Project Summary Information

	Date of Document Preparation/Updating: 02/25/2025
Project Name	China Inner Mongolia Clean Energy Transition Project
Project Number	P000685
AIIB member	China
Sector/Subsector	Energy/hydrogen
Alignment with AIIB's thematic priorities	Green Infrastructure; Technology-enabled Infrastructure
Status of Financing	Under Preparation
Objective	To promote clean energy transition by replacing coal with hydrogen-blended gas in residential and industrial sectors and promoting the use of hydrogen fuel-cell in the transport sector in Inner Mongolia, China.
Project Description	Inner Mongolia, an autonomous region rich in fossil energy resources, is heavily dependent on fossil fuels, particularly coal. In 2019, coal production and quantity of sale of Inner Mongolia was the highest among all provinces, autonomous regions, and municipalities in China. This resulted in unfavorable economic and environmental issues, such as high green-house gas emissions and polluted air. On September 22, 2020, China officially announced that the country will strive to peak carbon dioxide (CO_2) emissions by 2030 and achieve carbon neutrality by 2060. Since then, various plans and initiatives have been made to reduce carbon emissions. Local governments, correspondingly, must take charge of carbon reduction in their administrative areas. There is an urgent need for Inner Mongolia to use more renewable energy resources and transition to a low carbon development path. The Project includes four components: • Component A: Construction of five hydrogen-blended gas pipelines. • Component B: Construction of four integrated energy service stations. • Component C: Construction of solar photovoltaic (PV) power generation facility. • Component D: Project Implementation Support and Capacity Building.

Expected Results	The expected results of the Project can be measured using the following key performance indicators, with more details to be assessed and planned in appraisal stage: (a) Hydrogen blended (million m^3/year). (b) Hydrogen refilling capacity (tons/year). (c) Coal consumption avoided (tons/year). (d) Annual CO_2 avoided (tons/year). (e) Annual CO avoided (tons/year). (f) Annual PM avoided (tons/year). (g) Annual SO_2 avoided (tons/year); and (h) Annual NO_x avoided (tons/year).
Environmental and Social Category	A
Environmental and Social Information	**Applicable Policy and Categorization**. The Bank's Environmental and Social Policy (ESP), including Environment and Social Standards (ESSs) and the Environmental and Social Exclusion List (ESEL), are applicable to the Project due to its infrastructure nature. ESS1 (Environmental and Social Assessment and Management), ESS2 (Land Acquisition and Involuntary Resettlement), and ESS3 (Indigenous Peoples (IP) are triggered by the Project. Considering the scale of investment, an ES Category A is proposed for the Project. This category reflects the significant environmental and social (ES) risks and impacts expected due to the pipelines that will pass through ES sensitive sites, including Jinjiehao, a National Cultural Heritage Site, and the Luan River National Wetland Park. Furthermore, impacts related to permanent and temporary land acquisition and occupation, potential economic displacements, and occupational health and safety, are anticipated. **Environmental and Social Instruments.** In line with the requirement of Bank's ESP, an ES impact assessment (ESIA) and ES management plan (ESMP) were prepared to address Project related ES issues. ESIA/ESMP analyze the ES impacts and risks from the design, construction, and operational phases of the Project, comparing them with those of feasible alternatives (including the "without Project" scenario), and recommend the mitigation measures needed to avoid, minimize, or compensate for adverse impacts and to improve the ES performance of the Project. To address the issues of land acquisition and economic displacement, a Resettlement Plan (RP) was prepared to govern involuntary resettlement of a temporary or permanent nature. The RP includes an Entitlement Matrix, estimated resettlement budget and resettlement implementation schedule. An Indigenous Peoples Plan (IPP) was also prepared as the Project triggers ESS3.

	Environment Aspects. The Project activities span across several cities, counties, and banners in Inner Mongolia, encompassing arid and semi-arid areas considered fragile and sensitive ecosystems. Environmental due diligence identified key environmental issues, impacts, and risks based on the locations of proposed Project activities and their environmental characteristics. Based on the impact assessments, mitigation measures and their implementation arrangements – including management, monitoring, and reporting – have been outlined in the ESIA and ESMP. Thus far, no associated facilities have been identified during the ESIA due diligence process, and no endangered species and the subjects with critical biodiversity significance have been found in the Project areas. In addition, according to the Project's feasibility study and site inspection, two pipelines will pass through environmentally sensitive sites, including the Luan River National Wetland Park in the west section of Ulanqab Huade – Xilinguole Duolun Pipeline, and Jinjiehao, a national cultural heritage site located in the west section of Chahar-Front-Right Banner – Huade County Pipeline. To minimize the environmental impacts, such as soil erosion, water pollution, and impacts to eco-system and biological diversity in the wetland and rivers, directional horizontal drilling, as a mature technology in the construction market, has been recommended for use in the construction. During ESIA process, local governmental agencies, e.g., ecology and environment department, natural resource and land bureau, forest and grassland management bureau, etc., have been consulted to seek their views on the pipeline routes, to ensure relevant national policies and regulations are complied with, such as Wetland Conservation Law (issued in 2022). Permits for construction will be issued by above mentioned relevant bureaus, based on the review and clearance of the Project design. **Social Aspects.** The Project is expected to generate positive social benefits for residents in Inner Mongolia but also a substantial community interface and potential risks and impacts. Social risks and impacts may include (i) livelihood impacts from economic displacement due to permanent or temporary land acquisition, (ii) impacts on ethnic minorities and vulnerable groups, (iii) community health and safety risks, and (iv) occupational health and safety risks of project workers, among others. In addition, the Project is expected to involve a limited amount of permanent land acquisition in some resettlement impacts and a substantial amount of temporary land occupation due to the installation of gas pipelines and the construction of valve stations. However, housing will not be affected. An RP complying with ESS2 and applicable laws and regulations in China was prepared and will be endorsed by the government before construction activities start. Due diligence has confirmed that no unresolved legacy issues remain. **Indigenous Peoples and Gender Aspect.** It is estimated that the Project will directly affect about 1,113 ethnic minority (EM) people in 75 villages, most of Mongolian ethnicity. Five villages with more than 10% of EM people and 17 villages with more than 5% EM people will be affected by permanent land acquisition or temporary land occupation. Therefore, an IPP was prepared setting forth measures to ensure that EM villages and people can fully benefit from the Project in a culturally appropriate manner and that special measures are taken to avoid or mitigate potential adverse impacts. As part of ESIA preparation, the Client has collected gender related data, and analysis and assessment have been conducted in gender-disaggregated manner to identify the specific practices, needs, and issues of women. A gender action plan (GAP), which is part of ESMP, has been prepared to ensure women's opinions and concerns will be integrated into Project design and implementation to promote the gender equality in the Project.

	Occupational Health and Safety, Labor, and Employment Conditions. The Project construction involves a large amount of engineering and complex construction operations, including earthwork excavation, pipeline crossing cultural heritage site, rivers, wetland, and railway/highway using directional drilling and pipe-jacking. The construction machinery used in the construction process of the Project will pose a potential risk to the workers' safety if the workers use them improperly. During transportation of construction materials, traffic accidents would result in injury or fatal accidents of workers. A set of preventive and mitigation measures have been proposed in the ESMP. In addition, as the Project involves construction of a solar PV facility, the ESIA/ESMP outlines essential measures to identify and mitigate potential health, safety, social, and environmental risks and impacts. Due diligence was conducted to identify potential risks related to labor and working conditions in the solar PV supply chain, focusing on assessing the supply chain approach and the client's ability to address these risks. The client developed a supply chain management plan, which includes ways to enhance the client's leverage over its suppliers and minimize risks. Additionally, all suppliers and contractors will be required to implement appropriate management measures to address issues related to the environmental and social provisions of the ESIA/ESMP, including labor and working conditions and health and safety matters. Compliance with the ESIA/ESMP is a crucial part of the contract documents with suppliers and contractors. This compliance, along with representations and warranties to be provided by suppliers and contractors, will be reflected in relevant agreements and contracts. **Stakeholder Engagement, Consultation, and Information Disclosure.** The Project Implementing Entity (PIE) carried out meaningful consultations with various categories of stakeholders during the preparation of the ES instruments, including the ESIA, ESMP, RP and IPP, to make sure that the Project-affected people (PAP) are aware of the Project activities, including impacts and mitigation measures. The Project's stakeholder engagement process included stakeholder analysis and engagement planning, disclosure of information and consultation, and participation in a culturally appropriate manner. A Stakeholder Engagement Program (SEP) as part of ESIA has been developed to support consultation and communication throughout the Project cycle. ES documents will be disclosed on the PIE's website in Chinese and English, as well as summaries of these documents in Mongolian language. AIIB will also disclose these documents on its website. **Project Grievance Redress Mechanism (GRM).** A multi-tier GRM has been established to handle complaints and concerns related to the Project in the ESMP, RP and IPP, and will be kept functional throughout the Project implementation. The PMO is responsible for managing the overall grievance process and coordinating with the government departments, and the Client will handle daily complaints and provide feedback in a timely manner. Information about the GRM has been shared through public consultations that have been conducted. A separate GRM will handle workplace complaints. The information of the GRM including AIIB's Project-affected Peoples Mechanism (PPM) will be timely disclosed to the affected villages in an appropriate manner. **Monitoring and Reporting Arrangement.** ESMP implementation is Western Gas's obligation and responsibility. Based on the information provided in ESIA, Western Gas' internal ESMS has proper capacity for handling ES matters during their operation. Additionally, the third-party ES monitoring will be engaged to monitor and report the ES performance periodically. The ES management and monitoring will be conducted with the reports prepared by the client based on agreed format during

	project implementation. The semi-annual ES management and monitoring report will be provided to the Bank for review. The Bank team will conduct field monitoring and supervision visits regularly during implementation.
Cost and Financing Plan	The Project cost is estimated about USD310.25 million, of which AIIB will provide a sovereign-backed loan of USD200 million, and counterpart financing will be USD110.25 million.
Borrower	People's Republic of China
Implementing Entity	People's Government of Inner Mongolia Autonomous Region; Inner Mongolia Western Natural Gas Company
Estimated date of loan closing	June 2030

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Date of Concept Decision	August 6, 2024		
Date of Appraisal Decision	January 14, 2025		
Estimated Date of Financing Approval	Q2 2025		

Independent Accountability Mechanism	AIIB's Policy on the Project-affected Peoples Mechanism (PPM) applies to this Project. The PPM has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level GRM or AIIB Management's processes. For information on how to make submissions to the PPM, please visit https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html