Kernel Group

Location: Ukraine
Project number: 50363
Business sector: Agribusiness
Notice type: Private
Environmental category: B
Target board date: 12 Dec 2018
Status: Signed
PSD disclosed: 19 Jul 2018


Project Description
Selected long-term agribusiness infrastructure investments.

Project Objectives
The Project will support Kernel Group in implementing its sustainability strategy.

Transition Impact
The Project is expected to have a significant transition impact under the "Green" quality, as it will increase sustainability of the Group's operations.

Client Information
Kernel Group is a leading Ukrainian vertically-integrated agribusiness, engaged in oilseed crushing, grain trading, crop farming, transhipment, and silo services.

EBRD Finance Summary
USD 48,000,000.00

Total Project Cost
USD 110,000,000.00

Environmental and Social Summary
Categorised B (ESP 2014). The construction and operation of biomass fired combined heat and power plants (CHP) may be associated with a number of environmental and social (E&S) impacts. Independent consultants were retained to undertake an environmental assessment of potential, and actual, E&S issues at the four sites. Key issues considered included compliance of the Project with the new Ukrainian EIA law, the location of the power plants and their proximity to sensitive receptors, air emissions from plants, water consumption and wastewater management, occupational and public health and safety and management of traffic impacts linked to feedstock delivery.
The first four of the Group's biomass plants are expected to be constructed by 2021 and will be located on the territory of Kernel's existing Poltava, Vovchansk, Bandurka and Chornomorsk oil seed crushing plants. The Group has initiated environmental impact assessments (EIAs) in accordance with the revised Ukrainian EIA law. Completion of the EIA process is required prior to the start of construction activities. It is not anticipated that any additional land will need to be acquired for the construction of these facilities. E&S management systems were judged sufficient and adequate to handle the E&S aspects of all four sites. Kernel has an Environmental Policy in place and the policy and supporting management systems and plans are appropriate for Project activities. Management of labour and working conditions is largely appropriate although some improvements are required particularly in relation to non-employee workers. Active management of occupational health and safety and environmental performance of contractors working onsite requires improvement as do procedures for risk assessment and integration of suitable requirements into contracts.

Key issues in terms of pollution prevention include air emissions, waste management and water use. CHP unit design will be required to take account of the emission limit requirements of EU Directive 2015/2193 (for CHPs with a rated thermal input 150MW) and Directive 2010/75/EU (for CHPs with a rated thermal input ≥50MW). The CHPs will reduce carbon emissions by substitution of electricity from the national grid with on-site generated electricity and export of electricity from renewable source to the national grid. Sunflower husk ash will be the main waste associated with the project and that ash will be sold for further use as a fertiliser component. High water consumption is expected in case of selection of wet cooling system for the planned CHPs and therefore alternative cooling options (such as dry cooling) will be considered.

Project-related activities and developments are subject to the statutory Information Disclosure and Stakeholder Engagement activities within the EIA process, including publishing project announcements on the website of the Ministry of Environment (EIA Register), providing access to EIA materials and conducting public hearings.

The above issues have been addressed within an environmental and social action plan (ESAP) which has been agreed with the Group. The ESAP includes general requirements in relation to EIA, construction and contractor management, health and safety management and information disclosure which are applicable to all sites and also site-specific requirements. The Group will be required to provide annual reporting on ESAP implementation progress and any other issues in relation to compliance with the Bank’s Performance Requirements.

Technical Cooperation
None

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Business opportunities
For business opportunities or procurement, contact the client company.

For state-sector projects, visit EBRD Procurement (http://www.ebrd.com/pages/workingwithus/procurement.shtml): Tel: +44 20 7338 6794 Email: procurement@ebrd.com (mailto:procurement@ebrd.com)

General enquiries
EBRD project enquiries not related to procurement:
Tel: +44 20 7338 7168
Email: projectenquiries@ebrd.com (mailto:projectenquiries@ebrd.com)

Public Information Policy (PIP)
The PIP sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations. Please visit the Public Information Policy page below to find out how to request a Public Sector Board Report.
Text of the PIP (http://www.ebrd.com/pages/about/what/policies/pip.shtml)

Project Complaint Mechanism (PCM)
The Project Complaint Mechanism (http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html) (PCM) is the EBRD's accountability mechanism. It provides an opportunity for an independent review of complaints from individuals and organisations concerning EBRD-financed projects which are alleged to have caused, or are likely to cause, environmental and/or social harm.

Please visit the Project Complaint Mechanism (http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html) page to find information about how to submit a complaint. The PCM Officer (pcm@ebrd.com (mailto:pcm@ebrd.com)) is available to answer any questions you may have regarding the submission of a complaint and criteria for registration and eligibility, in accordance with the PCM Rules of Procedure (http://www.ebrd.com/documents/occo/project-complaint-mechanism-pcm-rules-of-procedure.pdf).