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: Russia  
Sector: Manufacturing  
Project Enterprise: Ken-Pak Zavod Upakovki  
Environmental Category: B  
Date ESRS Disclosed: July 6, 2009  
Status: Due Diligence

A. Project Description

The proposed project involves renovation/adaptation of existing vacant facilities and operation of a new aluminum beverage can production facility in the city of Volokolamsk, Russia. The project will install and operate an automated facility to manufacture aluminum cans for beverage packaging using modern technology. The investment will be undertaken within an already existing entity of Can Pack Group, Ken-Pak Zavod Upakovki. The acquisition of the company at the Volokolamsk industrial zone (70 km west of Moscow) included the land and the necessary infrastructure.

The facility’s production capacity will reach an output of 2,400 cans per minute (cpm). The potential annual production is estimated to reach 1 billion cans, to meet increased demand in Russia, Ukraine and other Commonwealth Independent States (CIS) countries. MIGA currently provides a guarantee for a similar aluminum can manufacturing facility with the Can Pack Group in Kiev, Ukraine.

B. Environmental and Social Categorization

This new investment is a Category B under MIGA’s social and environmental review procedures because the impacts are site-specific, limited in number, and mitigation measures are readily identifiable. Based on information provided by the sponsor the key environmental and social issues are: air and noise emissions, wastewater treatment and disposal, solid waste management, occupational health and safety, and worker relations.
C. Applicable Standards

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

- PS1: Social and Environmental Assessment and Management System
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security

The project sponsor has confirmed that because this is existing facility and no new land will acquired, no persons will be physically or economically displaced by the project. There are no ecologically sensitive areas in close proximity to the facility. As this project involves the purchase of an existing vacant industrial facility and no new land will be acquired, MIGA does not expect the project to have any impact on cultural heritage (PS7). No Indigenous peoples will be affected by this project.

In addition, the following World Bank Group Environmental, Health and Safety (EHS) Guidelines are applicable to this project: (i) World Bank Group General EHS Guidelines; (ii) World Bank Group Guidelines for Metal, Plastic, and Rubber Product Manufacturing.

D. Key Documents and Scope of MIGA Review

In addition to the Definitive Application for a MIGA Guarantee and e-mail exchanges with project enterprise’s environment specialists, MIGA has reviewed the following documents:

- Ken Pack’s Information Memorandum Concerning “Installation of the Aluminum Beverage Can Production line” Volokolamsk, Russia (March 2009);
- Environmental Effects/worker Safety Note prepared by WNIIHIM PROEKT (April 2009);
- Summary of HR Policies (2003);
- Project Summary Document posted on EBRD’s website (October 2008);
- Environmental Impact Assessment- Volume 7 - Book 2 (translation from Russian to English) prepared by WNIIHIM PROEKT (2008).

E. Key Issues and Mitigation

Social and Environmental Assessment and Management Systems

The Environmental assessment and the environmental effects/worker safety note outline the main environmental and social issues that could result from the following technological process:
- stamping out semi-products from aluminum strip on a press
- drawing and ironing of the semi-products on horizontal bodymaker press
- trimming the drawn cans to specified size on trimmers
- washing cans in washers, where the cans are washed, passivated and dried
- coating of the cans bottom rims with UV cured lacquers
- coating the exterior of the cans with modified acrylic and polyester resins.
- Drying the cans in a gas heated LTG vertical pin oven
- Coating the interior of the cans with water based lacquers inside spray machines
- Necking and flanging the open side of the cans on a necker / flanger
- Testing the finished can on a light tester using APPLIED VISION video inspection system
- Palletizing the cans on a palletizer.

Utilities consumption:
- Maximum electricity 4 MW/h
- Natural gas ca. 250 m3/h (average consumption)
- Water/ sewage ca 15 m3/h

The basic material for the production is aluminum strip supplied in coils. The anticipated consumption is 18,000 t/year. Water based lacquers will be used. The annual consumption of lacquers and varnishes is estimated to be 1,400 t/year, printing inks will be used in the amount of 50 t/year.

The key environmental issues are the management of air and noise emissions, solid waste, and liquid effluent. Tapon’s investment will have no significant adverse social impacts. The proposed project will conform to the regulations of the Russian law concerning environmental protection. These requirements concern the permissible emissions levels, waste management and the worker safety conditions. MIGA’s due diligence and monitoring review on a similar production facility operated by Can Pack in Kiev concluded that all adverse environmental impacts are adequately managed, and comply with MIGA’s Performance Standards. The project enterprise at the Kiev site operates a social and environmental management system incorporating mitigation measures and implementation strategies in reference to Performance Standards 2, 3, and 4, and updated as necessary. The same level of environmental and social performance is expected at the Volokolomsk site.

An environmental and social management plan in compliance with MIGA’s Performance Standards on Social and Environmental Sustainability is required to be submitted to MIGA prior to the presentation of the project to MIGA Board.

Labour and Working Conditions

The Summary of Human Resources Policies prepared and submitted to MIGA by the facility management for the previous project (in Ukraine) indicate that the project enterprise applies human resources policies (including areas of personnel, labor relations, workers organizations, working conditions, and principles of nondiscrimination, staff reduction, grievance mechanism, and avoidance of child and forced labor) in compliance with MIGA’s
Performance Standards

2. The same human resources policies will also apply to the Russian facility. The project enterprise will also comply with national labor laws and relevant regulations.

Prior to being admitted to the production line, workers will be trained in the labor law and will undergo technical training related to the operation of the machines and specific training for each workplace. For the safety of the workers, depending on the needs, individual means of protection will be used (head protection, eye protection, etc). Furthermore, the production equipment complies with the work safety regulations pursuant to the GOST standards. The standards, concerning the environment, health and safety required by the law, will be achieved by continuous monitoring of the technological process, and preventive health examinations.

Pollution Prevention and Abatement

Can-Pack’s manufacturing processes are designed to limit emissions, effluents, and waste generation. During the production process, measurements will be taken in accordance with requirements of the work regulations concerning safety and health of the workers, monitoring the microclimate of the work environment for the concentration of the inorganic and organic substances. The impacts related air and noise emissions, effluents, and solid waste specific to this operation are being assessed in further detail. Improved management measures will be included for the following preliminary impacts:

- **Solid waste** – sludge from technological waste water treatment in wastewater treatment plant, in an amount 180 t/year. Disposed via licensed landfill
- **Solid waste** – absorbent and filter materials, contaminated with water emulsion, oils and other substances. Used of the waste principally as a fuel or for other means of generating energy. The generated amount will be approximately 20 t/year
- **Liquid waste** – the technological waters from can washing process and chemical treatment, as well as from the water treatment station. The waste is subjected to purification process by ph correction, coagulation and flotation in order to meet the municipal wastewater treatment plant requirements. The amount of sewage will be 15 m³/h
- **Gas waste** – the product of burning natural gas and drying lacquer will be directed to the thermal oxidizer. Emission levels as half-hour mean values according European VOC guideline: Total C < 10 mg/Nm³; CO <50 mg/Nm³; NOₓ <50 mg/Nm³

The project sponsor is planning to organize and operate a network of recycling centers that will collect used cans from the Russian market. While this would allow the sponsor to obtain a cheaper source of aluminum, it also contributes to improved environmental management.
Community Health, Safety & Security

The acquisition of the company at the Volokolamsk industrial zone (70 km west of Moscow) included the land and all necessary infrastructure. There is a 100 meter buffer zone between residential areas and the production hall. Due to slightly increased level of noise produced by production machines, the project sponsor will conduct further analysis on noise impacts. The current information provided to MIGA indicates that this project will have minimal negative impacts on communities and the local physical environment. The project enterprise will use armed security forces. The project sponsor will examine the nature and scope of security forces used to ensure that all activities are in compliance with MIGA’s Performance Standard 4. The extent to which traffic patterns will affect nearby communities will be determined by the project sponsor and where necessary, traffic management plans will be developed as part of the environmental management plan.

F. Environmental Permitting Process and Community Engagement

Russian laws require that an environmental impact assessment be prepared as part of the construction permitting process. Consultation with relevant stakeholders will be undertaken throughout the construction and operational phases. The project documentation, including the impact assessment, was made available for local community at the local authority. The project enterprise ensures that a community relations staff will be made available throughout the construction and operations phases for community consultations and manage grievances. As required by Russian law, the environmental management plan will be based on the conditions of the construction permit. Air quality emissions requirements are also included in the environmental management plan. Information regarding the beginning of construction and production will be covered by the local press and all environmental documents will be accessible locally through the local authorities.

G. Availability of Documentation

The Environmental Effects and Worker Safety (Summary-April 2009), Environmental Impact Assessment- Volume 7 - Book 2 (Russian) as well as the translation from Russian to English prepared by WNIIHIM PROEKT (2008) are available electronically as PDF attachments to this ESRS at www.MIGA.org.