSC Skopje (NER) and JSC GA-MA Skopje.

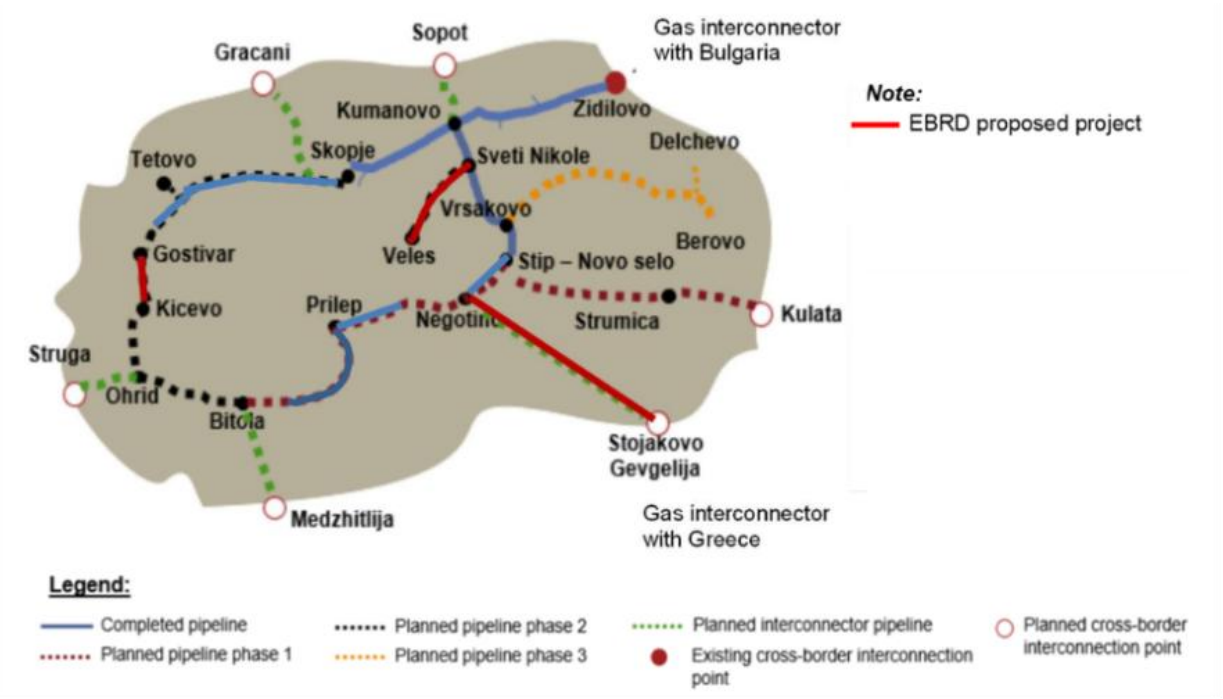
Adriatic Pipeline (TAP) and LNG terminals in Greece, with the potential to also supply neighbouring Republic of Serbia. The Project is expected to support North Macedonia's transition away from coal, contributing to the decommissioning of existing coal-fired Thermal Power Plants by 2030. The interconnection pipeline has been identified as a Project of Mutual Interest by the Energy Community, reflecting its significance for regional energy integration and supply security.

The two lenders followed separate appraisal timelines. The EIB signed a loan agreement for the North Macedonian section in December 2021. EBRD subsequently engaged in a separate appraisal process: its Board Report was circulated in February 2024, the Project Summary Document (PSD) was published on 19 February 2024, and Board approval was on 24 April 2024.

Construction of the Greece-North Macedonia Interconnector is now under way on both sides of the border. In Greece, works began in February 2025. On the North Macedonian side, NOMAGAS signed the construction contract for the 66-km section on 7 May 2025, and construction commenced on 9 July 2025. Following revised tender timelines issued by DESFA and NOMAGAS, both sections are currently expected to be commissioned in the first half of 2027, against an original target of January 2026.

The two domestic transmission pipelines of the Project represent the next phase of construction, following completion of the Greece-North Macedonia Interconnector. They are intended to supply gas to households, municipalities and industrial users in areas that currently rely on other energy sources for heating and industrial processes. Their environmental assessment was initiated at the national level by National Energy Resources Skopje (NER)[2] in the 2019–2020 period.

Figure 1: Project Location



The three components of the Project are subject to different environmental assessment processes under national law, while all components are to be subsequently assessed against EBRD environmental and social requirements.

[2] NER subsequently merged into NOMAGAS.

- The national EIA for the Greece-North Macedonia Interconnector was conducted under the oversight of the Ministry of Environment and Physical Planning (MoEPP), which issued the environmental approval in January 2021.
- The Sveti Nikole–Veles section was assessed through an Environmental Impact Study (Elaborate), submitted to and approved by the MoEPP in 2021. The Elaborate study is not subject to public consultation under national law; according to the Requesters, the resulting study was not made publicly available.
- The Gostivar-Kičevo section had previously been covered by a broader national EIA undertaken in 2011 for several sections of the National Gasification Programme rather than through a standalone EIA prepared specifically for that section. The route later developed as the Gostivar-Kičevo pipeline formed part of that earlier assessment.

At the level of the Bank's requirements, the Project was classified as Category A under the EBRD's 2019 Environmental and Social Policy (ESP), triggering comprehensive ESIA documentation and a 120-day disclosure period. The package disclosed on 11 October 2022 comprised the national EIA for the Greece-North Macedonia Interconnector together with a Supplementary ESIA prepared to address gaps against EBRD requirements, a standalone ESIA for the Sveti Nikole–Veles section, and project-wide instruments including a Non-Technical Summary (NTS), Stakeholder Engagement Plan (SEP), Environmental and Social Action Plan (ESAP) and Livelihood Restoration Framework (LRF).

The environmental and social studies for the Gostivar–Kičevo are to be prepared and disclosed for 120 days before the EBRD takes a final decision on this uncommitted tranche to date.

Table 2: Environment and Social Instruments by Project Component

Project Component	National Assessment Documentation	EBRD Appraisal Documentation
Greece-North Macedonia Interconnector (North Macedonian Section)	National Environmental Impact Assessment (EIA) conducted under the supervision of the MoEPP. Environmental approval issued in January 2021	Initial EIA Report and Social Impact Assessment (SIA) (Mott MacDonald, February 2021); Environmental and Social Due Diligence (ESDD) (ESAS, November 2021); Supplementary ESIA (Mott MacDonald, August/September 2022)
Section II: Sveti Nikole-Veles Pipeline	National Environmental Impact Study (Elaborate). Approved by MoEPP in 2021	Standalone ESIA for Sveti-Veles (Ecoline/SE Solutions, September 2022); RINA Environmental and Social Assessment and SEP (2020);
Section I: Gostivar Kičevo Pipeline[3]	Covered by broader national EIA as part of North Macedonia's National Gasification Programme.	RINA Environmental and Social Assessment and SEP (2020);

1.3 Processing to Date

The Request to IPAM was submitted on 26 April 2024 and registered under Case 2024/02 — *Regional Gasification Project* on 5 June 2024, as it met the criteria for Registration established in Section 2.2(b) of the Project Accountability Policy (PAP), and, prima facie, none of the exclusions set out in Section 2.2(c)

[3] Preliminary studies and environmental assessment work initiated; future environmental and social documentation to be prepared and disclosed before EBRD financing decision.

applied at that stage. The registration of a Request is an administrative step establishing that the following criteria have been met:

- all mandatory information has been provided;
- issues raised relate to specific obligations of the Bank under the 2019 ESP;
- it relates to a Project that the Bank has approved; and
- the Request submitted is related to an active project or is submitted within 24 months of the date in which the Bank has ceased to have a financial interest in the project.

Following the Registration of the Request, and in light of the Requesters' expressed interest in the Compliance function, the Case was transferred directly to the Compliance Assessment stage.

It should be noted that the Request was filed against the Regional Gasification Project as a whole, encompassing all three pipeline components.

- The allegations regarding GHG emissions, specifically that the ESIAs failed to account for downstream combustion emissions from gas transported by the pipelines, apply to the Project in its entirety.
- The allegations regarding public participation and access to information relate primarily to the environmental permitting process for the interconnection pipeline.
- The domestic pipeline sections are also referenced in the latter regard, as an even more limited national-level environmental process applied to these as per Requesters.

In the Compliance Assessment stage, IPAM seeks to determine whether a Case is eligible for a Compliance Review. The PAP establishes that two criteria must be met to initiate an investigation:

1. upon preliminary consideration, it appears that the Project may have caused, or may be likely to cause, direct or indirect and material harm to the Requesters (or, if different, the relevant Project-affected People); and
2. there is an indication that the Bank may not have complied with a provision of the ESP (including any provision requiring the Bank to monitor Client commitments); or the Project-specific provisions of the Access to Information Policy (AIP), in force at the time of Project approval.

In addition, IPAM complements and updates the analysis done at registration stage, and, in the present situation where no Assessment stage was performed, performs Assessment stage activities relevant to the Compliance function. In line with the approach established in articles 2.3 and 2.6 of the PAP, IPAM undertook the following activities during the Compliance Assessment stage:

- revision of relevant Project documents;
- virtual meetings with the Bank team responsible for the Project, representatives of the Client and the Requesters; and
- consideration of the updated status of other grievance resolution efforts.

IPAM also requested a formal Management Response, which was sent to IPAM on 19 July 2024.

2. EBRD Management Response

In its Response, EBRD Management addresses the two issues mentioned in the Request.

With respect to consultation and information disclosure, Management states that the Environmental and Social Due Diligence (ESDD) concluded that the national EIA development and disclosure process complied with the requirements of North Macedonian environmental law and did not identify any material gaps in relation to domestic legal requirements. Management notes that the EIA was approved by the Ministry of Environment and Physical Planning (MoEPP) in January 2021 and that the

Ministry published the EIA study and its non-technical summary on its website on 8 November 2020 for a period of 30 days, in accordance with national legislation. According to Management, public consultation activities included informal meetings with community representatives in October 2019 and January 2020, prior to the introduction of COVID-19 restrictions, as well as two online public hearings organised by the MoEPP on 19 and 20 November 2020. Management further notes that the MoEPP subsequently prepared and published a report on the adequacy of the EIA on 22 December 2020. Following EBRD's involvement in the project, Management states that additional studies were undertaken and that the full ESIA disclosure package was made available for more than 120 days. In Management's view, these additional consultation measures and disclosure measures compensated for shortcomings in the national consultation process arising during COVID-19 restrictions' period.

Regarding the assessment of the project's impacts related to GHG emissions, Management states that the ESIA did not include an assessment of downstream emissions associated with the eventual use of gas transported through the pipeline because such emissions are not required to be assessed under EBRD PR3. According to Management, PR3 requires assessment of direct emissions from project facilities, activities and operations, together with indirect emissions associated with the production of energy used by the project itself. Management therefore considers emissions generated by third-party end-users of transported gas to fall outside the required scope of the ESIA. Management nevertheless notes that EBRD separately commissioned an assessment by independent specialists examining both upstream and downstream emissions associated with the wider gasification programme. This analysis compared a gasification scenario with alternative development pathways and concluded that, relative to the available alternatives, the gasification programme would result in lower GHG emissions, as well as economic and air-quality benefits.

Table 3: Summarized Management response to issues raised in the request

Issues raised by the Request	Management Response (July 2024)
Lack of meaningful consultation and information disclosure	• The EIA was conducted in accordance with applicable local legal requirements and was formally approved by the MoEPP prior to the request for EBRD financing. • The environmental and social gap analysis of the local EIA identified a number of gaps with EBRD's PRs (most critical gaps with PRs 1, 3, 5 and 6). All identified gaps are addressed in the ESIA and the associated documentation package, disclosed in October 2022. • Regarding public disclosure, Management notes that the ESDD, including updates to the ESIA, was publicly disclosed in January 2023. Management states that the ESDD concluded that the national EIA development and disclosure procedure complied with the national Law on Environment and that no material gaps with national legal requirements were identified. • Prior to EBRD involvement in the project, MoEPP published the EIA study and a non-technical summary on its website on 8 November 2020 for a 30-day period, in line with national legislation. • Regarding engagement with affected communities, Management states that, in addition to meetings with municipalities and regulators, meetings with community representatives in rural areas were held in October 2019 and January 2020. These meetings focused on project development, timelines, social impacts and expected benefits and took place prior to the introduction of COVID-19 restrictions. • The MoEPP organised two online public hearings as part of the national consultation process: on 19 November 2020 in Gevgelija and Bogdanci, and on 20 November 2020 in Negotino and Demir Kapija. Management states that MoEPP subsequently prepared a report on the adequacy of the EIA, which was uploaded to its website on 22 December 2020.

	According to Management, this report was based on the EIA study and the public opinions received, including input from the public hearing meetings, and concluded that the EIA study fulfilled the applicable requirements. • Management further notes that, once the Project was presented to EBRD for financing, the Bank required additional studies to be carried out and additional public consultations to be held. Management states that these requirements were met and that the full ESIA disclosure package, including supplementary studies, was disclosed for more than 120 days at project locations, at NOMAGAS and EBRD offices in Skopje, as well as on their respective websites. • Management concludes that the scope and duration of the EBRD-led disclosure and consultation process compensated for any limitations in the national process during the COVID-19 period.
Inadequate assessment of the project's impacts related to GHG emissions	• The downstream estimate of emissions was not included in the ESIA, in accordance with PR3, where the required GHG assessment includes only direct emissions from the facilities, activities and operations that are part of the project, as well as indirect emissions associated with the production of energy used by the project. The assessment of indirect emissions from the use of gas transported through the pipeline by third party off-takers is not required as part of the ESIA. • The EBRD commissioned an additional assessment, with independent specialists, of upstream and downstream gas emissions as part of the decision making on the project, developed over 2022-2023. • A modelling assessed GHG emissions and air pollution impacts across a broad set of gasification investments, including gas interconnection, transmission and distribution. The analysis examined downstream gas use in the electricity sector, household and commercial space and water heating, and industrial energy consumption. • The analysis estimates direct financial costs and externality costs including GHG emissions (both direct and upstream) and local air pollution emissions. The scenarios assessed are i) a gasification scenario in a system that decarbonises to Net Zero by 2050 (project scenario), ii) a counterfactual where no action is taken and the economy continues to evolve as in the past and iii) an electrification only alternative where the system decarbonises to Net Zero 2050 without gasification investments. • The modelling shows higher levels of GHG emissions in both the counterfactual and the electrification scenario compared to the gasification scenario and that, relative to the available alternatives, the project results in emissions savings as well as economic and air-quality benefits.

3. Compliance Assessment Findings

This section compiles the findings made by IPAM during compliance assessment stage for Case 2024/02 in order to determine whether the Case is eligible for a Compliance Review, following the criteria established in the PAP (see above).

IPAM appraised Case 2024/02 considering the documentation and information collected in consultations with the Parties, and other project-related and publicly available information gathered from July 2024 to the date of completion of this Compliance Assessment Report. The relevant provisions of the ESP that were considered, including the applicable PRs, are:

- Section III ("Scope") of the ESP (Paras: 2.2, 2.3, 2.9, 3.4, 3.5),
- PR1: Assessment and Management of Environmental and Social Risks and Impacts,
- PR3: Resource Efficiency and Environmental Pollution and Control,
- PR10: Information Disclosure and Stakeholder Engagement.

From its Compliance Assessment review IPAM finds that **the criteria for initiating a compliance review are not met for the issues raised by the Requesters**, as preliminary information reviewed does not indicate a plausible link between the alleged harm and potential non-compliance by the Bank with the relevant policy provisions. Detailed analysis of each issue is provided in the sections below.

3.1 Background/contextual landscape

North Macedonia's Regional Gasification Project forms part of the country's national strategy to diversify gas supply sources and expand its gas transmission network. Prior to the Project, North Macedonia's gas infrastructure comprised a single import pipeline from Bulgaria, through which gas was historically sourced almost entirely from Gazprom, then supplied to industrial consumers in Skopje, Kumanovo, and Kriva Palanka. This configuration left the country dependent on a single source and route, with limited capacity to respond to disruptions in supply or price volatility.

To address these risks, the Government of North Macedonia has pursued a programme of regional gas interconnection aimed at integrating the country into the broader European gas network. NOMAGAS, the state-owned company responsible for developing and operating the country's gas transmission infrastructure, was established in December 2022 through the merger of two predecessor entities: National Energy Resources (NER) and the Transmission System Operator Gas Macedonia (GA-MA). NOMAGAS assumed responsibility for developing gas interconnections with Greece, Serbia, and Kosovo, consolidating under a single operator the technical, commercial, and regulatory functions.

In December 2023, the EBRD and the Government of North Macedonia and other partner institutions signed a Joint Declaration at COP28, establishing an in-country platform for a just and accelerated coal transition, aligned with the country's Nationally Determined Contribution (NDC) of April 2021 - committing to a 51% gross reduction (81% net) in GHG emissions by 2030 relative to 1990 levels, corresponding to a target emission level of 6.058 million tonnes CO2eq per year by 2030. North Macedonia also adopted a National Energy and Climate Plan (NECP) in 2022, setting out measures to reduce GHG emissions, increase renewable energy capacity, and align the national energy system with EU climate policy. Development of gas transmission infrastructure is explicitly referenced within the NECP 2022, the enhanced NDC, and the Energy Strategy (Green Scenario, 2019).

Distinction between the Project components

Before analysing the allegations raised in the Request, it is important to distinguish between the three components of the Regional Gasification Project, as they followed different environmental assessment pathways and the allegations do not apply equally to each component.

- The **Greece-North Macedonia Interconnector** is the component principally concerned by the Requesters' allegations regarding public participation, access to information, compliance with national EIA requirements, and consistency with the EU EIA Directive. This component was subject to a national Environmental Impact Assessment (EIA) process overseen by the MoEPP, which subsequently issued environmental approval.
- The **Sveti Nikole-Veles pipeline** followed a different environmental assessment pathway under national law and was assessed through an Environmental Impact Study ("Elaborate"), rather than a full EIA procedure. The Requesters refer to this component primarily to illustrate differences in national environmental assessment requirements and disclosure obligations between the Project's components.

- The Gostivar-Kičevo pipeline forms part of the Project but remains an uncommitted tranche. Environmental and social studies for this component are to be completed and disclosed before EBRD considers financing that section.

The allegations concerning greenhouse-gas emissions, associated facilities, cumulative impacts, climate impacts and consistency with climate objectives relate to the Regional Gasification Project as a whole, rather than to any individual pipeline section.

Environmental Impact Assessment history of the Interconnector

The environmental assessment history of the North Macedonian section of the Interconnector spans more than a decade. It was commissioned by the Ministry of Transport and Communications in early-to-mid 2011 and completed later that year. It was prepared in accordance with national legislation in force at the time. The route assessed in the EIA was drawn from the 2010 Feasibility Study and selected based on engineering criteria. Terms of Reference for the EIA were defined according to national legislative requirements.

By mid-2014, a gap analysis commissioned for EBRD was conducted comparing the 2011 EIA against the 2008 ESP. The gap analysis identified some deficiencies, including insufficient biodiversity assessment, inadequate stakeholder engagement, and incomplete analysis of social impacts. An ESAP was developed in response, setting out additional studies, mitigation measures, and corrective actions. In late 2014, a change in the project's financing structure removed the immediate requirement to comply with EBRD standards. At that time, the ESAP was not subsequently implemented, the additional studies were not carried out, and the 2011 EIA remained valid without amendment – without works starting either.

Between 2014 and 2020, changes occurred to both the physical project design for the Greece-North Macedonia Interconnector and the applicable regulatory framework. The pipeline route was modified to avoid structures built within the Right of Way and to accommodate the construction of a nearby highway. National environmental policies and regulations, particularly in relation to biodiversity and protected areas, were also amended or introduced during this period.

Environmental assessment history of the Sveti-Nikole-Veles section

Around 2019–2020, NER initiated a separate national environmental assessment process for Section II (Sveti Nikole–Veles), conducted through an Environmental Impact Study (Elaborate) rather than a full EIA. Four alternative pipeline routes for this section were identified and evaluated. According to project documentation, route selection was conducted on engineering grounds without incorporating environmental or social criteria into the decision-making process. The Terms of Reference for the Section II assessment required compliance with EU and international financing institution standards but did not explicitly reference EBRD PRs. An independent review conducted in parallel identified that the Terms of Reference omitted certain elements, including detailed biodiversity assessment and certain social impact considerations.

EBRD Environment and Social Due Diligence

At the time the EBRD relaunched its appraisal, the primary environmental baseline document for the project (Interconnector section) was the 2011 national EIA. As noted above, this document had not been updated to reflect changes to the project route or to incorporate developments in the applicable

regulatory framework since its completion. EBRD's assessment of the adequacy of the national EIA process, and the steps taken in response, are addressed in the compliance analysis that follows. According to Project documentation, the Bank's review of the EIA documentation identified several gaps requiring additional assessments and measures under the ESAP to achieve compliance with the ESP. Route selection studies considered several alternatives, and the final alignment for the Interconnector section was modified to avoid residential areas, archaeological sites, Important Bird Areas, protected zones and recreational sites. The ESAP also includes measures to strengthen NOMAGAS's environmental and social management capacity, establish an E&S management system, appoint qualified personnel, improve stakeholder engagement and update the grievance mechanism.

National legislation and EU EIA framework

North Macedonia's national EIA framework is established under the Law on Environment[4], which sets out procedures for screening, scoping, preparation of the EIA study, information disclosure, and public participation prior to the issuance of a decision. Under this framework, the MoEPP is responsible for organising and leading public hearings, including determining their date, location, and how the public is informed. Public notification must be provided through at least one nationwide daily newspaper and must specify where the EIA study and its non-technical summary are made available, including on the Ministry's website. The public hearing must be held at least five working days before the deadline for MoEPP to prepare its report on the adequacy of the EIA study.

As a Contracting Party to the Energy Community Treaty since 2006, North Macedonia committed to progressively transposing and implementing key elements of the EU environmental acquis, including *Directive 2011/92/EU on Environmental Impact Assessment* as amended by *Directive 2014/52/EU,* in accordance with the timelines established by the Energy Community implementation deadlines[5]. Specifically, North Macedonia has been obliged to apply the Directive as amended by Directive 2014/52/EU to the permitting of network energy projects since 1 January 2019.This entails obligations to ensure early and effective public participation, timely access to relevant EIA documentation, and the disclosure of information on the project's likely significant environmental effects and proposed mitigation measures. National EIA procedures are accordingly expected to reflect the requirements of the EU EIA Directive and to ensure alignment with European standards on transparency and public involvement in environmental decision-making.

North Macedonia has not yet fully transposed all provisions of the EU EIA Directive, although alignment is ongoing under its Energy Community obligations. Certain procedural elements of the Directive, including requirements on the timing and structure of public consultations, and the systematic recording of how comments received influence the final decision.[6]

[4] The national environmental permitting and EIA regime is principally established under the Law on Environment (Official Gazette No. 53/2005, as amended).

[5] Under Ministerial Council Decision 2016/12/MC-EnC, Contracting Parties to the Energy Community (incl. North Macedonia), were required to transpose and implement Directive 2011/92/EU, as amended by Directive 2014/52/EU, by 1 January 2019.

[6] Energy Community Secretariat, *Annual Implementation Report 2025: North Macedonia* (1 November 2025) 14, describing the non-transposition of the amended EIA Directive as "a breach identified by the Ministerial Council in 2021" and noting that the draft amending law has not yet been adopted.

3.2 Project Timeline

Date	Events
2011	National EIA commissioned and completed for the gas transmission network, including the route later forming part of the Greece-North Macedonia Interconnector
Mid 2014	Gap analysis of the 2011 EIA of the Greece-North Macedonia Interconnector section against the 2014 ESP; ESAP developed but not subsequently implemented following change in financing structure
Jan 2020	Consultations with representatives of municipal administrations and relevant line departments as part of the national process for the Greece-North Macedonia Interconnector
2 Mar 2020	EBRD Project Concept Review approved
Jun 2020	National EIA study for the Greece-North Macedonia Interconnector completed
Sep 2020	RINA Consulting completed an Environmental and Social Assessment Report for Sections I and II of the domestic transmission pipeline sections, (Gostivar–Kičevo and Sveti Nikole–Veles), ESAP, a SEP and NTS.
8 Nov 2020	National EIA study and NTS for the Greece-North Macedonia Interconnector disclosedon the MoEPP website for the 30-day statutory period
19-20 Nov 2020	Online public hearings organised by MoEPP for the Greece-North Macedonia Interconnector (19 Nov: Gevgelija and Bogdanci; 20 Nov: Negotino and Demir Kapija)
Dec 2020	MoEPP report on the adequacy of the national EIA prepared and uploaded on its website
Jan 2021	National EIA for the Greece-North Macedonia Interconnector approved by MoEPP
Feb 2021	ESIA and Social Impact Assessment (SIA) reports for the Interconnector (Mott MacDonald)
Aug 2021	Site visit undertaken by Environmental and Social Advisory Services Ltd (ESAS)
Nov 2021	Following completion of the national EIA process for the Interconnector, ESAS conducted an ESDD review and gap analysis of the ESIA disclosure package. ESAS also prepared NTS, ESAP and SEP for the North Macedonian section of the Greece-North Macedonia Interconnector.
Apr-May 2022	Twelve public consultation meetings and data collection sessions held in municipalities along the Interconnector route, engaging over 250 participants
July 2022	Environmental and Social Compliance Assessment against EBRD requirements for the Project completed by Ecoline International and SE Solutions.
17 Aug 2022	Updated SEP for the project and supplementary ESIA documentation completed as part of the EBRD disclosure package.
17 Sep 2022	Consolidated environmental and social disclosure package for the Project completed by Ecoline International – including the Supplementary ESIA for the Interconnector, the standalone ESIA for the Sveti Nikole section, the ESAP, SEP and NTS.
11 Oct 2022	ESIA package disclosed for public consultation for 120 days
Dec 2022	NOMAGAS established through the merger of NER and GA-MA; Requesters' first written communications to the EBRD concerning the national consultation process
Jan 2023	Updated ESDD, gap analysis of EIB environmental studies, and supplementary environmental and social documentation disclosed publicly
March 2023	Event held at the Ministry of Economy concerning the Interconnector and the Sveti Nikole–Veles pipeline, described by its organisers as a public consultation; its characterisation is contested by the Requesters
Sep 2023	Complaint submitted to the Energy Community Secretariat regarding alleged breaches of EU EIA obligations in the national permitting process
Dec 2023	EBRD–Government of North Macedonia Joint Declaration signed at COP28 establishing a platform for a just and accelerated coal transition
19 Feb 2024	Project Summary Document disclosed on EBRD website
24 Apr 2024	Project approved by the EBRD Board
26 Apr 2024	IPAM receives the Request
5 Jun 2024	IPAM registers the Request

3.3 Linkage of alleged harms with the Project and indications of non-compliance by EBRD

3.3.1 Regarding the lack of meaningful consultation and information disclosure

The allegations addressed in this section relate primarily to the Greece-North Macedonia Interconnector. Although the Request concerns the Regional Gasification Project as a whole, the allegations regarding compliance with national EIA procedures, access to information, and public participation concern the national EIA process undertaken for the Interconnector and the measures subsequently adopted by the Bank during appraisal.

Regarding the Project's fulfilment of North Macedonian legislation and the EU EIA Directive

The Requesters allege that the national EIA procedure for the Greece–North Macedonia gas Interconnector failed to provide a lawful or effective opportunity for public participation, as required under North Macedonian legislation and the EU EIA Directive. The Request mentions that EIA study was uploaded to the website of the MoEPP on 8 November 2020 without a public notice indicating that a consultation period had commenced, without information on how or where written comments could be submitted, and without a deadline for the submission of comments. The Requesters further allege that the online meetings held on 19 and 20 November 2020 did not constitute legally valid public hearings. They assert that participation in these meetings was restricted to residents of specific municipalities, rather than being open to all interested members of the public, and that the announcements did not provide access to the EIA study itself, but only to a notice of intent. On this basis, the Requesters state that the meetings did not meet the procedural and substantive requirements for public consultation set out in Articles 90 and 91 of the Law on Environment and Article 6 of Directive 2011/92/EU, as amended by Directive 2014/52/EU.

Management states that the EIA was conducted in accordance with applicable legal requirements and was approved by the MoEPP before the Client approached the Bank. Management also maintains that its due diligence did not identify material gaps in the national EIA process.

In assessing the EIA-related allegations, IPAM notes that the same Requesters have filed a complaint with the Energy Community Secretariat raising substantively identical concerns, namely, that North Macedonia's national permitting process for the project failed to comply with the procedural requirements of the EU EIA Directive as applicable to Contracting Parties.

Under Paras 2.2(d) and 2.3(a)(iv) of the PAP, IPAM is required to consider, as a determinant of registration and further processing[7], whether the Request duplicates or interferes with other processes brought by the same Requesters regarding the same project and issues. IPAM considers that the Energy Community Secretariat is the body specifically mandated to determine whether North Macedonia has fulfilled its obligations as a Contracting Party under the Energy Community Treaty, including the obligation to apply and enforce the EIA Directive in national permitting procedures. The question of whether the MoEPP conducted a lawful public consultation process is therefore, at its core, a question about the Contracting Party's compliance with its treaty obligations, a matter which falls squarely within the Secretariat's jurisdiction, which the Secretariat is better placed than IPAM to assess, and which the Secretariat is currently addressing.

[7] In particular, in present Case, where Assessment stage did not take place.

IPAM notes, however, that the question before the Energy Community Secretariat is not identical to the question before IPAM. The Secretariat is examining whether North Macedonia complied with its obligations under the Energy Community Treaty and the EIA Directive, whereas IPAM's mandate is limited to assessing whether the Bank may have departed from its obligations under the ESP when appraising the Project. Accordingly, while IPAM does not seek to determine whether the national authorities complied with domestic or EU law, it has considered whether the information available indicates that EBRD may have failed to identify or address shortcomings in the national process in a manner required by the ESP.

To the extent the Requesters' allegations relate to the obligations of the national environmental authority and the adequacy of its implementation of domestic and EU requirements, Para 2.2(c)(ii) of the PAP provides that such matters fall outside IPAM's mandate, which is limited to assessing the Bank's own compliance with its ESP. Accordingly, IPAM refers the EIA compliance question to the Energy Community Secretariat proceedings and does not examine it further.

Regarding the Bank's stakeholder engagement and information disclosure requirements

The Requesters assert that certain consultation events were misrepresented as public hearings, pointing specifically to an event held on 21 March 2023 at the Ministry of Economy concerning the Interconnector and the Sveti Nikole–Veles pipeline, which was described by its organisers as a public consultation. The Requesters contend that this characterisation was not accurate and that the event met neither the procedural requirements for a public hearing under national law nor the substantive requirements for meaningful stakeholder engagement under PR10.

In its response, the Bank stated that the EBRD ESIA and consultation process had compensated for shortcomings in the national EIA process, including those arising from COVID-19 restrictions during the November 2020 hearings. Management's position is that the supplementary disclosure, independent studies, and extended consultations conducted under the Bank's oversight were sufficient to meet EBRD standards.

The ESDD of November 2021 did identify a number of deficiencies in the national consultation process for the Interconnector vis-a-vis the ESP in particular: no records were maintained of the number of participants in the November 2020 online public hearings, nor of the localities from which participants came; attendance lists included only MoEPP staff, the then project developer NER, and consultants. Feedback from these consultations was intended to be included in an annex to the EIA study detailing recommendations and additional measures to address public concerns, but these records were not found in the ESIA or related documents. The ESDD further noted poor-quality minutes, inaccurate responses to topics raised, and responses to topics that had not been raised.

A community survey conducted between 2019 and 2020 covered four municipalities but was limited in scope, and the EIA did not incorporate its outcomes. No evidence was found of engagement with vulnerable stakeholders, or of records demonstrating how community input was considered in the preparation of the impact assessment. Notwithstanding these limitations, the MoEPP concluded in its report of 18 December 2020 that the national EIA study fulfilled all applicable national requirements and issued the environmental approval in January 2021. For the Interconnector, the SEP records that twelve public consultation meetings and data collection sessions were held in April–May 2022 in municipalities along the route, engaging over 250 participants. These sessions, organised with the local authorities of Negotino, Demir Kapija, Bogdanci and Gevgelija, addressed concerns including

land access, potential infrastructure damage during construction, community safety, compensation for land and crops, declining property values, and commuting difficulties.

For the Sveti Nikole–Veles section, public consultations were not legally required under national legislation, as the section was assessed through an Environmental Impact Study (Elaborate) rather than a full EIA. Nevertheless, engagement was undertaken in line with EBRD requirements. In 2012, one of five public hearings for the Klechovce–Negotino section had been held in Sveti Nikole, with EIA materials published on municipal websites in advance; the hearings covered the project description, environmental and social impacts, a summary of EIA outcomes, and mitigation and monitoring measures, with participants including municipal employees, local media, local businesses and individual citizens.

As part of the ESIA scoping stage, two further rounds of consultations were conducted: two online meetings in November 2020, held remotely due to COVID-19 restrictions, and a further round in 2021. Both rounds involved only municipal authorities and administrators of the affected municipalities.

The full environmental and social disclosure package, comprising the standalone ESIA for the Sveti Nikole–Veles section, the initial EIA/SIA and Supplementary ESIA for the Interconnector, the NTS, SEP, and ESAP, was disclosed in Macedonian and English on 11 October 2022 for the Bank's 120-day disclosure and consultation period applicable to Category A projects. In addition to online disclosure on the Bank's and the Client's websites, hard copies of the full documentation were made available in the seven municipalities along both routes and at the EBRD Resident Office in Skopje, and a designated Client contact point was published for environmental and social enquiries. In practice, the interval between disclosure and Board approval extended to approximately eighteen months. For the Gostivar–Kičevo section, documents will be disclosed for 120 days in Macedonian, Albanian and English, together with the updated SEP, NTS, and ESAP, once prepared.

The SEP provides a structured framework for stakeholder identification along both the Interconnector and Sveti Nikole–Veles sections, the planning of public consultation sessions, and the incorporation of feedback into project implementation. It establishes timelines for disclosure, procedures for engaging newly identified stakeholders, and mechanisms for responding to stakeholder input. The ESAP requires that the SEP be applied, periodically reviewed, updated and re-disclosed as required — including after disclosure periods to integrate stakeholder feedback, before commissioning of pipeline sections, whenever new stakeholders are identified, and when project changes or new environmental and social information arise. A communication logbook and detailed records of all engagement events are to be maintained, and a grievance mechanism aligned with PR10 is to be implemented, providing anonymous and confidential channels, website accessibility, and annual reporting of results. The ESAP further mandates the commissioning of an Independent Environmental and Social Consultant (IESC) to monitor project performance against EBRD requirements quarterly during construction and bi-annually during operations, with monitoring reports submitted to both the EBRD and the Client.

Regarding the Requesters' specific allegation that certain events were misrepresented as public consultations, IPAM notes that the characterisation of the 21 March 2023 event at the Ministry of Economy remains contested, and that the documentation reviewed does not allow a definitive determination of whether the event met the substantive requirements of a public hearing under either national law or PR10. IPAM observes, however, that the event took place after the national EIA approval of January 2021 and after the Bank's own mandated supplementary consultation and disclosure

process was already underway; its characterisation is therefore not determinative of the Bank's compliance, which rests on the adequacy of the Bank-commissioned process as a whole.

Considering the preliminary analysis presented above, IPAM finds that, upon engaging with the Project, the Bank took the necessary measures to identify and address stakeholder engagement gaps in a manner consistent with its obligations under the ESP. The ESDD itself identified the deficiencies in the national process; the commissioning of successive independent assessments across 2020–2022 demonstrates a systematic effort to bring the Project's environmental and social documentation into conformity with the ESP; and the conduct of supplementary consultations engaging over 250 participants along the Interconnector route, the 120-day disclosure of the full package in accessible locations and languages, and the establishment of an ongoing IESC monitoring framework demonstrate that the Bank took active steps to ensure that stakeholder engagement met EBRD standards going forward. The SEP and ESAP appear consistent with the requirements of PR10 and provide a robust framework for meaningful participation, including engagement with vulnerable groups, throughout the remaining project lifecycle.

IPAM acknowledges that several assessments identified weaknesses in the consultation process, including limited participation, incomplete records of stakeholder input, and insufficient engagement with vulnerable groups. Further, IPAM did not identify sufficient indications that the Bank may have departed from the applicable requirements of the ESP in respect of consultation and information disclosure, warranting no further investigation.

3.3.2 Regarding the assessment of the Project's impacts related to GHG emissions

Regarding associated facilities

The Requesters assert that downstream facilities that would consume the gas transported by the pipeline (such as household, industrial and power or heat generation facilities) constitute associated facilities under ESP Para 3.4. On this basis, they argue that emissions from such facilities should have been assessed as part of the Project's environmental and social appraisal.

Management considers that associated facilities under ESP Para. 3.4 refer to discrete facilities that are directly and significantly related to the Project and necessary for its implementation, and that are not financed by the Bank. Management does not consider general downstream end-use facilities operated by independent third parties to fall within this definition.

IPAM notes that the ESP (Section II: Definitions) defines associated facilities as facilities or activities that are not financed by EBRD as part of the project but which are significant in determining the success of the project, and which are new facilities or activities "(i) without which the project would not be viable, and (ii) would not be constructed, expanded, carried out or planned to be constructed or carried out if the project did not exist." The application of this definition requires a case-specific determination of whether facilities meet both conditions.

The Requesters contend that downstream gas-use facilities meet both conditions. However, the information reviewed does not identify any specific downstream facility whose development was substantially dependent upon the Project. Rather, the Project is intended to supply multiple existing and potential future users whose investment decisions may remain independent of the Project and outside the control of the Client. The general future use of transported gas by multiple independent end users does not establish that such facilities constitute associated facilities within the meaning of

the ESP. This reading is consistent with the practice of other multilateral development banks applying materially similar definitions of associated facilities.

Based on the information reviewed, IPAM does not identify an indication that Management's application of the associated-facilities provisions of the ESP in relation to downstream gas users departed from ESP requirements.

Regarding downstream emissions

The Requesters assert that neither the national-level EIA nor the EBRD-commissioned ESIA assessed greenhouse gas emissions arising from the combustion of natural gas transported by the pipeline. They contend that this omission is significant, given that the operational function of a gas transmission pipeline is to enable downstream combustion by households, industry, and power generation facilities, and that such emissions therefore represent the principal climate impact of the Project.

The Requesters argue that such emissions should have been assessed under: ESP Para. 3.4 and PR1 Para. 9 relating to associated facilities; ESP Para 3.5, PR1 Para 10 relating to cumulative risks and impacts; Para 2.2 of the ESP, which incorporates relevant EU environmental principles.

Management states that PR3 Para 21 defines the mandatory scope of GHG accounting at project level as direct emissions from the facilities, activities and operations that are part of the project, together with indirect emissions associated with the production of energy used by the project, and that emissions arising from third-party combustion of transported gas fall outside this boundary.

IPAM notes that PR3 Para 21 defines the scope of project-level GHG quantification as covering "direct emissions from the facilities, activities and operations that are part of the project, as well as indirect emissions associated with the production of energy used by the project." Emissions from the combustion of transported gas by third-party off takers fall outside this defined scope. The ESP does not require the inclusion of downstream third-party emissions within the ESIA GHG inventory.

With respect to the associated-facilities provisions invoked (ESP Para 3.4 and PR1 Para 9), IPAM refers to its analysis in the preceding section.

With respect to ESP Para 3.5, IPAM notes that the object of this provision is the protection of the project: where potentially significant risks and impacts are identified from facilities or activities outside the client's control to which the PRs do not apply, the client is to make reasonable efforts to assess and mitigate risks to the project. The provision does not establish a requirement to assess the emissions generated by such third-party facilities.

With respect to cumulative risks and impacts under PR1 Para 10, IPAM notes that this provision requires identification and characterisation "to the extent appropriate," a formulation that entails proportionality and affords methodological discretion, particularly in network infrastructure projects where system-level emissions outcomes depend on multiple external variables, including national energy policy, market behaviour, and future investment decisions outside the control of the Client. This general provision cannot be applied to expand the GHG assessment scope that the ESP has specifically delimited through PR3 Para 21. This reading is also consistent with internationally recognised cumulative impact assessment guidance, which treats cumulative impact assessment as focused on impacts to Valued Environmental and Social Components and on a project's incremental contribution to those impacts, rather than as automatically extending the assessment boundary to all downstream users of a product or service.

With respect to ESP Para 2.2, IPAM notes that this provision commits the Bank to structuring projects to meet EU environmental principles, practices and substantive standards where these can be applied at the project level. The ESP expressly defines EU substantive environmental standards as those comprised in EU secondary legislation, excluding procedural norms directed at Member States and EU institutions. The assessment requirements of the EU EIA Directive on which the Requesters rely are procedural norms addressed to Member States, and their content is accordingly not incorporated into the Project's requirements through ESP Para 2.2.

IPAM also notes that Management addressed downstream emissions through independent scenario-based modelling summarised in the Green Assessment Annex submitted to the Board prior to approval. As this analysis was not required under the ESP, its adequacy falls outside the scope of IPAM's compliance mandate, and IPAM notes its existence without reviewing it.

Based on the documentation reviewed, IPAM does not identify an indication that Management departed from PR3, PR1, or related ESP requirements in relation to downstream emissions.

Regarding fugitive emissions

The Requesters assert that neither the national EIA nor the EBRD-commissioned ESIA assessed upstream fugitive methane emissions associated with the extraction, processing, and transport of the gas to be conveyed through the pipeline. They note that methane has a global warming potential approximately 84 times that of CO_2 over a 20-year horizon and refer to the EBRD's 2018 Energy Sector Strategy, which recognises that at fugitive emission rates of around 5% or higher, natural gas may have climate impacts comparable to or exceeding those of coal over a 20-year period.

The Requesters further note that a significant proportion of imported gas may be in the form of LNG, which entails additional lifecycle emissions from liquefaction, maritime transport, and regasification. They cite recent research suggesting that, under certain conditions, total greenhouse gas emissions from LNG may exceed those associated with domestically produced coal. On this basis, the Requesters contend that the failure to assess upstream fugitive emissions prevents a full evaluation of the Project's climate impacts and whether the gas transported by the pipeline would result in lower greenhouse gas emissions than the fuels and technologies it may replace.

Management states that the precise origin and composition of the gas to be transported through the pipeline cannot be determined in advance. Management further states that the Project has been designed in accordance with Good International Industry Practice to minimise operational fugitive emissions from the pipeline system, including through leak prevention, detection, and monitoring measures, and that NOMAGAS is required under the loan agreement to implement a methane monitoring, reporting, and verification (MRV) system aligned with the Oil & Gas Methane Partnership (OGMP) 2.0 framework. Management also states that, to inform the Bank's decision-making, it commissioned independent scenario-based modelling of the greenhouse gas emissions implications of the proposed gasification investments and alternative scenarios, covering both upstream and downstream emissions, which was presented to the Board and summarised in the Green Assessment Annex. The Requesters' allegation concerns methane emissions arising upstream of the Project, namely from gas extraction, processing and transportation prior to entry into the pipeline. In support of this allegation, the Requesters invoke, in addition to PR3, ESP Paras 3.4 and 3.5 and PR1 Paras 6–10. IPAM examines each of these provisions below.

IPAM notes that PR3 requires the identification, management, and, where material, quantification of fugitive emissions arising directly from project facilities and operations. PR3 Paras 20–21 determine the scope of GHG assessment required under the ESP: clients are to consider alternatives and implement technically and financially feasible and cost-effective options to avoid or minimise project-related GHG emissions, expressly including the reduction of fugitive emissions, and to quantify and report emissions where the applicable thresholds are exceeded. Under Para 21, the scope of GHG assessment comprises all direct emissions from the facilities, activities and operations that are part of the project, together with indirect emissions associated with the production of energy used by the project, in accordance with the EBRD Protocol for Assessment of Greenhouse Gas Emissions.

With respect to operational fugitive emissions (unintentional releases of methane from the pipeline system and associated facilities within the Project boundary) the mitigation measures described, including OGMP 2.0-aligned monitoring, leak detection systems, and engineering controls consistent with Good International Industry Practice, indicate compliance with PR3 requirements for the management of operational emissions. This aspect of the Request does not indicate a departure from applicable ESP requirements. IPAM notes that the OGMP 2.0-aligned MRV system is a covenant under the loan agreement, and identifies its implementation status as a matter appropriate for verification by Management in the course of routine Project supervision. Additionally, as noted in the PSD, the Project was designed to include cathodic protection coating to prevent corrosion-related leaks, and a Supervisory Control and Data Acquisition (SCADA) system to detect leaks and incidents promptly.

Upstream fugitive emissions (unintentional methane releases occurring during third-party extraction, processing, and transport of gas prior to its entry into the Project system) arise from the activities of third parties upstream of the interconnection point and outside the Project boundary, as do the lifecycle emissions associated with the LNG value chain, which comprise principally energy-use and combustion emissions rather than fugitive releases. As set out above, PR3 Paras 20–21 determine what is to be assessed, quantified, and reported in GHG terms under the ESP, and that scope does not extend to emissions generated by third parties in relation to the gas entering the Project system. Accordingly, no ESP provision required scenario-based analysis of upstream or lifecycle emissions to be included in the ESIA, and its absence from the disclosed ESIA documentation does not indicate a departure from applicable requirements.

IPAM has considered whether the provisions of the ESP and PR1 addressing associated facilities, indirect impacts, and cumulative impacts could nonetheless require assessment of upstream emissions notwithstanding the boundary set by PR3.

With respect to associated facilities, and applying the ESP definition set out above, the upstream gas extraction, processing, and transportation infrastructure from which the Project may be supplied (including production fields, transit pipelines, and LNG terminals in third countries) comprises existing facilities that were neither constructed nor expanded for the purposes of the Project, operate independently of it, and serve multiple off-takers. Such infrastructure does not meet the definition of associated facilities under the ESP, and the associated-facilities provisions of ESP Para 3.4 and PR1 Paras 6 and 9 are accordingly not engaged.

With respect to ESP Para 3.5 and PR1 Para 7, the object of these provisions is the protection of the project from risks arising from external facilities and activities outside the client's control; they require reasonable efforts to assess and mitigate risks to the project, and do not establish a requirement to

assess the greenhouse gas emissions generated by such third-party facilities. These provisions accordingly do not support the Requesters' allegation in respect of upstream emissions.

With respect to indirect and cumulative impacts under PR1 Paras 10 and 12, IPAM refers to its analysis in the preceding section: these general assessment provisions, which apply to the extent appropriate and afford methodological discretion, cannot be applied so as to expand a GHG assessment scope that the ESP has specifically delimited through PR3 Paras 20–21.

The full Bank documentation reviewed indicates that consideration was in fact given to upstream emissions. The independent scenario-based modelling commissioned by the Bank in 2022/2023 estimated the greenhouse gas emissions implications, including upstream emissions, of the proposed gasification investments against a counterfactual and an electrification-only alternative, and its results were presented to the Board and summarised in the Green Assessment Annex. As this analysis was not required under the ESP, its adequacy falls outside the scope of IPAM's compliance mandate, and IPAM notes its existence without reviewing it.

Regarding the Project's consistency with North Macedonia's climate commitments, the Requesters allege that the assessment failed to evaluate the Project's consistency with the country's climate objectives, including its enhanced NDC under the Paris Agreement. IPAM notes that neither the ESP nor the AIP contains a provision requiring the assessment of a project's consistency with a country's Nationally Determined Contribution or other national climate commitments. The Bank's determination of a project's alignment with the goals of the Paris Agreement is undertaken pursuant to the Bank's institutional strategies and methodologies, which do not form part of the ESP or the AIP and accordingly fall outside the scope of IPAM's mandate under the PAP. IPAM therefore does not identify an indication of non-compliance with the ESP or the AIP in this respect.

Based on the documentation reviewed, IPAM finds that the management of operational fugitive emissions within the Project boundary does not indicate a departure from PR3, with the implementation of the methane MRV covenant noted as a matter for routine Project supervision.

Regarding upstream fugitive emissions, PR3 Paras 20–21 determine the scope of GHG assessment required under the ESP; to the exception of indirect emissions associated with the production of energy used by the project, that scope does not extend to emissions arising from third-party activities upstream of the Project; the upstream infrastructure concerned does not constitute associated facilities; ESP Para 3.5 and PR1 Para 7 are directed at risks to the project and do not engage the emissions of third-party facilities; and the general provisions on indirect and cumulative impacts do not expand the specifically delimited GHG assessment scope.

Accordingly, IPAM does not identify an indication that Management departed from PR3, PR1, or related ESP requirements in relation to upstream fugitive emissions.

4. Conclusion and Next Steps

The Compliance Assessment did not identify indications that the Bank may have failed to comply with the applicable provisions of the ESP or AIP and therefore recommends not to proceed with a Compliance Review. The documentation reviewed does not indicate that the Bank may have departed from its obligations under the ESP or the AIP in connection with the issues raised in the Request, and the record demonstrates that Management identified and addressed the gaps in the national environmental assessment process through supplementary assessment, disclosure, and engagement measures commensurate with the Project's risks.

IPAM found that the criteria were not met, for the following reasons:

- With respect to the allegations concerning participation in environmental decision-making and access to information, the question of the national EIA procedure's compliance with North Macedonian law and the EU EIA Directive is deferred to the Energy Community Secretariat, the body specifically mandated to assess the Contracting Party's treaty obligations, before which the same Requesters have brought substantively identical claims; matters concerning the conduct of the national environmental authority fall outside IPAM's mandate under Para 2.2(c)(ii) of the PAP.
- With respect to the Bank's own obligations, the Bank's due diligence itself identified the deficiencies in the national consultation process, and the Bank addressed them through successive independent assessments, supplementary consultations engaging over 250 participants, disclosure of the full environmental and social package for a period substantially exceeding the 120-day requirement in accessible locations and languages, and the establishment of a stakeholder engagement plan and a monitoring framework. IPAM found that these measures satisfied the stakeholder engagement and disclosure requirements of PR1 and PR10, and accordingly identified no indication of non-compliance capable of being linked to the harm alleged.
- With respect to the allegations concerning the assessment of greenhouse gas emissions, IPAM found that ESP PR3 Paras 20–21 determine the scope of GHG assessment which comprises direct emissions from the facilities, activities and operations forming part of the Project, together with indirect emissions associated with the production of energy used by the Project. Emissions arising from other upstream third-party activities, from the combustion of the transported gas by third-party off-takers, fall outside that scope; the downstream and upstream facilities concerned do not constitute associated facilities under the ESP; ESP Para 3.5 is directed at risks to the project; the general provisions on cumulative and indirect impacts do not expand the specifically delimited GHG assessment scope; and the substantive standards incorporated through ESP Para 2.2 do not include the procedural norms of the EU EIA Directive. The absence of downstream and upstream emissions from the ESIA therefore does not indicate a departure from the ESP. IPAM further noted that the Bank in fact commissioned an independent scenario-based assessment of both upstream and downstream emissions to inform its decision-making, which was presented to the Board and summarised in the Green Assessment Annex; as this analysis was not required under the ESP, IPAM notes its existence without reviewing it.

On this basis, IPAM concludes that the Request does not meet the criteria for the initiation of a Compliance Review and recommends that the Board approve the closure of Case 2024/02. Following the Board's approval, this Compliance Assessment Report will be shared with the Parties and published in the Case Registry under Case 2024/02. Upon disclosure of this report, the processing of this case will be formally concluded.