

The Equator Principles.

The Equator Principles – protecting green shoots

The recent launch of the “Equator Principles” casts a fresh light on the environmental and social impacts of project financing, particularly in the emerging markets. The banks who have adopted the “Equator Principles” (<http://www.equator-principles.com/principles.shtml>) aim to address environmental and social issues in their review of project proposals and to require sponsor compliance with environmental and social policies that are based on World Bank/IFC requirements (<http://www.ifc.org>).

Sponsors and lenders to whom the Equator Principles are relevant should consider the following:

- **US\$50 million threshold.** The Equator Principles require projects worth \$50 million+ whose potential adverse environmental impacts are more than minimal to be subject to an Environmental Assessment (EA) addressing the key environmental and social issues.
- **Early verification.** It is important to verify, as soon as possible in the process, that the EA covers the topics listed at Principle 3 of the Equator Principles and any applicable national, IFC and World Bank standards and guidelines, so that any omissions can be rectified speedily.
- **Environmental consultants.** Value any EA or consultant’s work for its technical information. The consultant is not a potential source of funds in the event of a problem. Rights of reliance on their work product are capped far below the project value, and it may be difficult to show negligence.
- **National requirements.** Check the project can fulfil national requirements. These may be onerous even if enforcement in emerging markets is patchy. Conflicts between national law and applicable IFC or World Bank requirements incorporated by the Equator Principles should also be identified so solutions can be developed.
- **Public consultation.** The requirements regarding public consultation are wide ranging and are triggered very early when the EA is first scoped. Make sure this is high on the agenda at the start, as early breaches are very difficult to cure.

- **Pressure group interest.** Where a sponsor or its project is the subject of a concerted pressure group campaign, this will take significant corporate energy to respond appropriately. Such campaigns may also target government authorities and lenders. Public disclosure of a comprehensive, investigatory and solution-based EA can help to achieve consensus.
- **Site locations.** The environmental impacts of all the possible sites should be taken into account when determining project locations. The sponsor should ensure the environmental aspects are considered and documented and that there is proper consideration of mitigation solutions and alternative approaches within the EA.
- **Social issues.** Project impacts on indigenous people, resettlement requirements and community dependency on project facilities and services all need to be identified and mitigated. IFC safeguard policies incorporated into the Equator Principles set detailed requirements on these issues which are likely to have particular prominence in any public consultation process.
- **Biodiversity.** Potential impacts on biodiversity (e.g. endangered species) will require detailed consideration in the EA and may attract NGO interest, including lobbying of sponsors, governments and lenders.
- **Seeing the wood for the trees.** Above all, try to stay focussed on the big picture, despite the vast amount of detail that can be contained in EAs. Discussion of specific potential impacts should not distort the overall assessment of the project.

Contact the Projects Group or the Environment and Planning Group for further information

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