

Farm Credit Canada
Environmental Screening Assessment Policy – Canadian Environmental Assessment Act
Effective date :: 2006-06-05 ::

1. As a federal Crown Corporation, FCC is a Responsible Authority under the *Canadian Environmental Assessment Act* and must complete an assessment of Environmental Effects on any Project carried out for its own purposes, or for any Project carried out with the assistance of an FCC loan.
2. A Project is a loan for any proposed undertaking in relation to a physical work; or any proposed physical activity not relating to a physical work prescribed in The *Canadian Environmental Assessment Act's Inclusion List Regulations*. For greater clarity:
 - a Project is a loan purpose where the proposed physical work or activity is one of the loan purpose types set out in Appendix A;
 - Loan purposes specifically excluded as a Project are set out in Appendix B.
3. All obligations in *The Canadian Environmental Assessment Act* and in its regulations prescribing the conduct of a Comprehensive Study, Mediation or a Panel Review are applicable to FCC.
4. FCC Environmental Risk Management Policies addressing credit risk and real property security continue to apply to all loans affected by the Environmental Screening Assessment Policy.
5. The Account Manager is responsible for the completion of an Assessment of Environmental Effects, where required.
6. An Assessment of Environmental Effects includes:
 - determining whether or not the *Canadian Environmental Assessment Act* applies to a loan;
 - determining the existing and potential future environmental effects of a Project, including:
 - any environmental effects from potential accidents and malfunctions
 - any potential Cumulative Environmental Effects
 - determining whether the appropriate mitigation measures for the Environmental Effects are in place; and
 - making the Environmental Assessment Decision, including:
 - determining the significance of the Environmental Effects
 - whether or not to proceed with loan approval.
7. FCC is committed to providing a Report of Environmental Assessments in each fiscal quarter and in each fiscal year. This "Statement of Projects" will be a record of environmental assessments and will be provided to the Canadian Environmental Assessment Registry according to the regulations under the *Canadian Environmental Assessment Act* that apply to FCC.

8. For FCC, an Assessment of Environmental Effects is called a Screening Assessment. This is a reasonable assessment of environmental effects and mitigation measures. The Screening Assessment File consists of :
 - the BOSS (lending system) loan narrative describing Environmental Effects;
 - the customer Environmental Assessment Questionnaire, form 4916; and
 - the environmental assessment, risk code matrix and Environmental Assessment Decision, form 4917.

9. FCC will not lend to a customer where:
 - The project is likely to cause Significant Adverse Environmental Effects that can not be mitigated;
 - it is uncertain whether or not the Project would cause Significant Adverse Environmental Effects;
 - it is uncertain whether or not significant adverse environmental effects could be justified under the circumstances; or
 - public concern merits referral to Ministry of the Environment for Panel Review or Mediation.

10. Where an Assessment of Environmental Effects must be completed, the following must be entered into BOSS (lending system):
 - an indication that the Canadian Environmental Assessment Act applies;
 - Project Type;
 - Project Definition;
 - Region; and
 - whether or not a Follow Up Program is required.

11. The Decision Date of the Assessment of Environmental Effects is the date of first disbursement.

12. Contact the Environmental and Legal Policy Analyst for assistance where:
 - Any other Federal Government Agency, Department or Financial Institution provides financial assistance, a loan, land, license, permit or approval for the Project;
 - Any other Responsible Authority is involved in the Project; or
 - The Project affects any environmentally protected, sensitive, or Aboriginal land.

13. While not required for a Screening Assessment, a Follow-up Program may be used to:
 - verify the accuracy of an assessment of environmental effects of a Project; and
 - determine the effectiveness of mitigation measures imposed on a Project.

14. A Follow-up Program is not:
 - a lending condition;
 - a Phase 1 or Phase 2 Environmental Assessment;

- a customer warranty as to environmental stewardship and compliance with environmental regulation; or
 - loan management that forms part of a recovery or work out process.
15. An assessment of Environmental Effects is not required where the Project is carried out because of a declared national emergency or in response to an Emergency Situation where the Project is immediately required to prevent damage to property, the environment, or for the interest of public safety.

Appendix A

Loan purposes that are Projects under the *Canadian Environmental Assessment Act* (if not otherwise excluded under Appendix B)

Physical Works

- Construction;
- Expansion (building modification);
- Operation;
- Abandonment;
- Decommissioning.

Activities

- Remediation of Contaminated Land;
- Waste Materials Processing;
- Importing Animals or Genetic Material of Non-Domestic Species;
- Destruction of Fish or Wildlife Habitat;
- Purchase and/or Installation of Equipment that will Materially Change the Use of Property or of an Operation;
- Purchase and/or Installation of fixed Manure or Waste handling Equipment;
- Other activities requiring permits or licenses from another federal government authority.

For greater clarity, a Project is not any of the following loan purposes:

- Working Capital;
- Refinancing;
- Loan Work Out or Recovery Action;
- Land Purchase Only;
- Partner Buy Out;
- Investment through Share Purchase;
- Quota Purchase; or
- Livestock Purchase.

Appendix B
Loan purposes specifically excluded as a Project under the *Canadian Environmental Assessment Act*

The following loan purposes are excluded from an Assessment of Environmental Effects where the physical work or activity:

- is not carried out within 30 m of a water body; and
 - does not involve the likely release of a polluting substance into a water body.
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- Maintenance/Repair of an existing Physical Work;
 - Moveable Equipment Purchase;
 - Fixed Equipment Purchase of less than 25 m² (82 square feet);
 - Primary Residence;
 - Any building or fixed equipment that does not result in a physical work with a footprint greater than 100 m² (328 square feet) or a height greater than 5 m (16 feet);
 - The proposed construction, installation, operation, expansion or modification of a building located on agricultural land where the building is essential to the practice of farming and:
 - will not be used to store a polluting substance; and
 - will be on serviced land (or if on unserviced land is less than 750 m² or 2460 square feet).
 - The proposed construction, installation, operation, expansion or modification of a building not located on agricultural land where the building is used for:
 - offices, retail sales facilities, medical facilities and services, restaurant and food take-out services, artistic, cultural, sporting or other community-related events, or storing any article or substance that is not hazardous to humans or the environment; and
 - building will be on serviced land (or building will be on unserviced land and is 500 m² (1,640 sq. ft. or less).
 - On agricultural land, the proposed construction, installation, operation, expansion or modification of:
 - a domestic or farm water supply system;
 - dugout;
 - domestic or farm irrigation system;
 - drainage structure (which does not drain into a water body); or
 - remote watering system for livestock.
 - Crop Inputs;
 - Farm Soil Conservation and Erosion Control;

- Aboveground Storage Tank(s) less than 4000 litres (880 UK gallons);
- Fencing where:
 - the fence does permit the passage of wild animals and the fence is more than 3 m (10 ft.) from a water body; or
 - the fence does not permit the passage of wild animals and the fence is entirely within 30 m (98 ft.) of a physical work and is more than 30 m (98 ft.) from a water body.

DEFINITIONS AND LINKS

Significant Adverse Environmental Effects

These are negative Environmental Effects that remain after Mitigation Measures are considered. Assessment of adverse Environmental Effects does involve some future forecasting, but this is an exercise of considering what may reasonably occur.

The most common way of determining whether a Project's Environmental Effects are adverse is to compare the quality of the existing environment with the predicted quality of the environment once the Project is in place.

An Adverse Environmental Effect is either significant or it is not – there is no middle ground. An Adverse Environmental Effect must be significant in order to cause a loan application to be denied. For example, if the customer's Project has a reasonable likelihood of causing widespread harm if an accident occurs, the Adverse Environmental Effect is significant. Similarly, an operational practice that breaks rules and regulations intended to protect the environment or an activity that would cause the permanent loss of critical animal or plant habitat or permanently damage cultural or archeological sites would also be significant.

Consider the following:

- the magnitude of the effect;
- the geographic extent of the effect;
- duration and frequency of the effect;
- degree to which the effect is reversible;
- environmental context (an area that has been declared environmentally sensitive or a region that is already degraded because of past pollution); and
- the reasonable probability that an adverse environmental effect will occur.

Assessment of Environmental Effects

Environmental assessment is a planning tool. It is used to determine the significance of potential adverse effects of Projects on the Environment.

The assessment of Environmental Effects identifies how eliminating or reducing negative impact on the environment can help Project developers or operators avoid expensive, and sometimes difficult corrective action once the Project has been completed.

In most cases FCC will complete a type of assessment of Environmental Effects called a Screening Assessment. Under the *Canadian Environmental Assessment Act*, the conduct of a screening is a self-assessment process by the Responsible Authority. It is a systematic approach that documents the Environmental Effects of a proposed Project and determines the need to eliminate or minimize Significant Adverse Environmental Effects by modification, mitigation measures, or further assessment.

The circumstances of the proposed project, the existing environment, and the likely Environmental Effects are all very relevant. For that reason, form 4917 requires a Project/Activity Description and a Site (Project Surroundings) Description.

For FCC, most screenings will require only a brief analysis of reasonably available information. Depending on the customer's activity and how knowledgeable FCC is about the type of enterprise, some screenings may benefit from the analysis of an expert third party.

Comprehensive Study

Some large scale Projects that have a real potential for significant adverse Environmental Effects, or significant public concern, require a Comprehensive Study. The Projects that require this type of assessment are all defined in *Canadian Environmental Assessment Act* regulations called the *Comprehensive Study List Regulations*. Examples are large-scale oil and natural gas developments, nuclear power developments, electrical-generation projects, industrial plants and certain projects in national parks and others.

If the loan purpose is for a project eligible for a Comprehensive Study, please contact the Environmental and Legal Policy Analyst.

Cumulative Environmental Effects

An Assessment of Environmental Effects must include an assessment of Cumulative Environmental Effects. A Cumulative Environmental Effect is the likely impact on the environment as a result of the combination of the Project with other Projects or activities that have been, or are likely to be, carried out in an area. For example, responsible manure management of a livestock operation is unlikely to have an adverse environmental effect. If, however, the density of livestock operations is so great that it causes a stress on the land supporting those operations, the Cumulative Environmental Effect of one livestock operation could be significant.

In most cases, information relating to Cumulative Environmental Effects will be from provincial government sources and reasonably known to people that live in a particular geographical area (declaration of an environmentally sensitive area, prohibition on certain land uses, etc.).

Emergency Situation

An Emergency Situation is either an emergency declared under the *Emergencies Act* or it is a situation where immediate action is required to prevent damage to property, to the environment or human health or safety (for example, immediate clean-up of a spill of toxic materials).

Environment

The *Canadian Environmental Assessment Act* defines "Environment" to mean the components of the earth, and includes:

- a. land, water and air, including all layers of the atmosphere;
- b. all organic and inorganic matter and living organisms; and
- c. the interacting natural systems that include components referred to in paragraphs (a) and (b).

Environmental Assessment Decision

The decision making process is a necessary and important part of the Assessment of Environmental Effects. Based on the findings of the assessment, FCC must decide whether or not there are Significant Adverse Environmental Effects and whether to proceed with the project.

The decision must be clear and unambiguous and made only where there is enough information to make a reasonable decision. For FCC, a loan may only proceed if the Project is unlikely to cause Significant Adverse Environmental Effects after taking into account reasonably appropriate mitigation measures.

Environmental Effects

An Environmental Effect can be any change that the project may cause in the environment, including any change it may cause to a protected wildlife species, its critical habitat or the residence of individuals of that species, as those terms are defined in the Species at Risk Act.

An Environmental effect can also be the effect of any change on:

- health and socio-economic conditions;
- physical and cultural heritage;
- the current use of lands and resources for traditional purposes by aboriginal persons; or
- any structure, site or thing that is of historical, archaeological, paleontological or architectural significance.

An environmental effect can also be a change to the project that may be caused by the environment. An example is the effect of erosion or flood damage on a project undertaken in a floodplain.

Any of these effects or changes can occur either within or outside Canada.

When determining the Environmental Effects of a Project, it is important to consider:

- the entire life-cycle of a project (for example: construction, operation, modification, decommissioning or abandonment);
- the effect of potential malfunctions or accidents;
- the potential Cumulative Environmental Effects;
- comments from the public if any; and
- technically and economically feasible mitigation measures.

Mitigation Measures

These are project and location specific measures or activities that avoid, reduce, control or compensate for the adverse Environmental Effects of a Project. For FCC, some examples of mitigation measures are:

- nutrient management plan;
- environmental farm plan;

- commonly accepted farming practices appropriate to a specific operation or activity;
- soil conservation and erosion control farming practices;
- remote livestock watering systems;
- wetland conservation;
- siting a Project to avoid sensitive areas;
- project design and construction that incorporates pollution control equipment and pollution control measures;
- environmentally responsible production processes;
- energy reducing construction or operational processes;
- reuse and recycling plans;
- contingency plans for dealing with accidents or malfunctions; and
- compensation for negative environmental effect in one area by enhancing environmental values elsewhere.

Project

A Project can be a physical work like the proposed construction, operation, modification, decommissioning, abandonment or a building or structure like a barn, processing facility, or manure lagoon.

A project can also be a proposed physical activity that does not relate to a building or structure but has a potentially significant adverse affect on the environment. These activities are specifically prescribed in the *Canadian Environmental Assessment Act's Inclusion List Regulations* and include:

- remediation of contaminated land;
- waste materials processing;
- importing animals or genetic material of non-domestic species;
- destruction of fish, wildlife or habitat;
- purchase and installation of fixed equipment that will materially change the use of the property or operation; or
- purchase and installation of fixed manure or waste handing equipment.

The scope of the assessment is the area affected by the Project – not just the boundary of a building or the construction site. It is the physical area and the Project's interaction with that physical area. Remember that the assessment of Environmental Effects should consider the entire life-cycle of the project (for example: construction, operation, modification, decommissioning or abandonment).

Project/Activity Description

This is a reasonable summary of the Project with particular attention to those elements of the plan, design and undertakings (for example: construction, operation, modification, decommissioning or abandonment) that may cause adverse Environmental Effects. The description should provide enough detail for a reader to understand the general nature of the Environmental Effects and the need for mitigation measures. Some sources of information for the Project Description are:

- the customer;

- Customer’s Environmental Assessment Questionnaire, form 4916;
- BOSS loan narrative; and
- provincial licenses or permits.

The Project Description does not have to be complex. For example:

Construction of a free-range pullet and layer facility, 10,000 to 12,000 hens year round, deep pit manure management.

Project Site Description

An overview of the environmental setting of a Project that can provide the reader with a good sense of what specific environmental conditions or factors that the Project is likely to affect. The description should provide the reader with enough detail to reasonably appreciate the assessment of Environmental Effects, reasonableness of mitigation measures and the conclusions about adverse Environmental Effects. Some sources of information:

- BOSS loan narrative;
- customer; and
- Customer’s Environmental Assessment Questionnaire, form 4916;

The Project Site Description does not have to be complex. For example:

Project to be built on gently rolling, sparsely treed land devoted to crop production and mixed farming. Red River runs through the NW quarter. Water for household and farm use from well on home quarter.

Report of Environmental Assessments (Statement of Projects)

According to the regulations under the *Canadian Environmental Assessment Act* that apply to FCC, FCC will provide a “Statement of Projects” to the Canadian Environmental Assessment Agency for posting on the Canadian Environmental Assessment Registry. These reports or “Statement of Projects” will be provided quarterly and annually based on FCC’ s fiscal year and will contain the following information:

- Assessment Number;
- Project Type:
 - Construction of a Physical Work
 - Expansion of a Physical Work
 - Operation of a Physical Work
 - Abandonment of a Physical Work
 - Decommissioning of a Physical Work
 - Physical Activity in relation to Northern Projects
 - Physical Activity in relation to Flora and Fauna
 - Physical Activity in relation to Waste Management
 - Physical Activity in relation to Miscellaneous
- Project Description:
 - Remediation of Contaminated Land
 - Solid Waste

- Water Management
- Building and Property Development
- Industrial
- Recreation and Tourism
- Agriculture
- Alternative Energy
- Aquaculture
- Region;
- Decision Date; and
- Follow Up Indicator (yes or no).

Responsible Authority

Under the *Canadian Environmental Assessment Act*, a Responsible Authority is a Government of Canada authority that is required to ensure that an environmental assessment of a Project is carried out. FCC is the Responsible Authority for any Project that it carries out for its own purposes and also for any Project that is carried out with the assistance of an FCC loan.