

Social Due Diligence Report

December 2011

PRC: Municipal Waste to Energy Project

Suzhou Waste-to-Energy Project (Phase III)

Prepared by Everbright Environmental Energy (Suzhuo) Limited for the Asian Development Bank.

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Asian Development Bank
Financed Waste-to-Energy Project

**Social Due Diligence Report for the Suzhou
Waste-to-Energy Project (Phase III) of Everbright
Environmental Energy (Suzhou) Limited**

Everbright Environmental Energy (Suzhou) Limited

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Abbreviations

ADB	Asian Development Bank
BOT	Build-Operate-Transfer
CEIL	China Everbright International Limited
HD	House Demolition
LA	Land Acquisition
PRC	People's Republic of China
WTE	Waste-to-Energy

Units

mu	Chinese area measure for land 1 mu = 0.0667 ha
m ²	Square meter

1. Basic Information of the Project

1.1 Brief Description of the Project

1. Suzhou Municipality is a city known for history and culture, and a key tourist city of China, and one of the rapidest-growing cities in the Yangtze River Delta. During its economic development, the Qizi Mountain Landfill was put into operation in 1993 to dispose of the municipal waste of Suzhou. Since the growth of municipal waste outpaced the expected level, the competent department of the Suzhou Municipal Government completed the environmental impact assessment of the 3×350t/d Waste-to-Energy (WTE) Project of Suzhou Suneng WTE Co., Ltd. (hereinafter referred to as “Phase I”) from May 2002 to December 2003 and planned to use the reserved land of the Qizi Mountain Landfill to build a WTE plant with a daily treatment capacity of 1,000 tons. In 2004, China Everbright International Limited (CEIL) was introduced in the mode of Build-Operate-Transfer (BOT) through government investment promotion, and Everbright Environmental Energy (Suzhou) Limited was established to take charge of the construction of Phase I and the management of operation for the first 25 years. Phase I had a total investment of RMB 500 million, and included “3×350 t/d waste incinerator + 2×9 MW turbine generators”. Phase I broke ground in October 2004 and was put into commercial operation in July 2006.

2. With the growth of Suzhou’s municipal waste, the Suzhou WTE Project (Phase II) was to be constructed by Everbright Environmental Energy (Suzhou) Limited together with the Suzhou Municipal Government in the mode of BOT on the basis of the successful operation of Phase I with the consent of the Suzhou Municipal Government and the approval of the Development and Reform Commission of Jiangsu Province. In October 2007, Everbright Environmental Energy (Suzhou) Limited invested RMB 450 million in Phase II, which included 2×500 t/d+1×20 MW municipal WTE turbine generator, with an annual generating capacity of about 145.6 million kWh and annual on-grid energy of about 119.64 million kWh. In order to make better use of resources, an integrated slag utilization project was implemented together. Phase II broke ground on February 20, 2008 and was put into commercial operation on May 31, 2009.

3. The Qizi Mountain Landfill and the Suzhou WTE Plant have become the only means of municipal waste disposal in Suzhou’s urban area at present and even in the future. In order to realize the maximum integrated utilization of resources, reduce environmental pollution, further improve the city’s environmental carrying capacity as well as to achieve the city’s rapid, healthy and sustainable development, Everbright Environmental Energy (Suzhou) Limited decided to invest RMB 750 million in the Phase III expansion project, namely the Suzhou WTE Project (Phase III) (hereinafter referred to as the “Project”) with the support of local government departments concerned. The Project includes 3×500 t/d mechanical reciprocating grate waste incinerators + 2×15 MW turbine generators, and commands an investment of RMB 750 million for basic engineering and construction and an environmental protection

investment of RMB 159.6 million. When the Project is completed, the municipal waste treatment capacity of the plant will be 3,550 t/d. The design annual generating capacity is 475.92 million kWh, and the expected on-grid energy is 390.25 million kWh.

4. The Project is located on the south of the existing plant, with an acquired area of 2.7681 hectares. On August 5, 2011, the Land and Resources Department of Jiangsu Province issued opinions on land pre-examination, as shown in Appendix 1. The acquired land is mainly flat valley land in front of the Qizi Mountain, owned by the collective of Gusu Village, Mudu Town, on which bushes and grasses have grown.

1.2 Overview of the Affected Area

5. Suzhou Municipality is a city known for history and culture, and a key tourist city of China, and one of the central cities in the Yangtze River Delta. Suzhou is located in southern Jiangsu, bordering Shanghai on the east, Zhejiang Province on the south, Taihu Lake on the west and the Yangtze River on the north. The coordinates of the urban center of Suzhou are north latitude 31°19' and east longitude 120°37'. Suzhou has a land area of 8,488 km², and its registered population was 6,332,900 at the end of 2009, including an urban population of 2,402,100. Suzhou's birth rate was 7.86‰ in 2009 and regional GDP was RMB 916.891 billion in 2010. Suzhou Municipality governs Zhangjiagang, Changshu, Taicang, Kunshan and Wujiang Cities, Wuzhong, Xiangcheng, Pingjiang, Canglang and Jinchang Districts, the Suzhou Industrial Park and the Suzhou National New & Hi-tech Industrial Development Zone.

6. Mudu Town is an economically important town in Wuzhong District, with a latitudinal span of 7.35 km and a longitudinal span of 8.9 km and a land area of 34.05 km². The town borders the southwest suburb of Suzhou on the east, Hengjing and Yuexi Towns on the south, Xukou and Cangshu Towns on the west, and Fengqiao Town and the Suzhou National New & Hi-tech Industrial Development Zone on the north. In 1985, Mudu Town was rated as an open tourist town of the Suzhou-Wuxi-Changzhou Economic Development Zone in the Yangtze River Delta, and an industrial satellite town of Suzhou Municipality. The town has won the title "Civilized Unit of Jiangsu Province" for many consecutive years, ranks ninth among the top 100 townships of Jiangsu Province in terms of overall rural strength, and is a pilot township of modernization of Jiangsu Province, a RMB 1 billion GDP township of China and a top 100 townships of China. The town has an administrative area of 70.3 km² and a population of 80,000, and governs 8 community committees and 10 village committees.

2. Preparation Process of this Report

7. During the preparation of this report, the survey team visited Everbright Environmental Energy (Suzhou) Limited and interviewed the project leader on the project construction and progresses on land Acquisition (LA) and house Demolish

(HD) progress to collect relevant information.

8. The survey team visited the Land and Resources Bureau of Wuzhong District, Suzhou Municipality and interviewed its leaders responsible for LA to collect relevant information.

9. The survey team visited the Gusu Village Committee and interviewed the main leaders in charge to collect relevant information. See table 1 for the key interviewees.

Table 1. Interview Information

Agency	Name	Position
Land Use Section, Land and Resources Bureau of Wuzhong District	Song Jianying	Section Chief
Gusu Village Committee	Pan Shuiyuan	Accountant
Investment & Development Dept., Everbright Environmental Energy (Suzhou) Limited	Shen Jianxin	Manager
Investment & Development Dept., Everbright Environmental Energy (Suzhou) Limited	Wang Dijing	Head

3. Impacts of the Project

3.1 Permanent Acquisition of the Rural Collective Land

10. 41.52 mu of the collective land of Gusu Village has been acquired permanently for the Project, of which 18.6 mu falls into the shooting range of a tank division and is owned by the village collective (the army has the right to use the land of the training range only), and 22.92 mu is wasteland of Gusu Village and has not been contracted to villagers, as shown in Figure 1. The land is low lying hill-land and can not be cultivated. No household used to farm on the land. The Project has no population affected by the LA.



Figure 1. Present Situation of Acquired Land

3.2 House Demolition

11. Two temporary structures of the army have been demolished on the project site, including one of about 1,000m² in masonry concrete structure and one of about 800m² in frame structure. These structures were used for storing.

4. Policies, Regulations and Compensation

4.1 Main Laws and Policies Applicable to Resettlement

12. The resettlement policies of the Project are mainly based on Asian Development Bank (ADB) policy and requirements and the applicable laws and regulations of the People's Republic of China (PRC), including:

ADB policy and requirements

- ADB Policy on Involuntary Resettlement (1995)
- Operations Manual F2 on Involuntary Resettlement (2006)
- Resettlement Framework

(http://www.adb.org/Documents/Resettlement_Plans/PRC/43901/43901-01-PRC-RP.pdf)

PRC laws and regulations

- Land Administration Law of the PRC (effective from January 1, 1999, amended on August 28, 2004)
- Regulations on the Implementation of the Land Administration Law of the PRC (Decree No. 256 of the State Council) (Decree No. 256 of the State Council, effective from January 1, 1999)
- Decision of the State Council on Deepening the Reform and Rigidly Enforcing Land Administration (SC [2004] No. 28) (effective from October 21, 2004)
- Guidelines on Improving Compensation and Resettlement Systems for Land Acquisition (MLR [2004] No. 238) (effective from November 3, 2004)

Policies of Jiangsu Province

- Notice of the Provincial Government on Adjusting the Compensation Standard for Land Acquisition (JPG [2011] No. 40)

Policies of Suzhou Municipality

- Measures for the Administration of House Demolition on Collective Land of Suzhou Municipality (SMG [2010] No. 56)

4.2 Compensation for Acquisition of Rural Collective Land

4.2.1 Compensation for LA

13. Since the acquired land is abandoned farmland of Gusu Village and land in a training range of the army, no household is affected. Based on mutual consultation, the compensation rate for the acquired land is RMB 224,000/mu. According to the provincial policy, the minimum compensation is RMB 50,000 per mu and the project compensation is much higher than the standard based on consultation. Everbright Environmental Energy (Suzhou) Limited signed a land lease agreement with Gusu

Village on September 30, 2011, and the term of lease is from September 1, 2011 to December 31, 2012. Before the Certificate for Using State-owned Land is issued, Everbright Environmental Energy (Suzhou) Limited will pay land rents to Gusu Village at RMB 19,000/mu per year, and the contract will be terminated automatically once the Certificate of Using State-owned Land is issued. The land rents received from the project is given to the villagers. Land rents will be issued along with other proceeds of the village collective at the end of each year in the form of dividends on villager shares. The acquired land has been handed over for use to Everbright Environmental Energy (Suzhou) Limited.

It is agreed that compensation fees for LA will be paid to Gusu Village at the end of 2012, and will be included in the collective income of Gusu Village in 2012 and distributed to the villagers in full in January 2013 in the form of share dividend.

4.2.2 Disbursement Mode of Compensation Fees

14. Both compensation fees for LA and land rents will be included in the collective income of Gusu Village, and distributed to the villagers in the form of dividend at the end of each year. The villagers with a shareholding card will receive a passbook. Presently, the village has 4,420 shares in total, and the shares of each household will be adjusted at a villager congress every 5 years. See Table 2 for the method of shares division.

Table 2. Method of Share Distribution for Villagers in Gusu Village

Age	Number of basic shares	Average Amount (RMB) 2012 each villager
1-8 years	0.3	178x0.3=53.4
9-18 years	0.5	178x0.5=89
18 years or more	1	178

15. The land rents totally in 2012 are RMB 788,880 and each share is RMB 178. Each village will get the rent based on different ages.

4.3 Compensation for HD

16. These two structures owned by the army have been evaluated by Suzhou Zhengyuan Engineering Cost Office Co., Ltd., as shown in Table 3.

Table 3. Compensation Fees for HD of the Project

No.	Item	Amount (RMB)
1	Demolition costs of temporary houses	218,673.83
2	Compensation fees for temporary houses	600,000.00
3	Demolition costs of buildings on the land used for the WTE Plant	812,460.53
4	Compensation fees for demolished buildings	1,200,000.00
Total		2,831,134.6

17. On August 31, 2011, the Gusu Village Committee in Mudu Town, Wuzhong District, Suzhou Xiemei Municipal Engineering Co. and Everbright Environmental Energy (Suzhou) Limited signed the Agreement on the Compensation for Demolished Structures and Buildings and Land Levelling for Suzhou WTE Project (Phase III). According to the agreement, the demolition of structures and buildings on the acquired land and land leveling will be conducted by Suzhou Xiemei Municipal Engineering Co. Through consultation, the total amount of compensation fees for HD and land levelling is RMB 2.8 million, including the cost of land leveling. HD and land leveling was completed by September 15, 2011.

5. Public Participation, Consultation and Information

Disclosure

18. The Public Opinion Survey Report for the Environmental Impact Assessment of the Suzhou WTE Project (Phase III) prepared by Everbright Environmental Energy (Suzhou) Limited was disclosed on the website of the Environmental Protection Bureau of Wuzhong District on March 21, 2011 and July 4, 2011 respectively.

19. On June 18, 2011, the Announcement on the Public Hearing for the Environmental Impact Assessment of the Suzhou WTE Project (Phase III) was published on the *Suzhou Daily*.

20. On 9:00 am, July 8, 2011, the public hearing for the environmental impact assessment of the Project was held at the Cangshu Office of Mudu Town, Wuzhong District. 18 representatives attended the meeting and raised question on standard of emission and they are glad to hear the EU 2000 standard will be used.

21. In September 2011, a series of consultation meetings were held with the Gusu village to discuss the compensation standards for the acquired land. During the meetings, representatives of the village prefer to have higher compensation standard for permanent land acquisition and the land rents before issuing the Certificate for Using State-owned Land. Finally, the standards are accepted by the village and the agreement was signed in September 2011.

6. Agencies

22. During project implementation, the agencies responsible for the planning, management, implementation and monitoring of LA and HD activities of the Project include:

- Gusu Village Committee, Mudu Town
- Suzhou Xiemei Municipal Engineering Co.

Gusu Village Committee, Mudu Town: entering into and responsible for LA agreements and disbursing compensation fees

Suzhou Xiemei Municipal Engineering Co.: responsible for demolition of structures and buildings on land, land leveling, and compensation for lawful proprietors of such structures and buildings

7. Conclusion and Next-step Action Plan

7.1 Conclusion

23. (1) The land pre-examination of the Project has been passed, the opinion on site selection of the construction project has been issued, and the Certificate for Using State-owned Land has being processed.

24. (2) Compensation standard for acquired land is RMB 224,000/mu; an LA and land lease agreement has been signed with the affected village, and the affected village is satisfied. After the Certificate for Using State-owned Land is obtained, Everbright Environmental Energy (Suzhou) Limited will pay compensation fees for LA to the village collective.

25. (3) HD and land leveling have been completed, and compensation fees for HD and land leveling costs have been paid by Everbright Environmental Energy (Suzhou) Limited to Suzhou Xiemei Municipal Engineering Co.

26. (4) At the preparation stage, the implementing agency organized a number of public participation activities to address concerns of the public, so that they have fully realized the necessity and importance of this public benefit project.

7.2 Next-step Action Plan

27. Attention will be paid to the following issues in annual social monitoring reports:

- Application for the Certificate for Using State-owned Land and the district land resource bureau is expected to issue this at the end of 2012.;
- Everbright Environmental Energy (Suzhou) will continue the payment and disbursement of compensation fees (in the form of land rentals) for leased land for 2012. And the compensation of permanent LA will be paid at the end of 2012 when the Certificate for Using State-owned Land is issued.

Appendix 1: Opinions of Land Pre-examination of the Project

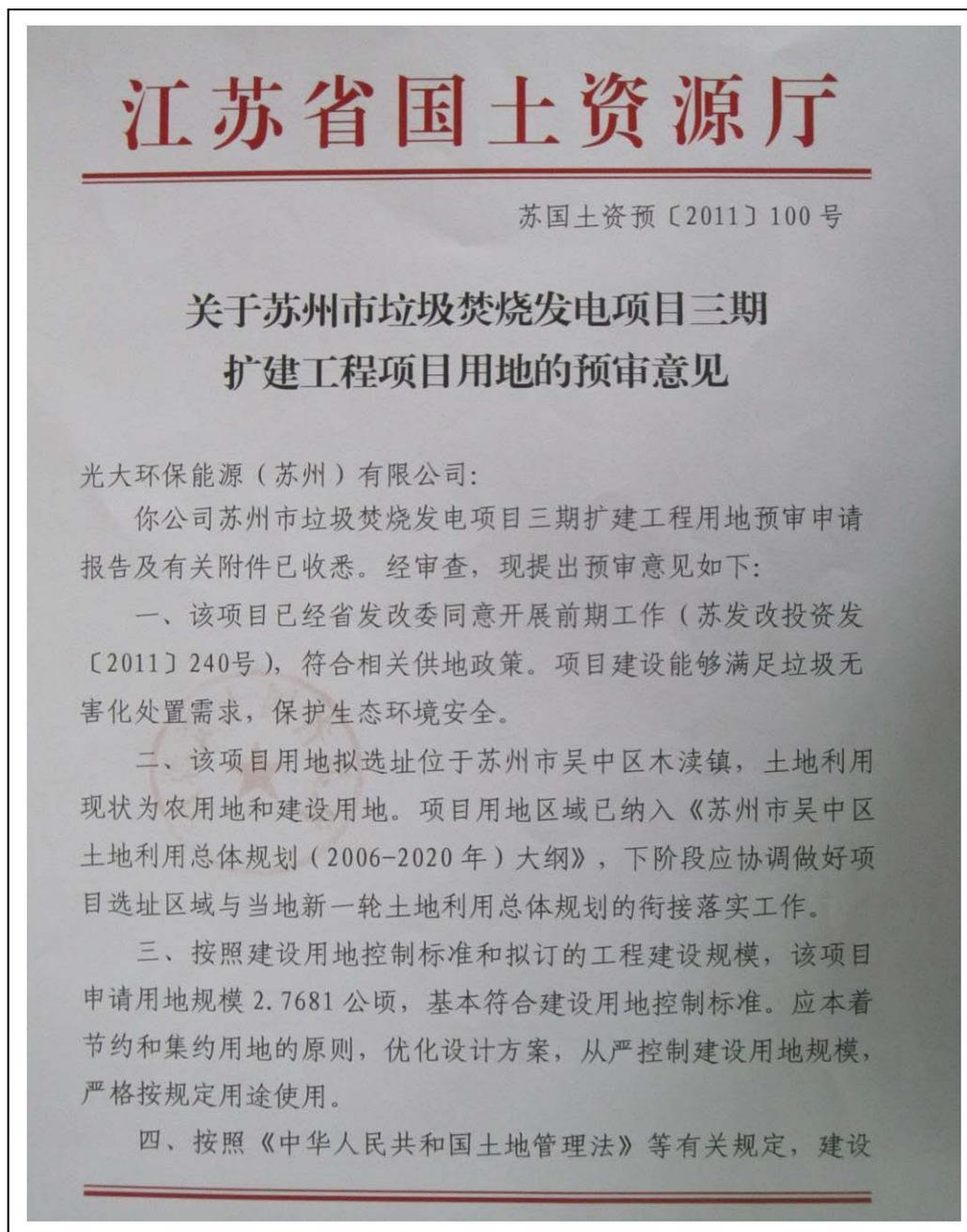


Figure 2. Opinions of Land Pre-examination of the Project

Pre-examination opinions of the Land and Resources Department of Jiangsu Province:

- (1) The preparatory work of the Project has been approved by the Development and Reform Commission of Jiangsu Province, and construction of the project is complied with land supply policy;
- (2) The land area under application for the Project is 2.7681 hectares, which is essentially in line with the control standard for construction land.