

SOPC Energy Efficiency & Upgrade Program

Country:	EGYPT
Project Number:	49454
Business Sector:	Natural Resources
Notice Type:	STATE
Environmental Category:	B
Target Board Date:	14 Mar 2018
Status:	Signed
PSD Disclosed:	12 Jan 2018

Project Description

Provision of an up to USD 200 million loan to the Suez Oil Processing Company (SOPC) to finance a package of energy efficiency investments and other refurbishments and installations at the Suez refinery. In particular, the Project will focus on the installation of a New Vapour Recovery Unit (VRU), the refurbishment of the old coker units and a number of energy efficiency investments identified to improve operational performance, environmental footprint and utilisation rate of the refinery.

Provision of an additional USD 50 million loan to SOPC to finance the implementation of a new Asphalt Unit at the refinery so as to complete its upgrade programme.

Project Objectives

The Project aims to alleviate some of SOPC's inefficiencies. It will enable SOPC to produce middle distillates in line with Euro 5 specifications, which have historically been imported thereby catering better for growing and shifting demand patterns in the country. Energy efficiency investments will lead to positive environmental benefits with greenhouse gas emissions savings estimated around 295 kt CO₂ per year thereby enabling SOPC to optimize utilization rates and improve operational performance.

Transition Impact

Good

The sources of Transition Impact qualities for the project consist of: (i) Competitive and (ii) Green. The Project will also enable the Bank to further its policy dialogue initiatives in the oil and gas sector in Egypt, in particular in the context of the Oil & Gas Modernisation Programme launched by Egyptian Ministry of Petroleum.

Client Information

EGYPT SOVEREIGN

The loan will be provided on a sovereign basis to the Arab Republic of Egypt. The ultimate beneficiary will be SOPC.

EBRD Finance Summary

USD 250,000,000.00

Total Project Cost

USD 250,000,000.00

Environmental and Social Summary

Categorised B (2014 ESP). The Project is expected to improve the environmental and social (E&S) performance of the SOPC refinery, including reducing emissions to air and realising energy and resource efficiencies, leading to a reduction in greenhouse gas (GHG) emissions in excess of 295kt CO₂ per year. Further, implementation of the ESAP will substantially improve the E&S performance of the refinery as a whole, notably with respect to industrial and occupational health and safety, water use, wastewater treatment and emission reductions and improve the approach to E&S management through the implementation of ISO certified management systems. The Project is consistent with the GET approach.

Environmental and social due diligence ("ESDD") has been conducted by a consultant and included an assessment of the potential benefits and risks associated with the Project; a review of the environmental and social performance of existing operations; a review of the capacity of SOPC to manage risks associated with the Project and existing operations; and the identification of investments and actions required to bring the Project and the refinery in line with the EBRD's Performance Requirements ("PRs"). The ESDD also included the development of a Non-Technical Summary (NTS) and a stakeholder engagement plan (SEP) to guide future stakeholder engagement and information disclosure activities at the refinery (see below).

Key E&S issues considered in the ESDD included those typically associated with refineries such as energy and water use, emissions to air, waste management, occupational, industrial and community health and safety risks, labour issues and contractor management, transport risks, noise and potentially legacy issues such as soil and groundwater contamination and hazardous waste issues. These issues have been reviewed against the PRs and EU standards, such as the Industrial Emissions Directive (including EU Best Available Techniques (BAT) for the sector), the ATEX Directive and the Seveso Directive.

The ESDD has shown that SOPC has a good level of EHS management capacity in place and is committed to improving its E&S performance. However, noting the age of the refinery, and the lack of investment to date, the ESDD has identified a number of areas where substantial improvements

are required to align the refinery with the Bank's requirements. The Project, specifically installation of the Vapour Recovery Unit, will significantly reduce flaring of gas on site thereby reducing GHG emissions and increasing production throughput. Revamping the coker and upgrading the hydrodesulphurisation unit will enable the refinery to produce fuels of higher quality and energy and resource efficiency investments will reduce overall energy and water demand. Beyond the Project, however, improvements are required to the refinery as whole, including the approach to waste management; abatement of, and monitoring, emissions to air; improving industrial safety provisions and controls in line with the EU Seveso III and ATEX Directives; recirculating and reducing cooling water uptake; improving the quality of wastewater discharges; improving general health and safety; and implementation of an ISO aligned systems approach to E&S risk and energy management.

An Environmental and Social Action Plan ("ESAP") agreed with SOPC will ensure that the Project is developed in line with the PRs and EU standards. The ESAP also includes a road map to align the rest of the refinery with the PRs in the long term thereby addressing the issues identified and improving overall E&S performance. The Bank's financing (the Project), and the associated ESAP, will not, however, allow the refinery as a whole to attain full alignment with the PRs within the short to medium term due to the magnitude of the issues identified. Furthermore, the ESAP requires the undertaking of various studies by SOPC to determine the options available, and the feasibility thereof, with respect to some of these issues including emission abatement and further flaring reduction, water reuse and discharge controls. Therefore, derogation from fully complying with the Bank's E&S Policy, specifically with respect to EU BAT required by PR3, at the refinery level will be requested from the Board. Progressive implementation of the ESAP with the support of the PIU and the Bank will, nonetheless, substantially improve the E&S performance of the refinery bringing it closer to meeting the PRs. The Project and ESAP implementation will be monitored by ESD with the support of consultants where necessary.

Update - New Asphalt Plant

EBRD is considering providing finance for a new Asphalt Plant using a Vacuum Distillation Unit (VDU) system. The objective is to convert lower value heavy fuel oil feed materials into higher value products, including asphalt. The plant will be located within the existing refinery boundaries in a former lubricating oil production area. The addition of the new plant is being reviewed by independent E&S and technical consultants. The consultants are also considering further improvements to the coker beyond that initial envisaged under the original transaction. Initial E&S due diligence findings are that the overall project categorisation remains as B. The new plant will be required to meet EU BAT for the sector, including emissions to air, emissions monitoring systems and product storage. The current ESAP is being updated and will be agreed with SOPC once ESDD is complete. Expected actions relate to compliance with EU BAT and updating risk assessments and procedures in line with the EU Seveso and ATEX Directives. Existing ESAP actions with respect E&S impact and risk management will be applied to the new Asphalt Plant. Since signing of the original transaction, SOPC has progressed many of the studies described in the ESAP. This PSD and the associated NTS will be updated as the ESDD progresses.

Technical Cooperation

TC funds consist of EUR 83k for feasibility studies and environmental and social due diligence.

Company Contact Information

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Business opportunities

For business opportunities or procurement, contact the client company.

General enquiries

EBRD project enquiries not related to procurement:

Tel: +44 20 7338 7168; Fax: +44 20 7338 7380

Email: projectenquiries@ebrd.com

Public Information Policy (PIP)

The PIP sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations.

[Text of the PIP](#)

Project Complaint Mechanism (PCM)

The EBRD has established the Project Complaint Mechanism (PCM) to provide an opportunity for an independent review of complaints from one or more individuals or from organisations concerning projects financed by the Bank which are alleged to have caused, or likely to cause, harm.

[Rules of Procedure governing the PCM](#) | [Russian version](#)

Any complaint under the PCM must be filed no later than 12 months after the last distribution of EBRD funds. You may contact the PCM officer (at pcm@ebrd.com) or the relevant EBRD Resident Office for assistance if you are uncertain as to the period within which a complaint must be filed.