



Project Summary Information

Date of Document Preparation/Updating: 08/08/2024	
Project Name	China Inner Mongolia Clean Energy Transition Project
Project Number	P000685
AIIB member	China
Sector/Subsector	Energy/hydrogen
Alignment with AIIB's thematic priorities	Green Infrastructure; Technology-enabled Infrastructure
Status of Financing	Under Preparation
Objective	To promote clean energy transition by replacing coal with hydrogen-blended gas in residential and industrial sectors and promoting the use of hydrogen fuel-cell in the transport sector in Inner Mongolia, China.
Project Description	<p>Inner Mongolia, an autonomous region of China rich in fossil energy resources, is heavily dependent on fossil fuels, particularly coal. In 2019, coal production and quantity of sale of Inner Mongolia was the highest among all provinces, autonomous regions, and municipalities in China. This resulted in unfavorable economic and environmental issues, such as high green-house gas emissions and polluted air. On September 22, 2020, China officially announced that the country will strive to peak carbon dioxide (CO₂) emissions by 2030 and achieve carbon neutrality by 2060. Since then, various plans and initiatives have been made to reduce carbon emissions. Local governments, correspondingly, must take charge of carbon reduction in their administrative areas. There is an urgent need for Inner Mongolia to use more renewable energy resources and transition to a clean development path.</p> <p>The Project includes four components:</p> <ul style="list-style-type: none"> • Component A: Construction of five hydrogen-blended gas pipelines. • Component B: Construction of five integrated energy service stations. • Component C: Construction of solar photovoltaic (PV) power generation facility.

	<ul style="list-style-type: none"> • Component D: Project Implementation Support and Capacity Building.
Expected Results	<p>The expected results of the Project can be measured using the following key performance indicators, with more details to be assessed and planned in appraisal stage:</p> <ul style="list-style-type: none"> (a) Total hydrogen-blended gas pipeline constructed (kilometers). (b) Hydrogen energy supply capacity per year (tons). (c) Coal consumption avoided per year (tons). (d) CO₂ reduced per year (tons). (e) Primary energy saved per year (GWh / tons of standard coal equivalent). (f) Annual PM avoided (tons). (g) Annual SO₂ avoided (tons); and (h) Annual NO_x avoided (tons).
Environmental and Social Category	A
Environmental and Social Information	<p>Applicable Policy and Categorization. The Bank's Environmental and Social Policy (ESP), including Environment and Social Standards (ESSs) and the Environmental and Social Exclusion List (ESEL), are applicable to the Project due to its infrastructure nature. ESS1 (Environmental and Social Assessment and Management), ESS2 (Land Acquisition and Involuntary Resettlement), and ESS3 (Indigenous Peoples (IP)) are triggered by the Project. Considering the scale of investment, an ES Category A is proposed for the Project. This category reflects the significant environmental and social (ES) risks and impacts expected due to the pipeline will pass through ES sensitive sites, including Jinjehao, a National Cultural Heritage Site, and the Luan River National Wetland Park. Furthermore, impacts related to permanent and temporary land acquisition, potential economic displacements, and occupational health and safety, are anticipated.</p> <p>Environmental and Social Instruments. In line with the requirement of Bank's ESP, an environmental and social impact assessment (ESIA) and environmental and social management plan (ESMP) will be prepared to address Project related ES issues. To address the issues of land acquisition and economic displacement, a Resettlement Plan (RP) needs to be prepared to govern any involuntary resettlement of a temporary or permanent nature. In the RP, an Entitlement Matrix should be included and an estimated budget and planned schedule for Resettlement and Rehabilitation will be worked out. Since ESS3 is triggered for the Project, an Indigenous Peoples Plan (IPP) should be prepared.</p>

Environment Aspects. Environmental due diligence will identify key issues, impacts, and risks based on the locations of proposed Project activities and their environmental characteristics. The ESIA aims to address potential adverse impacts of the Project and its activities on the natural and social environment, promoting sustainable development. During the ESIA process, the analysis will include evaluation of Project alternatives, baseline ES conditions, identified and expected ES benefits and impacts, in particular the potential impacts to the Jinjehao National Cultural Heritage Site and the Luan River National Wetland Park, proposed mitigation measures, land acquisition considerations, labor and working conditions, occupational health and safety, community health and safety, stakeholder consultation and information disclosure, grievance redress mechanisms (GRM), and environmental management and monitoring plans.

Social Aspects. The proposed Project is expected to generate largely positive social benefits for residents in Inner Mongolia. The preparation of subprojects will involve substantial community interface and potential risks and impacts. Social risks and impacts may include (i) livelihood impacts from economic displacement due to permanent or temporary land acquisition, (ii) impacts on ethnic minorities and vulnerable groups, (iii) community health and safety risks, and (iv) occupational health and safety risks of project workers, among others. In addition, the Project is also expected to involve a limited amount of permanent land acquisition and resettlement impacts, a substantial amount of temporary land occupation, no house demolition, due to the installation of gas pipelines, and new construction of energy supply stations and PV solar power generation plants as well. The client should prepare and endorse a RP that is under preparation to comply with ESS2 and applicable laws and regulations in China.

Indigenous Peoples and Gender Aspect. Based on the information provided to date, the Bank confirmed that ESS3 is applicable to the Project. Therefore, an IPP is needed and to be prepared before Project Appraisal. The IPP will include measures to ensure that ethnic minority villages and people are able to fully benefit from the Project in a culturally appropriate manner and that specific measures are taken to avoid or mitigate potential adverse impacts. As part of ESIA preparation the client should collect gender related data, and all the collected data and analysis must be gender disaggregated to identify the specific practices, needs, and issues of women. The client should conduct gender analysis as part of ESIA and prepare a gender action plan (GAP) as appropriate and integrate women's opinions and concerns into Project design and implementation to promote the reduction of gender inequalities in the Project.

Occupational Health and Safety, Labor, and Working Conditions. The construction process of the Project involves a large amount of engineering and complex construction operations, including earthwork excavation, pipeline crossing cultural heritage site, rivers, wetland, and railway/highway using directional drilling and pipe-jacking. The construction machinery used in the construction process of the Project will pose a potential risk to the workers' safety if the workers use them improperly. During transportation of construction materials, traffic accidents would result in injury or death of workers. A set of preventive and management measures will be proposed in the ESMP. In addition, as the Project will include the installation of solar photovoltaic power system, all suppliers and contractors will be advised of the importance of implementing appropriate management measures to identify and address issues related to the ES provisions of the ESIA/ESMP, including labor and working conditions and health and safety matters. Compliance with the ESIA/ESMP is an essential part of the

	<p>contract document with suppliers and contractors. This compliance as well as representations and warranties to be provided to the Client by suppliers and contractors will be reflected in relevant agreements and contracts.</p> <p>Stakeholder Engagement, Consultation, and Information Disclosure. Meaningful consultations with various categories of stakeholders will be carried out during the preparation of the ES instruments, including the ESIA, ESMP, and RP, to make sure that the Project-affected peoples (PAPs) are aware of the Project activities, including potential impacts and proposed mitigation measures. The Project's stakeholder engagement process will include stakeholder analysis and engagement planning, disclosure of information and consultation, and participation in a culturally appropriate manner. Gender aspects, especially ensuring that women are informed and consulted during the entire process should be considered. The comments and suggestions received from stakeholders and how they are addressed, will be documented in the ES instruments. All ES instruments, including ESIA, ESMP and RP, will be timely disclosed by the client and the Bank in an appropriate manner.</p> <p>Project Grievance Redress Mechanism and Monitoring. A Project grievance redress mechanism (GRM) will be developed and included in the ESMP, RP and IPP. The GRM will be project-specific and gender sensitive to receive, acknowledge, evaluate, and facilitate the resolution of the complaints relating to ES issues with corrective actions proposed. Records of grievances received, corrective actions taken, and their outcomes shall be appropriately maintained. More details on the project GRM will be finalized during ESDD and the information of established GRM as well as Bank's Project-affected Peoples Mechanism (PPM) will be timely disclosed in an appropriate manner. In addition, a third-party agency will be hired to conduct the ES monitoring for the Project, the monitoring report will be prepared semi-annually based on agreed format and shared with the Bank for review. The Bank will conduct field monitoring and supervision visit during implementation.</p>		
Cost and Financing Plan	The Project cost is estimated about USD314.3 million, of which AIIB will provide sovereign-backed loan of USD200 million, and counterpart financing will be USD114.3 million.		
Borrower	People's Republic of China		
Implementing Entity	People's Government of Inner Mongolia Autonomous Region; Inner Mongolia Western Natural Gas Company		
Estimated date of loan closing	June 2030		
Contact Points:	AIIB	Borrower	Implementation Organization
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Date of Concept Decision	August 8, 2024		
Estimated Date of Appraisal Decision	2024 Q4		
Estimated Date of Financing Approval	2025 Q1		

Independent Accountability Mechanism	<p>AIIB's Policy on the Project-affected Peoples Mechanism (PPM) applies to this Project. The PPM has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level GRM or AIIB Management's processes. For information on how to make submissions to the PPM, please visit Policy on the Project-affected People's Mechanism - Operational Policies & Directives - AIIB.</p>
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