

**INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE**

Report No.: 101381

Date ISDS Prepared/Updated: 10/21/2015

I. BASIC INFORMATION

A. Basic Project Data

Country: Ukraine	Project ID: P155111
Project Name: Ukraine Gas Supply Security Facility	
Task Team Leader: Stephanie Gil; Richard Bernard MacGeorge	
Estimated Appraisal Date: November 19, 2015	Estimated Board Date: December 17, 2015
Managing Unit: GEE03	Lending Instrument:
Sector: Oil and gas (90%); General industry and trade sector (10%)	
Theme: Trade facilitation and market access (100%)	
IBRD Amount (US\$m.):	0
IDA Amount (US\$m.):	0
GEF Amount (US\$m.):	0
PCF Amount (US\$m.):	0
Other financing amounts by source:	
Borrower	0.00
<u>IBRD Guarantee</u>	<u>500.00</u>
	500.00

B. Project Objectives [from section 2 of PCN]

The Project's Development Objective is to increase Ukraine's security of gas supply. Gas supply security would be improved by facilitating Naftogaz's access to a wider suite of suppliers and improving the commercial terms of the said supply.

C. Project Description [from section 3 of PCN]

IBRD and EBRD have collaborated in designing a financing structure that supports Naftogaz in ensuring security of gas supply in Ukraine. The structure involves a US\$300 million working capital facility from EBRD and a US\$500 million rolling Payment Guarantee from IBRD. The EBRD facility would bring much needed hard currency for gas purchases but, for repayment, most of Naftogaz's revenues are in local currency and it will need to purchase hard currencies from the market or the National Bank of Ukraine to repay EBRD and any draws under the guaranteed facility. This will require review during further structuring of the arrangement.

The guarantee would be part of a joint World Bank and EBRD facility to support purchases of gas from suppliers, in which EBRD would provide a US\$300 million working capital facility. EBRD's facility would allow Naftogaz access to short-term funding at highly competitive terms

and improve its ability to meet the escrow funding requirement which is part of the IBRD guarantee scheme. The World Bank and EBRD facilities would cover gas purchase contracts from a similar pool of suppliers resulting in a total of US\$800 million of monthly gas supplies being secured at better contract terms.

D. Project location (if known)

The Guarantee would not result in any change in the physical infrastructure of the gas delivery and transportation both inside and outside of Ukraine.

E. Borrower’s Institutional Capacity for Safeguard Policies [from PCN]

The safeguard capacity of the Client will be explored during project preparation.

F. Environmental and Social Safeguards Specialists

Ms Nina Chee (OPSOR)

Ms Klavdiya Maksymenko (ECCUA)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)		X	
<p>The proposed project will not result in a change to the physical infrastructure of the gas delivery and transportation both outside and inside of Ukraine. As the guarantee facility is supporting gas purchases and not investment in physical infrastructure, it will not result in any change in the gas delivery and transportation network.</p> <p>The project will also not lead to a significant change in the volume of gas supply in the Ukrainian system to current and/or historical flows. The IBRD Guarantee would support purchases of gas equivalent to about 1-1.5bcm/month, which is below the current capacity of gas imports from Europe, and well below the capacity of the Ukraine transportation infrastructure.</p> <p>The guarantee operation will not cause a change in the system and, accordingly, the project will have an assessment rating of Category C.</p> <p>The team proposes to undertake a due diligence with respect to two aspects: the Suppliers, and the environmental and social management system of the gas infrastructure within Ukraine.</p> <p>For the Suppliers the due diligence approach will be founded on the definition of eligibility criteria. These will for instance include the need to make the representations and warranties to the effect that suppliers will comply with EU directives or WBG Performance Standards.</p> <p>For the gas infrastructure within Ukraine, the approach would be to carry out due diligence regarding the health and safety protection system of the gas transmission and storage infrastructure owned and operated by Naftogaz. The team would start by obtaining data from Naftogaz and from the EU, based on Ukraine's participation in the EU Energy Community which carries obligation to comply with relevant EU Directives. Based on the outcome of this initial exploration the team would determine the level of risk and discuss the potential for an action plan to address any identified issues.</p>			

Safeguard Policies Triggered	Yes	No	TBD
<p>It is expected that Naftogaz will provide data to the Bank to satisfy enquiries regarding the health and safety performance of its network, which would focus primarily on gas transmission and storage facilities. Should that review identify critical issues that need to be remedied, a plan will be developed accordingly.</p> <p>The proposed project is expected to involve EBRD and reputable international commercial banks issuing letters of credit. It is anticipated that the parties will apply Equator Principles with regard to environmental risks arising from the project, which will be considered and integrated where possible with Bank performance standards.</p>			
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)		X	
<p>The project does not envisage any construction or any physical facilities enhancement. Hence the project will not require any land acquisition and is not going to cause any economic or physical displacement. Additionally, the project is not expected to significantly change the volume of gas supply in Ukraine, and therefore is not expected to affect employment and livelihoods.</p>			
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category: -

III. SAFEGUARD PREPARATION PLAN

- A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: 10/26/2015
- B. For projects that will not require a QER, the target date for preparing the PAD-stage ISDS: 10/26/2015
- C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS. Completion of due diligence by October 30, 2015.

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leader:	Ms Stephanie Gil	09/14/2015
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Ms Agnes I. Kiss	09/14/2015
Comments:		
Sector Manager:	Mr Ranjit J. Lamech	09/14/2015
Comments:		