Operation ID (DTM): 53634
Operation Name: Eastcomtrans TLC
ABI: USD 40,000,000
Client: EASTCOMTRANS LLP
Country: Kazakhstan
Information Request Reference: R8029

Access to Information Policy request reply

First name: Alessandro
Last name: Ramazzotti
Email address: alessandro@accountabilityproject.org
Country: Italy
Professional affiliation: NGO – Accountability Project
Area of interest: Environment and Sustainability
Enquiry: Hello, I have a question in relation to project Eastcomtrans TLC (nr. 53634). As it appears from the client's website (https://www.ect.kz/index_en.html), Eastcomtrans provides logistics services to heavy industries, such as oil, coal, mining, and construction. It appears those are the only industries served by the logistics company. Expanding the company's operations will likely lead to an increase in oil, coal, mining, and construction materials trade. Did the EBRD consider the potential risks of supporting a company in the oil, coal, and mining value chain? Is the operation aligned to EBRD's environmental policies, and can it be considered aligned with the Paris Agreement? What is the expected impact of EBRD's financing on oil, coal, and mining trade in the Republic of Kazakhstan (as well as export flows)?

Request Date: 11.07.2024
Ideal Response Date: 08.08.2024
Delayed Response Date: 05.09.2024

On behalf of the European Bank for Reconstruction and Development (EBRD) and the Environment and Sustainability Department (ESD), please find below/attached our reply to your request for information submitted in line with EBRD's Access to Information (AIP) policy.

It is correct that Eastcomtrans provides logistics services to heavy industries, such as oil, coal, mining, and construction. However, it is not the exclusive activity of the company. The goods and commodities they transport also include non-hydrocarbons and extractives such as chemicals and shipping containers. Further, the Client also provides logistics services, IT services for transportation management, and storage at point of disembarkation (containers are rarely used to transport hydrocarbons).

EBRD conducted robust due diligence in line with its Environmental and Social Policy (ESP 2019) and Paris Agreement alignment methodology.

Alignment with Paris Agreement and Energy Sector Strategy

As a project with a well-defined use of proceeds, in line with jMDB approach and relevant methodologies, the scope of assessment for alignment with the Paris Agreement and the Energy Sector Strategy were the use of proceeds financed by the Bank, not the wider activities of the company. The use of proceeds includes: (1) Investment in rail infrastructure (which does not include any rolling stock) at the Transport and Logistics Centre (TLC) Zhetygen in Almaty, and (2) rail freight wagons and capital repairs for freight wagons. For alignment with the mitigation goals of the Paris Agreement, the due diligence undertaken confirmed that these facilities are not dedicated to fossil fuel transportation. The intended use is primarily for containerised goods on the middle corridor and does not support dedicated fossil fuel transportation activities. EBRD assessed the project as aligned with the adaptation goals of the Paris Agreement because screening for physical climate risks found no material hazards for which mitigating actions were deemed necessary. This decision was determined based on the mobile nature of the railcars and adequate hazard mitigation measures already in place at TLC Zhetygen. The project was thus assessed as aligned with the Paris Agreement. It should be noted that the EBRD project supports the Client's diversification away from fossil fuel business, thereby supporting the transition of the company and logistics sector in Kazakhstan.

Environmental and Social Policy compliance:

As explained above, the EBRD funds will be used to finance construction of a Transport Logistics Center Zhetygen, purchase of wagons from non-sanctioned suppliers and major maintenance and capital repairs of its fleet in Kazakhstan to ensure uninterrupted operations and continuity of business. The Bank's funds will not be used to repair railcars involved in fossil fuel transportation. The fleet is well diversified, and it is dominated by a universal fleet (gondolas and platforms). With support of the Bank, the Company has substantially reduced its fossil fuel transportation business by focusing on a fast-growing container freight market. In 2021-2022, it has sold most of its oil cisterns and some LPG tanks – almost a third of its total fleet. In parallel, it has acquired platforms and gondolas transitioning from dry leasing to railcar operating services.

Eastcomtrans LLP has one of the most modern automated wagon control systems in Kazakhstan, which allows tracking wagons throughout all routes, planning and operational accounting of the transported cargo and the technical condition of the wagons.

The independent E&S due diligence consisted of an analysis of the proposed investment and an audit of current operations and management systems, including a site visit to the construction site. The Project is compliant with national environmental, and safety regulations. The ESDD identified that there are no critical issues associated with the ongoing Project. The current ESAP contains measures aimed at streamlining current health and safety provisions along with environmental procedures into an integrated management system to benchmark the performance of the Company against relevant national and international standards as well as applicable Performance Requirements. The Company is on track with implementing the ESAP and submits satisfactory reporting on environmental and social issues.

To ensure that the EBRD loan proceeds will not be used for the purchase and repair of railcars that transport hydrocarbons, the loan agreement contains covenants for the Client to arrange annual reporting on refurbished railcar types via a use of proceeds schedule and not use loan proceeds for capital repairs of railcars engaged in fossil fuels (coal, oil, LPG) transportation.