

Environmental and Social Strategy Timbues Crushing Project AR-L1085

Background

Noble Argentina (“the Borrower”) is an agri-business company that was established in 2001, and is mainly focused on exporting grains (soy, wheat and corn) to the global market, through its facilities in the province of Buenos Aires (Lima) and the province of Santa Fe (Timbues). It is part of the Noble Group, which encompasses more than 80 offices in over 35 countries across five continents. The Group revenues generated from its activities in the Americas in 2006 amounted to 41% of its revenue on discharge port basis, and 55% of its revenues on load port basis. During 2007 the Noble Group strengthened its activities in the Americas with an increase of its assets that included: (i) several warehouses in Brazil with a total of 101.5 metric tonnes capacity, (ii) a 20,000 metric tonnes loading facility in Paraguay, (iii) a 14,500 metric tonnes grain elevator in Uruguay, and (iv) investments in Argentina described below.

In consonance with its plans to expand sourcing from the Americas to the global market, the Noble Group has designed a strategic plan to develop Argentina as its agribusiness, export and logistical center in South America. As part of this strategy, in 2006 Noble Argentina purchased 228 hectares of land (with 1,800 meters of waterfront) and undertook the construction of its port in Timbues.¹ Also in this context, Noble Argentina decided to construct a soybean crushing plant² with an annual capacity of 2.68 metric tons of soybeans in the Timbues area that will: (i) aggregate value to the raw product³, (ii) take advantage of the existing distribution network to market products along with grains, (iii) optimize throughput capacity at the Timbues port potentially leveraging regional resources from Paraguay, Uruguay and Brazil, and (iv) increase synergies and arbitrage opportunities.

The proposed project consists of the construction of a crushing plant with an annual capacity of 2.68 million metric tons of soybeans, and related facilities in the province of Santa Fe, Argentina.

Environmental and Social Impacts and Risks

The Project is not likely to cause significant environmental or social impacts. All the Project direct impacts are of limited magnitude and can be mitigated with ready available practices. Therefore, according with IDB’s OP-703 Environment and Safeguards Compliance Policy, the Project Team proposes the Project be classified as Category “B”.

The main environmental and social impacts and risks are those associated with: (i) the construction and operation of the new crushing facility; (ii) the new bulk grain soy

¹ This endeavor was financed with a loan from the International Finance Corporation.

² The plant will produce oil and meal, in a proportion of 20 to 80 respectively.

³ The raw product is currently crushed in China.

storage warehouses; and, (iii) construction and operation of ancillary facilities such as the new boiler, and potabilization and wastewater treatment plants.

These impacts include: (i) potential alterations of Parana River margins, with subsequent negative consequences in river integrity (e.g. water and sediment quality, negative impacts existing freshwater ecosystem dynamics); (ii) storage, handling and disposal of hexane and other hazardous materials for processing the soy grain; (iii) air and noise emissions (e.g. combustion from boiler), wastewater discharges and solid waste generation, and consequent potential nuisances to nearby communities, if any; and, (iv) health and safety risks associated with the operation of heavy machinery/equipment.

The main potential negative impacts related to the construction of the new crushing plant and additional facilities include: (i) alteration of landscape and land use changes; (ii) air and noise emissions, wastewater discharges, and solid waste generation; and, (iii) health and safety risks associated with the operation of heavy machinery/equipment.

The main potential negative impacts related to the operation of the crushing plant and other facilities include: (i) air and noise emissions (e.g. combustion from boilers); (ii) wastewater loadings and solid waste generation; (iii) risks associated to the use of hazardous materials (solvent extraction of soybean oil/ hexane); (iv) risks associated to the storage of hazardous and flammable materials; and, (v) risks associated with occupational health and safety aspects (ambient air quality, exposure to noise and dust, etc).

IDB reputation risks associated to Noble's supply chain practices, include: (i) producing practices (e.g. pesticides, deforestation, lack of good pollution prevention and control practices); and, (ii) lack of compliance with local, international and/or IDB environmental, social, and/or labor policies or requirements. Furthermore, an increase in capacity to store and process soybean locally could be perceived as a stimulant to increase soy production in Argentina and neighboring countries. Soy production in general has associated environmental and social issues that, if not managed properly, could jeopardize IDB's reputation. These issues include the perception that soy production is strongly associated to an increase in use of agrochemicals and subsequent land use changes (e.g., monocrop expansion into environmentally sensitive areas), leading to loss of wildlife habitat and soil degradation or food security issues. These issues are relevant specially when associated with Noble's supply chain.

Strategy for the Environmental and Social Due Diligence

The Bank will perform an Environmental and Social Due Diligence ("ESDD") in order to confirm that all Project relevant environmental and social impacts and risks, including direct, indirect, and cumulative impacts, have been, or will be properly and adequately evaluated and mitigated. The ESDD will specifically:

1. Review Project compliance with Argentinean national, state, and municipal environmental, social, labor, and health and safety laws and regulation, as well as with any applicable IDB Policy, including the Environment and Safeguards Compliance Policy, the Policy on

Involuntary Resettlement, The Natural Habitats and Cultural Sites Policy Directive, the Hazardous Materials Policy Directive and the Indigenous Peoples Policy.

2. An assessment of environmental compliance of existing Noble facilities, including confirmation that direct and indirect environmental and social impacts have been properly mitigated.
3. An evaluation of the new crushing plant Environmental Impact Assessment (EIA's) to confirm that direct and indirect environmental and social impacts have been properly identified and the presence of adequate environmental and social mitigation measures and monitoring (in terms of their completeness, ability to implement, cost, definition of responsibility, schedule and quality control). Special emphasis will be placed on assuring appropriate assessment of indirect and cumulative impacts associated to production increases (e.g., potential deforestation associated to the increase of soy production to support the project, forced labor, etc) and the adequacy of the pollution prevention and control systems proposed by Noble for the crushing plant.
4. An evaluation of project-related information disclosure and public consultation activities that have been performed, as well as of the proposed future actions to provide adequate ongoing information disclosure and public consultation with the local population. Especial emphasis will be placed on ensuring appropriate information disclosure and public consultation of the EIA associated with the crushing facility.
5. An evaluation, and further development as necessary, of project monitoring/supervision procedures to ensure proper implementation of environmental, social, health and safety actions and requirements.

The ESG team member will prepare an Environmental and Social Management Report (ESMR) for review and approval by the Bank's Environmental and Social Impact Review (ESR), and establish the environmental, social, health and safety, and labor requirements to be presented in the Loan Proposal.