

Environmental Monitoring

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ECGD

Overview

- Background
- 3 case studies:
 - Local monitoring
 - Self-monitoring
 - Independent monitoring
- Non-compliance measures
- 30-45 minute presentation
- Happy to take questions though-out
- Discussion/recommendations/ideas at the end

Why Monitor?

- To promote Sustainable Development by:
 - Ensuring compliance with agreed standards
 - Ensuring implementation of agreed management plans
- Also:
 - Maintain credibility with stakeholders
 - Learn from experience

ECGD's Experience

- New issue (last 12-18 months)
- Just starting to implement our first monitoring programmes
- Monitoring policy evolving with experience
- A vital but difficult issue!

Types of Monitoring

- ECGD has identified 3 broad approaches:

- Local authority monitoring
- Self-monitoring by the project company
- Independent 3rd party monitoring

Cumulative



- Case studies of each from recent oil & gas projects (anonymous)

Monitoring Influenced By:

- Project:
 - Sector
 - Scale
 - Sensitive issues
- Lender's leverage:
 - Finance amount
 - Finance type (Project Finance?)
 - Relationship with the sponsor (contractual and personal)
 - Co-operation amongst lenders

Case Study - Local Monitoring

- ECGD supporting small part of major project
- Cash contract
- Local EIA
- Project has negligible impacts if managed properly
- Sponsor has a poor environmental track record – major spills and accidents

Local Monitoring

- Need for monitoring but ECGD had little leverage:
 - Commitment to compliance with EIA recommendations
 - Annual confirmation of operating licenses
 - Company to provide notification of any significant breach
- Non-compliance:
 - Reliant on local enforcement
 - Need to check local standards and enforcement regime

Case Study – Self-Monitoring

- Major extension to an existing oil & gas facility
- ECGD supporting a large Project Finance loan
- Sponsor - good environmental record
 - willing to work with lenders
- Project - environmentally beneficial
 - sensitive location

Self-Monitoring

- Self monitoring and reporting:
 - Compliance with local and World Bank Standards
 - Company to produce an annual compliance report
 - Instant reporting of any breach
- Non-compliance:
 - Event of default
(too severe for minor breaches?)

Case Study - Independent Monitoring

- High-profile oil & gas project
- Sponsor is environmentally aware
- Several sensitive issues
- NGO and media interest
- Other IFIs and ECAs involved - coordinated approach

Independent Monitoring

- Comprehensive monitoring regime:
 - Environmental and Social Action Plan
 - Annual public reporting by the company
 - Independent auditing by the lenders' engineer
- Non-compliance:
 - Event of default
 - Negative publicity
 - Other measures to be developed before signing

Non-Compliance Measures

- Event of default:
 - Too severe for minor breaches?
 - Unlikely to be used?
 - Withdraws funds at a crucial time?
- Other possibilities?
 - Environmental clean-up bonds
 - Refuse further cover
 - Name and shame
 - Other ideas?

Conclusions

- Monitoring is a vital part of any environmental assessment
- Maximise leverage
- Finalise before signing
- Work with other lenders
- Think about appropriate non-compliance measures...