

EDC PROJECT REVIEW SUMMARY:

Cedar LNG

Project Description	Greenfield floating, nearshore, liquefied natural gas (“FLNG”) facility and associated facilities in the Douglas Channel near Kitimat, British Columbia
Project Sponsors	The Haisla Nation and Pembina Pipeline Corporation
Country	Canada
Project Category	A
Canadian Exporter(s)	Cedar LNG Partners LP (“Cedar”)
Description of capital goods and/or services	LNG produced will be exported primarily to Asia (Export Capacity mandate - transaction criteria)
EDC Product	Structured Project Financing
Date of publication on EDC’s website (dd/mm/yy)	26/04/2024
Date of Signing (dd/mm/yy)	25/06/2024

Project Categorization

The Project supports (i) a greenfield floating, nearshore, liquefied natural gas (“FLNG”) facility; (ii) a marine terminal providing mooring for the FLNG facility, and power and gas pipeline connections to the FLNG facility; (iii) land-based supporting infrastructure, including warehouse(s), substation, security building, parking, storage shelter(s), access roads, onsite utilities, and fencing; (iv) a new 7.4 km long, 287 kV electrical transmission line from BC Hydro’s Minette Substation to the marine terminal (specifically, the new Frog Rock Substation (“FRG”) within the Project area); and (v) a new 1.1 km, 20-inch pipeline (“Cedar Link” Pipeline) connecting the Coastal GasLink (CGL) pipeline to the Cedar LNG Metering Station, and a new 8.8 km, 24-inch pipeline (the “Cedar LNG” pipeline) connecting the Cedar LNG Metering Station to the marine terminal/FLNG.

The Project will be powered by electricity delivered by BC Hydro (mainly from renewable sources), and LNG will be exported primarily to Asia, where Cedar has advised EDC that it is expected to displace coal, as well as higher-emitting LNG from other jurisdictions.

The Project is located exclusively on the traditional territory of the Haisla Nation (majority owner of Cedar LNG).

Given the Project’s sector, size and environmental and social risk profile the transaction is considered a Category A project. Category definitions can be found [here](#).

Summary of EDC’s Review

EDC reviewed the Project in accordance with its Environmental and Social Review Directive (ESRD) and the Equator Principles (EPs). The Project’s relevant environmental and social (E&S) information was also subject to a 60-Day *ex-ante* disclosure starting on April 26th, 2024, and included the Project’s full Environmental Impact Assessment (EIA) linked to a dedicated website.

An Independent Environmental and Social Consultant (IESC) was retained by the Lenders group to benchmark the Project against host country standards, the Equator Principles IV (EPIV), and the IFC Performance Standard 7 (IFC PS7). In parallel, EDC conducted a similar benchmarking exercise leveraging and contrasting the information produced by the IESC, but also benchmarked the Project against all eight IFC Performance Standards (IFC PS). Where gaps against international standards were identified, the Project Sponsors committed to address them via time-bound commitments in an Environmental and Social Action Plan (ESAP). EDC will also participate in a site visit to the Project to be conducted jointly with the IESC expected in the third quarter of 2024.

EDC has concluded that, given the information provided to date and with the expected completion of the ESAP developed to address the identified gaps, as well as the fact that the Project is majority-owned by the Haisla Nation, on whose exclusive traditional territory Cedar LNG is being constructed, the Project has fulfilled the requirements of the ESRD and the EPs for Category A projects.

Summary of Key Environmental and Social Risks and Mitigants

EDC due diligence determined that the Project Sponsors have demonstrated adequate capacity to manage their environmental and social risks and have suitably avoided and minimized impacts per the mitigation hierarchy. The following table summarizes key risks identified for the Project along with the most pertinent mitigations that were applied for each.

Key Risk	Key Mitigants
Potential <u>environmental, health, and safety</u> (EHS) impacts due to the scale of the construction and operation of the Project.	<ul style="list-style-type: none"> The Project has developed programs, plans, and processes for Safety, Security, and Emergency Response (SSER) that provide evidence that a systemic approach to the management of environmental, safety and social risks has been employed.
Potential <u>adverse perception from stakeholders</u> towards the oil & gas industry in Canada that could jeopardize the Project’s social license to operate.	<ul style="list-style-type: none"> The Project, which possesses strong community and indigenous support, is expected to operate with an emissions intensity of approximately 0.08 CO₂e per ton of LNG produced, which is

<p>Potential impacts on <u>Indigenous Peoples</u> if inadequate Project consultation is conducted.</p>	<p>significantly lower than other global LNG projects (mainly due to its reliance on clean hydro-electric power for the liquefaction of natural gas and to use it as the primary source of electricity during operations). Those characteristics have allowed the Project to demonstrate compliance with the principles of the “best-in-class GHG emissions performance guidance” developed by Environment and Climate Change Canada for oil & gas projects. Additionally, the Project’s environmental license established the requirement to comply with over 250 legally-binding conditions throughout the life of the Project, including resource efficiency initiatives, a commitment to being net-zero no later than 2050, and an already conducted climate change risk assessment (CCRA) that includes specific potential decarbonization opportunities. Additionally, the Project has the potential to reduce greenhouse gas emissions globally based on the assumption that the LNG displaces coal in electricity generation at its endpoint.</p> <ul style="list-style-type: none"> • The Project undertook community consultation that was appropriate to its scope, cultural approach, and scale, and in accordance with Canadian Government regulations (ongoing stakeholder engagement, including the implementation of grievance mechanisms that will continue through the Project’s construction and operational phases); and not without mentioning that the Project will be majority-owned by an Indigenous Group (the Haisla Nation), on whose exclusive traditional territory the Project will be operated.
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Documentation Reviewed:

The following is an illustrative list of key documentation that was reviewed as part of the current confirmation of the ESRD.

1. ERM's Environmental and Social Due Diligence Report, Apr 2024
2. Cedar LNG Project's Environmental and Social Impact Assessment Report, Nov 2022
3. Cedar LNG Project's Impact Assessment Decision Statement issued by the Minister of Environment and Climate Change, Mar 2023
4. Cedar LNG Project's Environmental Assessment Certificate issued by the B.C. Minister of Environment and Climate Change Strategy and B.C. Minister of Energy, Mines and Low Carbon Innovation, Mar 2023
5. Pembina Pipeline Corporation's:
 - a. Cedar LNG project teaser, Apr 2024
 - b. Respectful Workplace Policy, Aug 2023
 - c. Health, Safety & Environment Policy, Aug 2023
 - d. Community Relations Policy, Aug 2023
 - e. Learning from Indigenous Stories and Perspectives publication, 2023
 - f. Sustainability Report, 2022
 - g. Whistleblower Policy, Aug 2023
 - h. Anti-Bribery Policy, Aug 2023
 - i. CDP Climate Change Questionnaire 2023
 - j. Equal Employment Opportunity Policy, June 2023
6. The Haisla Nation Council's Election Code, Jan 2021
7. Kitamaat Band Membership Laws, Jun 1987
8. Norton Rose Fulbright's Preliminary Due Diligence Memorandum for Lenders on Cedar LNG
9. ERM's Environmental and Social Due Diligence Report for the Cedar Link project, Apr 2024
10. Q&A calls with Cedar LNG, it's financial advisor (MUFG), and ERM representatives
11. ESG Advisory site visit (*planned for Q3 2024)

Applicable International Finance Corporation (IFC) Environmental and Social Standards used by EDC (in addition to host country requirements):

- PS 1: Social and Environmental and Management Systems
- PS 2: Labour and Working Conditions
- PS 3: Pollution Prevention and Abatement
- PS 4: Community Health, Safety and Security
- PS 5: Land Acquisition and Involuntary Resettlement
- PS 6: Biodiversity Conservation and Sustainable Natural Resource Management of Living Natural Resources
- PS 7: Indigenous Peoples
- PS 8: Cultural Heritage