Environmental and Social Review Summary

Tunisia Passenger-Car Ferry (named TANIT)

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed in advance of the MIGA Board consideration of the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA’s activities. This document should not be construed as presuming the outcome of the decision by the MIGA Board of Directors. Board dates are estimates only.

Any documentation which is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.

Country: Tunisia
Sector: Maritime Transport, Infrastructure
Project Enterprise: Compagnie Tunisienne de Navigation
Guarantee Holder: BNP Paribas, Société Générale, France
Environmental Category: B
Date ESRS Disclosed: 31 May 2011
Status: Due Diligence

A. Project Description

BNP Paribas and Société Générale have been asked to provide financing to Compagnie Tunisienne de Navigation (“CTN”) of Tunisia for the purchase of a car-passenger ferry named TANIT with a capacity of 3,200 passengers and 1,060 cars. This RoPax vessel will be built by Daewoo Shipbuilding & Marine Engineering (“DSME”) of Korea, and will be owned and operated by CTN. The cost of the ferry is US$255.43 million and the loan amount will be the euro-equivalent of US$204.34 million for a period of up to 13 years. MIGA has been asked to provide Non Honoring of Sovereign Financial Obligations cover on a guarantee on the loan provided by the Ministry of Finance of Tunisia. The total estimated amount of the MIGA guarantee is expected to be around the euro-equivalent of US$200 million.

DSME won the tender to build the ferry in 2010 and expects to complete construction in May 2012. DSME was established in 1973 and is based in South Korea. The company is the third largest shipbuilder in the world in terms of sales and specializes in shipbuilding and offshore contractors. As a leading shipbuilder and exporter to a diverse clientele globally, DSME has strong environmental, health and safety and quality management processes and publishes an Environment and Social Report each year which is publicly available. DSME received the ISO 14001 certification for environmental management in 1997 of all its operations (including the shipyard where this vessel will be constructed) and since then has furthered its commitment to minimize pollutant discharge and expand waste recycling.
CTN of Tunisia was established in 1959 under the Ministry of Transport. CTN’s activities include passenger and vehicle transport and transportation of freight and bulk goods. In passenger and vehicle transport, CTN has two ferries that serve regular routes from La Goulette, Tunisia to Marseille, France and Genoa, Italy. The company’s cargo-vessel fleet conducts container and truck transport between Tunis, Marseille, Genoa, Livorno and Barcelona. Solid-bulk transport on routes encompassing East & West Europe represents a smaller portion of CTN’s overall business. In total, CTN’s fleet consists of seven vessels, of which two are passenger-car ferries, four are dedicated to freight transportation and one is dedicated to bulk transport. CTN charters one vessel to increase its passenger-car capacity. In 2009, CTN had sales of TND 249.1 million, of which around 56% was attributable to its passenger service business and around 48% was attributable to its freight transport business. Currently CTN employs approximately 453 on-shore workers and 606 employees working on-board the vessels.

B. Environmental and Social Categorization

This proposed project is a Category B project under MIGA’s Policy on Social Environmental Sustainability. The key environmental and social issues relate to passenger health and safety, labor and working conditions, and pollution prevention and abatement (waste management, spill response, hazardous materials, etc.). The project’s environmental and social impacts will be limited and easily avoided or reduced through mitigation and management measures that can be readily applied and implemented through adherence to the company’s policies and procedures. The marine, shipping and logistics service industry is strongly regulated in relation to environmental, health and safety management through international maritime standards and shipping codes. Compliance with these standards and codes is a pre-requisite for vessels using international ports and harbors around the world.

C. Applicable Standards

While all Performance Standards are applicable to this project, current information indicates that the project will have impacts that must be managed in a manner consistent with the following Performance Standards:

- PS 1: Social & Environmental Assessment and Management Systems
- PS 2: Labor & Working Conditions
- PS 3: Pollution Prevention & Abatement
- PS 4: Community Health, Safety & Security.

Performance Standards 5, 6, 7, and 8 are not expected to be triggered as no land acquisition resulting from involuntary resettlement is expected and no sensitive natural habitats or natural resource use, indigenous peoples, and/or cultural heritage will be directly impacted.
D. Key Documents and Scope of MIGA Review
MIGA’s environmental and social review of this project consisted of reviewing technical, environmental, health and safety (EHS) information submitted by CTN, including:

- Contrat de Construction d’un Navire à Passagers de type Transbordeur de 3200 Passagers et 1060 Voitures, 26 Juillet 2010
- Summary List of EHS Procedures (CTN, 2011)
- Summary List of EHS Prescriptions (CTN, 2011)

MIGA’s review included discussions and presentations provided by CTN corporate management. The review focused on adherence to international maritime standards and shipping codes, labor issues including occupational health and safety, shipboard pollution control, spill prevention and emergency response, and solid and liquid waste management.

E. Key Issues and Mitigation

Social and Environmental Assessment and Management Systems
CTN has an Integrated Management System (IMS) that supports the applicable EHS legislative requirements as well as the applicable international maritime codes and standards for vessels. The system covers the International Maritime Organization (IMO) protocols consisting of a Safety Management System as per the International Safety Management (ISM) Code (1996) and the International Ship and Port Facility Security (ISPS) Code (2004). CTN’s IMS is comprised of a Quality Management System organized to comply with ISO 9001 (since 2003) and the health and safety system organized to comply with OHSAS 18001 (since 2008). CTN has committed to ensure that requirements under PS 1, 2, 3, and 4 are reflected in its internal management system. Classification certificates (valid for 5 years) for each CTN vessel are provided by Bureau Veritas (BV) and the Merchant Marine and Ports Office of the Republic of Tunisia. It is expected that the new vessel will be subject to the same certification process. The integrated management system covers all vessel operations (including this project) where potential hazards and related adverse impacts to operations, personnel or damage to the environment are identified through the implementation of the environmental and social management procedures to control and manage the risks.

A well-defined organizational structure is in place to maintain the Integrated Management System. This structure incorporates the CEO, the Steering Committee, Heads of Unit, the Emergency Response Unit, Captain’s authority, designated representatives, the security agent, quality control agent and process agent. All personnel are trained in EHS requirements upon employment. A dedicated unit within CTN is responsible for the development, administration and maintenance of the EHS
management procedures including risk assessment, safe working practices, loading and unloading of cars and trucks, vessel standards and codes. Implementation and performance is monitored through regular internal audits with corrective actions developed and evaluated. In addition to the external annual vessel inspections under IMO regulation, regular external audits of vessels are also carried out. These audits are sent to CTN management and the Ministry of Transport to ensure satisfactory operational performance. CTN will make available monitoring reports on audits performed.

**Labor and Working Conditions**

For the new vessel TANIT, CTN will employ approximately 199 workers for vessel operations. CTN has a Human Resources process which describes: recruitment procedures, employment conditions including training and development, compensation and benefits, etc. This HR process will be submitted to MIGA to ensure compliance with PS2. Local staff handbooks follow local laws and international regulations in terms of employees and employment.

All vessels adhere to the IMO SOLAS (Safety of Life at Seas) standard. Furthermore crew accommodations and working spaces comply with OHSAS 18001. Incidents related to all company activities are reported to corporate management. Initial statistics for the past 5 years indicate no fatalities and minimal injuries; however MIGA will receive a more complete set of data to confirm actual incidents.

**Pollution Prevention and Abatement**

All CTN vessels conform to the IMO MARPOL (Marine Pollution Prevention) standards for waste management and pollution control, including the handling and disposal of garbage and liquid effluents which includes: the shipment to shore for disposal of all solid waste material and the treatment and disposal of sewage waters and oily waters in accordance with this international standard. In terms of vessel air emissions, it is expected that the new RoPax ferry will be built with nitrogen oxide (NOx) elimination features which would qualify for International Air Pollution Prevention Certification (IAPP). The gas emissions from the main engines are expected to comply with IMO’s NOx requirements (Tier II, MARPOL 73/78 Annex VI) and the sulfur content of fuels and special restrictions on ships sailing in the sulfur oxide control area (SECAS) will be within EU requirements.

Shipboard Oil Pollution Emergency Plans (SOPEP) in accordance with International Safety Code (ISM) code will be developed for the new ferry and submitted to MIGA. These plans will contain the oil and/chemical spill contingency arrangements and the response to be implemented in the event of a spill. A general waste management plan (solid and liquid) will be developed in accordance with MARPOL 73/78 and will be submitted to MIGA.

**Community Health, Safety & Security**

Impacts on communities are minimal. This vessel will only operate in established shipping lanes. Shore-based activities are located in existing port areas. In accordance
with the requirements of PS4 and with OHSAS 18001, CTN will ensure that potential EHS risks and impacts associated with operations to local communities are minimized.

**F. Environmental Permitting Process and Community Engagement**

CTN is committed to providing EHS information to its stakeholders where necessary. No local communities are expected to be directly affected by impacts associated with ferry operations. CTN has local offices accessible to interested stakeholders should additional information be requested. Tunisia’s Maritime Authorities and Port Authorities require CTN to comply with all existing local and international environmental regulations.

**G. Availability of Documentation**

Any queries and/or comments about the project may be directed to:

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There are no attachments for this ESRS.