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Second Party Opinion

Kommunalbanken Green Bond Framework

April 15, 2024

Location: Norway **Sector:** Public finance

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Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

See Alignment Assessment for more detail.

Medium green

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

Kommunalbanken (KBN) has a thorough selection process and stringent documentation requirements. It also has nature requirements for its building projects to minimize environmental risks. For many of its projects, only certified timber can be used. For vehicles using biofuels, the issuer requires a contract that fossil fuels will not be used.

KBN publishes a comprehensive annual impact report. This includes project-by-project reporting. Furthermore, KBN commits to getting an external assessment on the impact reporting in the future.

Many of the financed projects bring social benefits to municipalities. Projects include the construction and development of schools, nursing homes, family housing units, and sports facilities. Other projects aim to improve access to public transportation, among others.

Weaknesses

No weaknesses to report.

Areas to watch

Despite embodied emissions being among the project criteria, new construction may entail high emissions from materials and construction. We view the inclusion of criteria addressing embodied emissions as a positive step, but since knowledge and methodologies regarding embodied emissions are still evolving, new construction projects may be associated with high emissions.

KBN does not yet measure its financed emissions. However, it has said that efforts are underway to broaden its scope 3 reporting to include financed emissions through its lending portfolio.

Although KBN has a process to assess projects under "Other", it is not fully certain what type of projects could qualify as "Other" in the future. All project categories include a subcategory "other" for projects where no other criteria fits; however in the selection process, projects must demonstrate a clear climate or environmental impact.

Eligible Green Projects Assessment Summary

Eligible projects under the issuer's green finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

Buildings	**Medium to Light green**
Measures for existing building stock	
New buildings	
Other	

Renewable energy	**Dark to Medium green**
Renewable energy production	
Energy storage	
Energy infrastructure	
Other	

Transportation	**Dark green**
Cycling and walking	
Land transport	
Maritime transport	
Heavy machinery	
Infrastructure	
Other	

Waste and circular economy	**Dark to Medium green**
Waste prevention and reuse	
Waste collection, processing, and treatment	
Other	

Water and wastewater	**Medium green**
Surface runoff management financed by wastewater charges	

Small scale energy production measures	
Climate-friendly facilities	
Climate-friendly construction projects	
Other	

Land use and area projects	**Medium to Light green**
Anti-pollution measures	
Area development and land usage	
Other	

Climate change adaptation	**Dark to Medium green**
Surface runoff management	
Preventative climate change adaptation	
Emergency preparedness	
Other	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Kommunalbanken AS (KBN) is the Norwegian state agency for local government funding. KBN is 100% owned by the Kingdom of Norway and managed in accordance with the Central Government Maintenance Statement. KBN's sole purpose is to grant loans to local and regional governments or inter-municipal companies in line with its explicit public policy mandate to provide low-cost funding to the Norwegian local government sector. As an instrument of the state, KBN recognizes its critical role in enabling local and regional governments to improve living standards across the country. Almost 100% of Norwegian municipalities are KBN customers. KBN raised its first green funding in 2010 and published its first green bond framework in 2013 followed by a public green bond issuance, which was a first among Nordic financial institutions. The green bond framework was launched in an updated version in 2016, then again in 2021.

Material Sustainability Factors

Climate transition risk

Public entities and their financiers have a key role in significantly cutting greenhouse gas emissions to address climate change. Although the breadth of 2015 Paris Agreement signatories provides a basis for global action, current climate pledges fall significantly short of the reductions needed to reach net zero by 2050. A lack of policy support exacerbates the challenge, making it likely that +1.5°C warming--compared with pre-industrial levels--could soon be exceeded given past emissions and current (increasing) emissions. Indeed, current commitments are expected to result in broadly constant global emissions of about 60 Gt CO2e per year, resulting in warming likely exceeding 3°C by the end of the century.

The Norwegian government is targeting 55% emissions reductions by 2030 (from 1990). Its strategy includes addressing environmental issues that are relevant to KBN's goals, such as minimizing the carbon footprint of the transportation and industrial sector. Norway is therefore exposed to transition risks from stricter climate policies, for example reducing its greenhouse gas emissions and upgrading the energy efficiency of its industries and buildings, among others.

Transition risks associated with shifting to a low-carbon society, including changes in regulations, technology, and consumer behavior, pose risks for KBN's customers. KBN highlights that projects undertaken by the local government sector today will likely have a lifespan exceeding 40 years, so they will face the challenges of a harsher climate and stricter regulations for greenhouse gas emissions and resource consumption.

Physical climate risk

Physical climate risks can affect many economic activities and increasing (unabated) greenhouse gas emissions will drive more frequent and severe climate hazards, absent adaptation. However, Although the physical impacts from climate change and extreme weather events will continue to play out globally, the direct impacts of climate hazards--including (but not limited to) heat waves, flooding, and wildfires--are typically localized. However, the indirect impacts of these events could be felt in

different ways (such as via the volume and pricing of traded goods and services) as well as extend beyond administrative borders and cascade through multiple sectors.

Over the past century, Norway's average temperatures have risen. They have increased significantly in recent decades, affecting the country's ecosystems and weather patterns in various ways. Norway faces a range of intensifying weather events related to climate change, notably changing snow/ice patterns, summer droughts leading to wildfire risk, and increased storms and other extreme weather. Warmer temperatures are also causing permafrost and glaciers to melt, which is altering precipitation patterns and leading to more frequent floods. KBN's customers face tangible risks from climate change and global warming, such as floods, landslides, and rising sea levels, which can damage property. They also face liability risks for losses caused by climate change.

Other environmental factors

Institutions providing financing services to public actors play a key role in protecting biodiversity and containing land, air, and water pollution. Economic development goals can exert considerable pressure on natural ecosystems locally and for trading partners. Environmental factors are often intertwined, including with climate transition and physical climate risks.

Norway confronts numerous environmental threats stemming from human activities. These challenges relate to water resources, land use, biodiversity, and pollution. Industrial operations and infrastructure development have also amplified the country's exposure to pollution risks and biodiversity loss. The challenge is to mitigate the impacts of these risks and safeguard Norway's natural environment.

Social factors

Institutions providing financing services to public actors play a crucial role in the development of society and the economy. Depending on national and local socioeconomic circumstances, governments might prioritize economic advancement, poverty, hunger, inequality reduction, access to essential services or infrastructure, access to clean water, or sanitation, among other social goals.

Norway ranks among the world's top-performing nations, with a high-income economy and a Human Development Index score of 0.957 (2021). Although not a member, it maintains close ties with the EU through various agreements. Despite its prosperity, however, Norway faces challenges. Although economic inequality is less pronounced than in many other countries, it remains a concern.

Issuer And Context Analysis

The eligible project categories aim to address climate transition and physical climate risk; we view these as the most material sustainability factors for Norway's municipalities and for KBN. The framework foresees financing projects in the following categories: green buildings, renewable energy, transportation, waste and circular economy, water and wastewater management, land use and area development projects, and climate change adaptation. All the projects aim to address climate transition risk, and several projects also address pollution, and waste and recycling. Projects in the land use and area development category aim to address biodiversity and resource use by restoring natural areas and will subsequently address pollution. Projects in the climate change adaptation category address the physical risks posed by climate change in Norway by financing runoff systems and other protective measures against natural disasters.

As a lending institution, KBN operates in the context of local municipalities' sustainability strategies; the depth of municipalities' environmental, social, and governance (ESG) integration and climate-risk ambitions and progress can vary. KBN aims to engage with municipalities to assess climate risks in the project screening process. The challenge of addressing different ESG considerations across municipalities is partly helped by clear definitions of the project categories in the green bond framework, ensuring a single project eligibility standard. Another mitigating factor is that, from 2024, the government is reinforcing the prerequisite to give priority to climate and environmental concerns in public procurement processes. Climate and environmental considerations must now be given a minimum weight of 30% in public procurements.

KBN expects to develop a transition plan early 2025 that includes specific targets for reductions of financed emissions, its most material emissions source. For its own emissions, it targets a 55% emissions reduction by 2030, aligning with Norway's short-term targets. Because KBN is a credit institution, the most material emissions are not its own but, rather, relate to its lending portfolio. Although its greenhouse gas accounting predominantly encompasses scope 1 and 2 emissions, it is trying to broaden the scope to include all significant scope 3 emissions, including financed emissions in its lending portfolio. In 2023, KBN's green loans accounted for 15.4% of its total lending and it aims to reach 17.0% by end-2024. KBN also aims to encourage as many municipalities as possible to prioritize green investments over conventional ones. KBN aims for a minimum of 45% of municipalities to secure at least one green loan this year.

KBN uses a climate risk model to assess physical risks at the borrower level, drawing on scenarios based on the UN Intergovernmental Panel on Climate Change's RCP 8.5 scenario. The landslides, erosions, wildfires, water scarcity, and flooding Norway has experienced have prompted the issuer to develop its own climate risk model. The model incorporates 10 indicators covering both physical and transition risks directed at lending to municipalities (its primary borrowers) and customers. These indicators include CO2 emissions and the age of wastewater networks. KBN says that it uses this model, available to customers upon request, in discussions with customers to manage climate risks. According to KBN, its current loan portfolio has yet to experience direct impacts from climate change.

Aside from the overarching 2030 national emissions reduction target, KBN finances projects that will address other environmental factors. Project financing within the waste and circular economy and water and wastewater categories will address environmental issues such as land and water pollution. The Norwegian government views a circular economy as contributing to value creation and sustainability, as well as helping achieve climate and environmental policy targets, including UN Sustainable Development Goals. Projects within the waste and circular economy category promote better reuse and facilitate steps toward a more circular economy.

Although not the primary objective, measures to address climate change mitigation and adaptation could have positive effects on local communities and livelihoods. Potential benefits could include reduced residual and hazardous waste, improved access to public transportation, improved existing and new building infrastructure with greater energy savings, and improved sewage and other water systems. Financing within the green buildings project category could benefit municipalities in the form of nursing homes, schools, family housing units, and community sports facilities.

Alignment Assessment

This section provides an analysis of the framework's alignment to [Social/Sustainability/Green Bond/Loan] principles.

Alignment With Principles

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

✓ Use of proceeds

All the framework's green project categories are shaded in green, and the issuer commits to allocate the net proceeds exclusively to eligible green projects. See Analysis of Eligible Projects section for more on our analysis of the environmental benefits of the expected use of proceeds. KBN's green bond net proceeds will be used to finance or refinance eligible projects evaluated and selected under the framework. The framework has no look-back period information. However, the issuer commits to disclose the proportion of funds used for financing versus refinancing.

✓ Process for project evaluation and selection

The framework outlines the process of selecting and approving eligible projects and assets. KBN has a green finance working group (GFWG), which will meet twice a year, or more frequently, as required. This comprises members of the management team, the sustainability and lending departments, and external experts. Regarding the management of perceived social and environmental risks, the issuer has integrated climate and environmental considerations into its risk-assessment process. Moreover, the issuer provides a climate risk tool for municipalities to evaluate their exposure to physical climate risk and transition risk, considering geography and industry dependency. We view as positive that KBN clearly outlines a relevant exclusion list that includes fossil-fuel-related activities, but which permits fueled back-up solutions for safety measures (for example in ferries). For projects qualifying under "Others," there are additional selection guidelines, including the following requirements: 1) No fossil fuel is allowed; 2) There must be at least one quantifiable impact to be measured that is aligned with relevant categories; and 3) Instead of a six-eyed assessment, it needs eight-eyes.

✓ Management of proceeds

KBN commits to allocating the net proceeds from the instruments issued under its green bond framework to a green loan portfolio. The issuer maintains a Green Project Register to track the allocation of net proceeds to eligible projects. KBN will ensure that the value of the green loan portfolio exceeds, at all times, the value of outstanding green bonds. If projects no longer meet the eligibility criteria, the GFWG will remove them from the green loan portfolio and replace them. Unallocated proceeds will be managed in line with the issuer's usual liquidity management policy and guidelines for sustainable investments.

✓ Reporting

KBN commits to reporting on the allocation of proceeds and the impact of green financing instruments within its annual report, for as long as the green financing instruments are outstanding. It will provide information about the proceeds allocated to eligible projects on a project and project-category level, the number of projects financed under the issuer's Green Lending Program, the amount and share of unallocated proceeds, and the relative share of new financing versus refinancing. The issuer will also disclose the volume of outstanding green loans and outstanding green bonds in its quarterly and annual financial reports. We view as positive that the issuer will align its impact reporting with ICMA's Harmonised Framework for Impact Reporting, and that the allocation report will provide transparency on KBN's assumptions and calculation methods.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

KBN expects to allocate proceeds broadly in line with its historical green project portfolio distribution. Based on the issuer's impact reporting for 2023, 71% of disbursed amounts went to buildings, 13% to water and wastewater management, 10% to transportation, and the rest to the remaining categories.

The issuer expects that the vast majority of proceeds will be directed to new projects.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, and considering the environmental ambitions reflected in the issuer's green bond framework, we assess the framework as Medium green.

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Green project categories

Buildings

Assessment

Medium to Light green

1.1 Measures for existing building stock

1.1.1 *Individual energy efficiency measures*

Minor measures that help reduce energy consumption, for example installing a central operational control system, re-insulating external walls, converting from electric room heating to waterborne heating, or EPC contracts (this list is not exhaustive). When switching to waterborne heating, the heat source must be based on renewable energy or district heating. Electric boilers and bio-oil/diesel do not qualify.

1.1.2 *Major renovation projects*

For all projects, if timber-based materials are used, the timber must be PEFC or FSC certified or carry another comparable certification.

a) Estimated energy demand is reduced by 20% compared to current needs.

b) Estimated delivered energy is reduced by 30% compared to current needs.

c) Renovation projects where 50% of estimated delivered energy is covered by locally produced renewable energy (integrated within the building or on the building/site). This also includes buildings that meet the requirements for nearly-zero-energy buildings or energy-plus buildings.

d) Use of climate- and/or environment-friendly materials. This can include environmentally certified wood and materials, recycled materials, and/or reuse of materials. Simultaneously, the estimated energy demand or delivered energy must be reduced by 10% compared to current needs.

e) The building will be certified with the Nordic Swan Ecolabel or as BREEAM-NOR v6 Very Good or better, or BREEAM-NOR 2016 Excellent or better. Other relevant verifiable definitions for significant climate, environmental, or energy performance will also be considered.

1.1.3 *Renovation of existing building stock combined with building a new extension*

Projects consisting of both renovation and a new structure may qualify, but they must meet the criteria for their respective categories (1.1.2 and 1.2).

1.1.4 *Adapting existing buildings to climate change*

Climate change adaptation measures, such as green roofs, rain gardens, damp proofing (this list is not exhaustive).

1.1.5 *Renewable energy in buildings*

Installing renewable energy in buildings, such as bioenergy, solar power, heat pumps or connections to district heating systems.

Electric boilers and bio-oil/diesel will not qualify as renewable energy.

1.1.6 *Energy storage in buildings*

Installing solutions for storing locally produced renewable energy, such as batteries.

1.1.7 *Emissions-free construction and construction site*

An emissions-free construction and construction site encompassing direct emissions from the construction area. Emissions-free technologies include battery-electric, cable-electric, biogas, and green hydrogen.

Building drying can be carried out using district heating.

If a vehicle utilizes biogas, it must be contractually stipulated that fossil fuels will not be used.

1.2 New buildings

All projects must adhere to nature and climate risk requirements:

Nature requirements:

Building on certain types of nature could disqualify the project for a green loan. If the construction site is located on bog/marshland or cultivated land, as a general rule the project will not qualify for a green loan.

If the construction site is situated in forested areas or arable land, exclusion will be considered. This assessment includes factors such as:

- Soil quality
- Environmental registrations
- Key biotopes
- Habitat

Nature/climate risk for investments over NOK300 million:

If the construction site is located within one or more caution zones defined by the Norwegian Water and Energy Directorate (NVE), KBN requests a description of how nature and/or climate risks are assessed and taken into account in the project. This applies to caution zones such as:

- Avalanches
- Floods
- Quick clay landslides
- Soil and mudslides

Projects must qualify under at least two of the criteria 1.2.1-1.2.5

1.2.1 *New low-energy buildings*

New low-energy buildings, defined as buildings calculated to have a 20% lower net energy demand than the limit stipulated for the relevant building category in the building regulations in force during the design phase (currently TEK17).

New low-energy buildings are also defined as being 10% lower than the requirement for nearly-zero-energy buildings. The borrower may refer to the example guidelines provided by the Norwegian Government for further clarification.

1.2.2 *New buildings with climate-friendly materials*

Extensive use of climate- and/or environment-friendly materials. This can include wood-based main structures/support structures (such as solid wood), low-carbon concrete (Class A), or widespread use of materials or masses from nearby projects.

If timber-based materials are used, the timber used must be PEFC or FSC certified or carry another comparable certification.

1.2.3 *New buildings with locally produced energy*

New buildings where 50% or more of the calculated delivered energy is provided by locally produced renewable energy (integrated within the building or on the property/site).

This also includes buildings that meet the requirements of energy-plus buildings. For further information see FutureBuilt's quality criteria.

1.2.4 *New buildings with low greenhouse gas emissions*

New buildings with 30% lower greenhouse gas emissions compared to emissions of reference buildings. For guidance on calculating threshold values relative to reference buildings, see resources such as the DFØ (Agency for Financial Management and Procurement) or FutureBuilt.

The greenhouse gas analysis must be conducted according to NS3720, the Norwegian Standard for greenhouse gas calculations in buildings.

1.2.5 *Emissions-free construction and construction site*

An emissions-free construction and construction site encompassing direct emissions from the construction area. Emissions-free technologies include battery-electric, cable-electric, biogas, and green hydrogen.

Building drying can be carried out using district heating.

If a vehicle utilizes biogas, it must be contractually stipulated that fossil fuels will not be used.

Or,

Projects need to qualify under criteria 1.2.6 or 1.2.7

1.2.6 *Eco-certified buildings*

New buildings that will be certified according to the Nordic Swan Ecolabel, BREEAM-NOR v6 Very Good or higher or the BREEAM-NOR 2016 Excellent or better. Other relevant verifiable definitions for significant climate, environmental, or energy performance will also be considered.

1.2.7 *Swimming pools or ice rinks with low resource consumption*

Swimming pools: New buildings that include swimming pool(s). Emphasis on low water consumption, water and heat reuse, and energy-efficient measures in operation. Other positive factors include the use of environmental-friendly materials, minimizing

chemical use, climate adaptation, and self-generated renewable energy.

Ice rinks: Emphasis on low energy consumption and the proportion of self-generated renewable energy (including cooling needs) for the building. Other measures, such as the use of environmental-friendly materials, climate adaptation, and emission-free construction equipment, are also considered positively.

1.3 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. Additionally, new buildings must qualify under one of the criteria 1.2.1-1.2.5. We will assess projects based on the documentation provided.

Analytical considerations

- In new construction and renovation projects, improving energy performance and reducing the embodied emissions associated with building materials are key to achieving low-carbon aims. For all buildings, mitigating exposure to physical climate risks will improve climate resilience. Renovations and improvements to existing properties can also help the low-carbon transition. According to the IEA's pathway to net zero, energy efficiency and electrification are the two main drivers of decarbonization in buildings. Energy-efficiency improvements can be more effective when supported by stringent performance measurements, and can potentially minimize other environmental impacts.
- The eligibility criteria for buildings address key aspects for decarbonizing the building sector. These include energy efficiency, reductions in embodied emissions, the generation of on-site renewable energy, and emissions-free construction sites. However, as buildings can qualify using only some of the criteria, different projects will have different climate risks and benefits, leading us to assess buildings as Medium or Light green.
- Most of KBN's financing has historically been for new buildings. Although we view the inclusion of criteria addressing embodied emissions as a positive step, because knowledge and methodologies regarding embodied emissions are still evolving, new construction projects may be associated with high emissions. Furthermore, because new construction projects can be financed using different criteria, embodied emissions might not be addressed for all projects.
- We view favorably the framework's criteria for renovations and energy efficiency. Although new construction represents the biggest share of KBN's current portfolio, the issuer expects the share of renovation and energy efficiency projects will increase.
- For a project qualifying under "Other", the project must fit no other criteria in the framework. Such projects represent either a new solution not known to the market or an innovative collaboration. Although we view positively that KBN has a defined process (and in the case of new buildings, criteria) to assess such projects (see Process for Project Evaluation and Selection), there is some uncertainty as to what type of project this category could allow in the future. This limits how clearly we can assess related climate risks for such projects. Currently, one example of a project qualifying under "Other" is a new environmentally friendly crematory oven that replaces a fossil-fuel-based solution.
- The issuer informs us that, for new buildings, Norwegian legislation sets requirements to mitigate physical climate risks. However, how the municipalities follow these regulations will vary, and there is a risk that some municipalities will not follow them to the letter. Therefore, KBN has introduced a new requirement that when the investment in a new building is over NOK300 million, they perform their own assessment of physical climate risks, to assess if these are sufficiently mitigated. KBN will consider expanding the scope of this screening to all buildings, including renovation. For each municipality, KBN currently identifies potential physical climate risks, but not for specific assets.

- We view as a strength that KBN has included additional nature-protecting requirements to minimize potential environmental risks related to the site selection of construction projects. We also view favorably that if timber-based materials are used, they must be PEFC or FSC certified.

Renewable energy

Assessment

Dark to Medium green

2.1 Renewable energy production

2.1.1 *Renewable energy production*

Applies to the following:

a) Biogas plants

b) Geothermal wells

c) Solar panels or solar thermal collectors

d) Locally sourced pellet or wood chip heating systems (timber). Whole-timber fuel is not eligible.

e) Heat pumps

f) Other renewable energy sources

For renewable energy production in buildings, see the Buildings category

2.2 Energy storage

2.2.1 *Energy storage in connection with energy production facilities*

Storage of locally generated energy using one of the following methods

a) Electrical storage, for example batteries,

b) Thermal storage

c) Storage as green hydrogen

For the installation of renewable energy storage in buildings, see the Buildings category.

2.3 Energy infrastructure

2.3.1 *Network capacity*

Municipalities' contribution to constructing or upgrading the network's capacity, for example a construction contribution.

2.3.2 *District heating / cooling*

A production plant or distribution network for district heating or cooling. The plant must use renewable energy sources for both base and peak loads. Use of electricity to meet peak loads is acceptable. Energy from waste incineration will not be considered eligible. Surplus heat/cold generated by other processes is considered a renewable source if the input is renewable. The use of mineral-based emergency fuels can only be approved for clearly defined emergency situations.

For the installation of charging stations for electric vehicles, see the Transportation category.

2.4 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant

climate or environmental impact must be provided. KBN will assess projects based on the documentation provided.

Analytical considerations

- Renewable energy, provided the impacts on the local environment are sufficiently mitigated, is a key element in global efforts to limit global warming to well below 2 degrees Celsius. According to the IEA, the vast majority of Norway's electricity supply comes from hydropower (88%), alongside an increasing contribution from wind (10%). As of 2022, renewables accounted for 98.5% of power generation with the remainder from natural gas and waste.
- The project category supports what we assess to be Dark green renewable energy projects, including solar, grid infrastructure, geothermal, and energy storage. But it also supports projects that rely on bio inputs where zero emission solutions are not yet available, and where feedstock sustainability risks exist. Projects within the renewable project category will be for municipalities' own energy use and will not be dedicating energy generation to any high emitting sectors. Based on the issuer's most recent impact reporting and renewable projects portfolio, the largest share of proceeds in the portfolio have been allocated to bioenergy infrastructure and district heating systems, including financing biogas production facilities and bio-fueled combined heat and power plants, among others.
- Regarding biogas feedstocks, the issuer has said that feedstock will be waste-based and come from municipal sources, such as sludge from the sewers, or food waste from households. Using local feedstocks minimizes transportation emissions, and these waste-based feedstocks have low biodiversity and land use risks. Regarding wood chip heating systems, KBN has said that current projects are using recycled untreated wood from waste as inputs, which cannot be used for other purposes. The issuer's list of exclusions bans the use of whole logs and specifies that any fresh pellets or woodchips used must come from local certified forests. The issuer also intends to finance district heating and cooling infrastructure, which we see as key to a low-carbon future when linked to renewable sources. KBN has excluded plants that produce heat via waste incineration. Although only bioenergy- or waste-heat-supported facilities can be financed, there are no specific criteria addressing the feedstock used for bio or exclusion criteria for the type of facility that can generate the waste heat used. This limits our ability to fully assess climate and environmental risks such as deforestation, land use, and emissions lock-in. Therefore we assess these projects as Medium green.
- Although we expect hydrogen to be important in the transition to replace fossil fuels, it is an emerging energy carrier, and impacts from stored hydrogen leakages are the subject of scientific research. This research suggests that such leakages could increase the atmospheric lifetime of methane and its effects on climate, partially offsetting emission reduction benefits. We therefore view as a strength that KBN requires borrowers to provide a plan for monitoring leakages, along with a contingency plan for dealing with them, in their documentation for financed projects.
- Renewable energy projects typically require a change in land use and therefore carry biodiversity and local environmental risks. Most renewable energy projects in KBN's portfolio have previously been small, which minimizes risks to the environment or land use. Financed infrastructure projects will be subject to an EIA, in line with Norwegian law.
- Similar to other projects financed under the framework, KBN identifies potential physical climate risks for each municipality ahead of financing instead of conducting a project-based screening.
- The project category includes "Other" for projects where no other criteria fits. Although we view as positive that KBN has a process to assess such projects, given the uncertainty as to what type of projects could qualify in the future, we have less clarity when assessing related climate risks. Currently one example of projects qualifying under "Other" in the renewable energy category is a new biogas plant for sewage sludge that aims to produce red hydrogen fuel (the production of hydrogen with negative CO2 emissions). KBN says that this is a new technology under development, and not yet tested.

Transportation

Assessment	3.1 Cycling and walking
Dark green	*3.1.1* *Bicycles* Procurement of electric scooters, bicycles, and electric bicycles.

3.1.2 *Facilitating walking or cycling*

Possible projects include constructing new footpaths and cycle paths, lighting for footpaths/cycle paths, and bike parking facilities/stations.

3.2 Land transport

3.2.1 *Heavy vehicles*

Procurement of heavy vehicles, including buses, that run on electricity, biogas, or green hydrogen (produced using renewable energy). For vehicles that use biogas, there must be a contractual agreement that fossil fuels will not be used.

The procurement of plug-in hybrids or passenger cars does not qualify for a green loan. Effective from Jan. 1, 2023, procurement of light goods vehicles also does not qualify for a green loan, due to Norwegian regulations on the energy and environmental requirements when purchasing vehicles for road transport.

3.2.2 *Equipment for rail-based public transport*

Procurement of new carriages and other equipment for rail-based public transport. The fleet must run on either electricity, green hydrogen (produced using renewable energy) or biogas. For vehicles that use biogas, there must be a contractual agreement that fossil fuels will not be used.

3.3 Maritime transport

3.3.1 *Maritime transport*

Procurement of ferries, high-speed craft, and other types of maritime transport vessel that run on electricity, biogas, green hydrogen/ammonia (produced using renewable energy) as fuel.

For vessels that use biogas, there must be a contractual agreement that fossil fuels will not be used. A fossil-fuel back-up solution is permitted.

For investment in climate-friendly port buildings, see the Buildings category.

3.4 Heavy machinery

3.4.1 *Heavy machinery*

The procurement of heavy machinery that only uses electricity, biogas, or green hydrogen (produced using renewable energy). If biogas is used, there must be a contractual agreement that fossil fuels will not be used.

3.5 Land transport

3.5.1 *Charging points for vehicles*

Installing new or upgrading existing charging points for electric cars. Includes both high-speed chargers and normal chargers. High-speed chargers should meet the minimum requirements in the "Technical requirements" section of Enova's program criteria for support for charging infrastructure for electric cars.

3.5.2 *Filling stations for green hydrogen and biogas*

Construction of green hydrogen (produced using renewable energy) or biogas filling stations that are open to the public. The filling station should meet the minimum requirements in the "Technical requirements" section of Enova's program criteria for investing in hydrogen infrastructure.

3.5.3 *Operating equipment for public transport*

Equipment for operating public transport services, such as ticketing systems, real-time display systems, and information equipment as well as tram depots. The vehicle(s) must run on either electricity, green hydrogen (produced using renewable energy) or biogas. For vehicles that use biogas, there must be a contractual agreement that fossil fuels will not be used.

3.5.4 *Trackway and other infrastructure*

Trackway, electrical systems, and other infrastructure for public transport services. The vehicle(s) must run on either electricity, green hydrogen (produced using renewable energy) or biogas. For vehicles that use biogas, there must be a contractual agreement that fossil fuels will not be used.

3.5.5 *Shore-side power connections and charging points*

Installation of shore-side power connections/charging points for ferries, ships, pleasure boats, among others.

3.5.6 *Other port infrastructure*

Zero-emission port infrastructure that only uses electricity or green hydrogen (produced using renewable energy), for example cranes.

3.5.7 *Infrastructure for zero-emission heavy machinery*

Infrastructure associated with the use of zero-emission heavy machinery, for example charging points, battery containers and energy stations.

3.6 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. KBN will assess projects based on the documentation provided.

Analytical considerations

- Electrification and supporting infrastructure play a key role in decarbonizing the transport sector to align with a 2050 future. However, there are also potential risks related to indirect emissions from a life cycle perspective (material sourcing, manufacturing). For some types of transport, other solutions such as green hydrogen, biogas, and green ammonia will be important. In Norway, the transport sector is responsible for 37% of national emissions, which will need to decrease significantly if national targets are to be reached by 2030 and beyond.
- Based on KBN's 2023 impact report, most eligible expenditure concerns infrastructure financing. This includes charging points for heavy and light vehicles, and pedestrian and cycling paths, among others. Additional eligible spending will finance heavy machinery powered by renewable electricity for municipality use only. We assess such projects as Dark green solutions for decarbonizing the transport sector. Due to the rareness of fully-electric-powered heavy machinery, we view this element of the issuer's framework criteria as a strength. The eligibility criteria also include activities related to maritime and rail transport, including infrastructure dedicated to zero-tailpipe-emission vessels.
- Port infrastructure will support all types of shipping, including cruise ships. KBN will only finance infrastructure and equipment for public ports; the oil and gas sector runs its own shipping terminals. For investments to increase power supplies to vessels in harbors, KBN has no influence on the type of vessels that might use this. For now, electric infrastructure at harbors is mostly used for cold ironing—the process of providing shoreside electrical power to a ship at berth while its main and auxiliary engines are turned off. Cold ironing can help reduce air and noise pollution and reduce a ship's emissions as it does not need to use diesel while at shore. Cruise ships and shipping are, however, associated with significant emissions and other environmental concerns. On the other hand, electric infrastructures at harbors align well with net-zero scenarios that encourage electrification in the transport sector and aligns them more closely with LCCR. We therefore assess these projects as Dark green.
- The framework specifies that the issuer can finance vehicles that run on electricity, biogas, or green hydrogen (produced using renewable energy). We view as a strength that when the issuer finances solutions using biofuels, there must be a contractual agreement with the supplier that fossil fuels will not be used. The most common source for biogas from production plants in Norway is organic waste from private households, but it could also be organic waste from farming, or sewage sludge from

wastewater facilities. KBN has said that no hybrid vehicles or vessels qualify for financing, only zero-emission vehicles and vessels. There can be a fossil-fuel back-up solution if there is no other viable alternative, such as on electric ferries.

- There are no requirements regarding lifecycle emissions as part of the procurement process for financed assets and activities. In particular, the production of batteries for EVs and the sourcing of raw materials can have substantial climate and environmental impacts along the value chain. Regarding end-of-life treatment of assets and components, the issuer does not integrate separate considerations beyond the legal requirements as part of the financing process.
- Similar to other projects financed under the framework, KBN identifies potential physical climate risk for each municipality ahead of financing instead of undertaking a project-based screening.
- Financed infrastructure projects will be subject to an EIA, in line with Norwegian law.
- The project category includes "Other" for projects where no other criteria fits. Although we view as positive that KBN has a process to assess such projects, given the uncertainty as to what type of projects could qualify in the future we have less clarity when assessing related climate risks. Currently, one example of projects qualifying under "Other" in the transportation category is a new reporting system for ships' environmental impacts.

Waste and circular economy

Assessment

Dark to Medium green

4.1 Waste prevention and reuse

4.1.1 *Measures to reduce waste or to facilitate greater reuse*

Measures that contribute to waste prevention, like setting up a new reuse center, intermediate bulk storage facilities, or projects that promote repairing, upgrading, sharing items, among others.

4.2 Waste collection, processing, and treatment

4.2.1 *Measures to increase waste-sorting rates*

Measures that help increase waste-sorting rates in preparation for reuse or recycling, such as measures that optimize solutions and contribute to increased sorting rates, introduce a collection scheme for a new waste fraction, or set up mobile mini reuse centers. Applicants must document how the project exceeds or anticipates the legislative requirements contained in the Norwegian Waste Regulations (see in particular Section 10a-10c).

4.2.2 *More efficient waste collection*

Measures that reduce the transportation requirement associated with collecting waste. Example projects include automated vacuum collection systems, underground waste solutions, containers that compress waste, or digital or technological systems.

For procurement of zero-emissions waste collection vehicles, see the Transportation category.

4.2.3 *Measures at existing facilities*

Measures at existing waste facilities that meet one of the following criteria:

a) Contributes to waste prevention

b) Increases preparation for reuse

c) Increases material recovery rate *

d) Reduces the facility's emissions

* For c) applicants must document how the investment exceeds or anticipates the approved legislative requirements in the Norwegian Waste Regulations (see in particular Section 10a-10c).

4.2.4 *New facilities for receiving, sorting, or managing waste*

Setting up new facilities for receiving, sorting, and/or managing waste with a clear ambition from a climate and environmental perspective.

The new facility must enable a higher waste sorting rate and ensure a high level of preparation for reuse and/or material recovery.

If the facility is to process household waste and/or similar waste from industry or building and construction waste, it must be documented how the plant is expected to contribute to the achievement of the binding national targets for reuse and material recovery.

See in particular Section 10a-10c on waste sorting and material recovery of the Norwegian Waste Regulations.

4.2.5 *Sludge treatment facilities for biogas production*

Facilities for treating organic waste as a precursor to biogas production. Covers both the construction of new processing facilities and upgrading existing facilities.

4.2.6 *Measure at existing landfill sites*

Measures to reduce methane emissions, utilize methane gas for energy purposes, or to reduce runoff from existing landfill sites, including associated infrastructure.

4.2.7 *Carbon capture and storage (CCS)*

Measures within carbon capture and storage, with a minimum of 90% capture rate.

4.3 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. KBN will assess projects based on the documentation provided.

Analytical considerations

- Waste management is an important pollution prevention measure that can avoid harm to human health and local ecosystems. Facilitating the circular economy is key to a low-carbon future. Recycling, if done properly, will reduce emissions and benefit energy and natural-resource use. We assess projects focused on increased circularity and recycling as Dark green. Other projects, while taking important steps in the transition and improving on business-as-usual, are still associated with climate risks such as not currently representing net zero solutions. We therefore assess them as Medium green. Overall, because of the broad scope within the project category, our assessments range from Dark to Medium green.
- Sewage sludge can be considered a renewable energy source and can generate substantially lower emissions than fossil fuels. Although energy recovery creates fewer emissions, there are still some emissions in the process, so the solution is not net zero. For sludge treatment facilities, borrowers must provide a plan for monitoring leakages and have a contingency to deal with them.
- Despite a decreasing share of waste going to landfills, the total amount in weight has increased according to the Norwegian Environmental Agency. As waste can release substances hazardous to health and the environment, it is important to reduce it. KBN's criteria specifies that, to qualify under the framework, measures to reduce methane leakages for existing landfills must go beyond the requirements of the relevant permit. The borrower must explain how the measure exceeds the permit.
- The framework includes carbon capture utilization and storage (CCUS) as eligible expenditure, but there are currently no CCUS projects in the portfolio. The criteria are directed to district heating plants, which KBN considers to be a likely application of CCS for Norwegian municipalities. We consider CCUS critical to an LCCR future, noting the importance of adequate leakage monitoring and detection systems, as well as the need to comprehensively assess projects' life cycle emissions.

- KBN has said that all financed facilities are connected to the electricity grid. Fossil-fueled back-up solutions are common, but only used in critical situations. For all heavy machinery that is not stationary, there may be some that are fossil-fueled powered, for example a truck operating at the facility. These and other fossil-fuel powered machines are not eligible for green financing, nor is waste-to-energy or waste incineration.
- Similar to other projects financed under the framework, KBN identifies potential physical climate risk for each municipality ahead of financing instead of undertaking project-based screening.
- The project category includes "Other" for projects where no other criteria fits. Although we view as positive that KBN has a process to assess such projects, given the uncertainty as to what type of projects could qualify in the future, we have less clarity when assessing related climate risks. Currently there are no projects qualifying under "Other" under the waste and circular economy project category.

Water and wastewater

Assessment

Medium green

5.1 Surface runoff management financed by wastewater charges

5.1.1 *Separating wastewater and surface runoff*

Separate pipes for surface runoff that carry the surface water to a watercourse/fjord. Water supply pipes that are replaced at the same time as the separate surface runoff pipes are installed and that use the same route can also be included as part of applications.

5.2 Small scale energy production measures

5.2.1 *Heat recovery*

Installations for recovering heat from wastewater.

5.2.2 *Energy recovery*

Energy recovery from gravity distribution networks.

5.3 Climate-friendly facilities

5.3.1 *Measure at existing water facilities*

Measures at an existing water facility that achieve one of the following:

a) Delivers a 20% increase in energy efficiency

b) Adapts the facility in response to a need for climate change adaptation

c) Reduces the use of chemicals or leakages

d) Use of climate-friendly materials

5.3.2 *Measures at existing wastewater facilities*

Measures at an existing wastewater facility that achieve one of the following:

a) Delivers a 20% increase in energy efficiency

b) Adapts the facility in response to a need for climate change adaptation

c) Reduces the use of chemicals or leakages

d) Use of climate-friendly materials

5.3.3 *Phosphorous recovery*

Facilities or installations that recover plant-available phosphorus from wastewater without using precipitant chemicals. At least 30% of the phosphorus must be able to

be recovered. Covers both the installation of new facilities and upgrading existing processing facilities.

5.3.4 *Sludge treatment facilities for biogas production*

Facilities for treating sludge as a precursor to biogas production. Covers both the construction of new facilities and upgrading existing processing facilities. The sludge must be used to produce biogas to meet the criterion.

5.3.5 *New facilities for water*

New drinking water facilities that meet one of the following criteria:

a) The facility is 20% more energy efficient than the previous solution or a likely other solution

b) The facility is built in response to a need for climate change adaptation

c) The facility uses less chemicals or has a smaller adverse impact on the local environment

d) Use of climate-friendly materials

5.3.6 *New facilities for wastewater*

New wastewater facilities that meet one of the following requirements:

a) The facility is 20% more energy efficient than the previous solution or a likely other solution

b) The facility is a built-in response to the need for climate change adaptation

c) The facility uses fewer chemicals or has a smaller adverse impact on the local environment

d) Use of climate-friendly materials

5.4 Climate-friendly construction projects

5.4.1 *Zero-emission excavation works/construction sites*

Excavation projects that are completed using zero-emission heavy machinery and vehicles (bulk haulage).

5.4.2 *No-dig projects*

Pipe/cable replacement carried out using no-dig methods.

5.5 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. We will assess projects based on the documentation provided.

Analytical considerations

- Efficient water and wastewater activities are generally positive for climate resilience and pollution prevention, and investments in these sectors are needed to meet 2050 goals. Maintenance of the existing water and wastewater sector is generally positive both for public health and climate resilience. We view as a strength that the framework has quantitative criteria regarding some projects, however not all projects are likely to be fully low carbon solutions, considering, for example, embodied emissions from new construction and operational emissions. These factors lead to our Medium green assessment.
- Energy consumption and limiting leakages are important considerations in the sustainability of such projects. The EU taxonomy has thresholds to define ambitious water and wastewater management, where the chosen energy efficiency threshold aligns with the ambition set out in the EU Taxonomy. For many projects, KBN has not, however, set any quantitative criteria—such as reduced leakage levels, reduction of chemicals, or use of climate friendly materials—where projects will be assessed individually.

The production of chemicals for use in water and wastewater treatment accounts for a substantial greenhouse gas footprint, meaning that reducing chemicals will help lower greenhouse gas emissions from the treatment process.

- In line with municipalities' responsibility to provide water services to the population, KBN's financing under this category primarily addresses water infrastructure for public needs, rather than projects that serve water-intensive purposes such as industrial and agricultural use, or mining. Infrastructure projects that exclusively support facilities in fossil-linked or other emissions-intensive sectors are not eligible.
- KBN has said that daily water wastewater operations do not run on fossil fuels, and for new water or wastewater facilities, it is usual to use either electricity or biogas from their own production to either produce electricity for their own usage, or as inputs to heating systems. Fossil-fueled back-up solutions may be installed at all system critical facilities; they are rarely used, however, being only for critical situations.
- Similar to other projects financed under the framework, KBN identifies potential physical climate risk for each municipality ahead of financing instead of a project-based screening.
- An EIA will be conducted for relevant water supply and wastewater systems, which, in line with Norwegian legislation, will determine the environmental impact of financed projects.
- The project category includes "Other" for projects where no other criteria fits. Although we view as positive that KBN has a process to assess such projects, given the uncertainty as to what type of projects could qualify in the future we have less clarity when assessing related climate risks. Currently, one example of projects qualifying under "other" under the water and wastewater management category is a collaboration research project that targets reducing emissions from small wastewater systems with limited space for treatment facilities.

Land use and area projects

Assessment

Medium to Light green

6.1 Waste prevention and reuse

6.1.1 *Measures against pollution on land*

Examples include measures that reduce runoff from roads, cleaning measures to prevent the spread of microplastics, or other measures against local pollution.

6.1.2 *Measures against water pollution (ports, seas, rivers, watercourses, and so on)*

Measures that improve the water quality status classification from "good" to "very good". Other measures that help improve water quality or strengthen biological diversity where the status classification is not relevant will also be considered.

6.2 Area development and land usage

6.2.1 *Climate and environmentally friendly area development*

Example projects include major new residential, commercial, or recreational developments that are clearly and comprehensively ambitious from a climate and environmental perspective. If the project includes financing of buildings, these must meet the relevant building criteria. Nature and climate risks must be addressed similarly as for criterion 1.2.

6.2.2 *Restoration of natural areas*

Measures that restore or improve the status of an ecosystem. Examples include projects for the restoration of bogs and other wetlands, marine restoration, and the restoration of other terrestrial habitats.

6.3 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. We will assess projects based on the documentation provided.

Analytical considerations

- Overall, we assess the project category as Medium to Light green, reflecting that historically the majority of financing has gone to area development projects, where there are uncertainties as to what type of projects could qualify, since the project criteria relies on a qualitative selection process instead of quantified thresholds.
- Projects qualifying under 6.2.1 are targeted to address the public and outdoor areas of neighborhoods, not buildings themselves. Projects could be repurposing a court from a parking lot to a public multi-use space, where the focus could be on incentivizing people to walk or cycle and could also feature integrated adaptation solutions. One of the projects in the portfolio is a new, environmentally-friendly district within walking distance of central Elverum. The investment comprises infrastructure adaptations and preparing residential areas for sale. It will be built as part of a Zero Emission Neighbourhood (ZEN). KBN says that this ensures that strict environmental requirements are met, going beyond the ambition level set out in the criteria.
- Remediation and measures to combat water pollution contribute positively to local ecosystems. Such measures can reduce negative local impacts, such as damage to biodiversity as well as preventing contamination from affecting resources such as ground and surface water. We assess these activities as Dark green.
- The project category includes "Other" for projects where no other criteria fits. Although we view as positive that KBN has a process to assess such projects, given the uncertainty as to what type of projects could qualify in the future we have less clarity when assessing related climate risks. Currently there are no projects qualifying under "other" under the land use and area development project category.

Climate change adaptation

Assessment

Dark to Medium green

7.1 Surface runoff management

7.1.1 *Surface runoff management*

Measures to manage surface runoff that are not financed by wastewater charges, such as opening streams, constructing flood bypasses, and local surface runoff disposal measures through artificial swales.

7.2 Preventative climate change adaptation

7.2.1 *Protection against natural disasters*

Protecting buildings, facilities, infrastructure, and cultural heritage sites against natural disasters such as floods, landslides, avalanches, and storm surges.

7.2.2 *Infrastructure relocation*

Moving infrastructure or other built structures as a preventative measure to protect against climate-related damage. Relocation of road infrastructure is not considered eligible.

7.3 Emergency preparedness

7.3.1 *Warning systems and emergency preparedness*

Warning systems and other emergency preparedness measures in areas with a risk of natural disasters such as floods, avalanches, landslides, and storm surges.

7.4 Other

Projects that are highly innovative and solutions that are not yet well known in the market can qualify under "Other". Documentation that demonstrates that the project has a significant climate or environmental impact must be provided. We will assess projects based on the documentation provided.

Analytical considerations

- Overall, we assess the project category as Dark to Medium green, reflecting the need for increased resilience and adaptation measures amid the increasing frequency of physical climate risks. For Nordic countries, expected changes are, among others, heavier rain and more floods. Planning for and mitigating against such risks is pivotal to reducing the financial and environmental impacts of these events. Nevertheless, as investments are not limited to nature-based solutions and could also include bigger construction projects, measures that require construction, which can lead to higher emissions because of construction and material use. We assess these projects as Medium green.
- KBN informs us that municipalities are strongly encouraged to follow the scenarios of the Norwegian Climate Service Center with scenarios until 2100, meaning the project is adapted for conditions expected in 2100. The need for the adaptation measure is usually identified through municipal risk and vulnerability assessments, which are required by law, or by NVE. KBN carries out such assessments in the selection process of the projects, as well as by looking at the description of how the project will be carried out.
- KBN says that when an EIA is performed, if it identifies significant negative environmental impact or other controversies in the project documentation, the project might be rejected even though it fulfils one of the criteria for climate change adaptation.
- The issuer confirms that adaptation measures cannot be dedicated to any high-emitting assets. The issuer also confirms that fossil fuel equipment or systems cannot be financed as part of projects qualifying under climate adaptation, and that projects cannot include the relocation of roads.
- The project category includes “Other” for projects where no other criteria fits. Although we view as positive that KBN has a process to assess such projects, given the uncertainty as to what type of projects could qualify in the future we have less clarity when assessing related climate risks. Currently there are no projects qualifying under “other” under the climate change adaptation project category.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

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