Climate Policy

Effective from 10 April 2025

1 Purpose and Scope of Application

This policy for managing climate risk and climate-related issues is developed based on the allocation letter from the Ministry of Trade, Industry and Fisheries (NFD) to Export Finance Norway (Eksfin), as well as regulations from NFD related to Norway's signing of the “Clean Energy Transition Partnership” declaration from COP26. These regulations govern the financing offer for new cases within fossil energy.

The climate policy aims to describe what Eksfin can do to contribute to compliance with the Paris Agreement and Norway’s target of reducing greenhouse gas emissions by 55 percent by 2030, as well as progressing toward a low-emission society by 2050.

The climate policy covers both Eksfin’s impact on the climate and how climate change affects Eksfin. It applies in principle to all loans and guarantees and provides guidance for internal resource allocation.

2 Definitions and Key Concepts

Direct and Indirect Greenhouse Gas Emissions (Scope 1, 2, and 3)

Direct greenhouse gas emissions are Scope 1, while indirect emissions are Scope 2 and 3.
Scope 1: Direct emissions from own operations (assets under operational control, e.g., fossil fuel use).
Scope 2: Indirect emissions from energy consumption (purchased electricity and district heating/cooling).
Scope 3: Indirect emissions from the purchase and sale of goods and services (e.g., flights, logistics/transport, waste, as well as emissions from the use of products sold, such as oil and gas, or from company investments such as loans and guarantees).
The company’s total climate footprint is calculated by calculated by including all three scopes.

Green Activities

The EU Taxonomy Regulation defines six climate and environmental objectives. For an activity to be defined as green, it must substantially contribute to at least one of these objectives and not significantly harm any of the others. Additionally, it must meet minimum social and governance safeguards. For example, a climate-related project violating basic health and safety or human rights standards cannot be defined as green.
For activities not covered by the EU Taxonomy, Eksfin has developed its own criteria based on taxonomy principles, cf. guideline for sustainability-positive financing.

Climate Risk

According to Finance Norway, climate risk consists of:
1) **Physical Risk**: Risks from climate and weather-related events such as heatwaves, droughts, floods, and storms. These can lead to significant financial losses and reduce asset value and customer creditworthiness.
2) **Transition Risk:** Risk resulting from the transition to a low-carbon society. Changes in policy, technology, and social sentiment can affect the value of many assets, e.g., carbon pricing or reduced demand for emissions-intensive goods and services.
3) **Liability Risk:** Legal claims linked to decisions or lack thereof, related to climate policy or climate change.

Low-Emission Society

A low-emission society is one in which greenhouse gas emissions are reduced based on the best available science, global emission trends, and national circumstances, to counter the harmful effects of global warming as described in Article 2(1)(a) of the Paris Agreement (Climate Act).

"Lock-in" Principle

Activities must not cause a 'lock-in' of assets incompatible with climate neutrality considering their economic lifespan (source: EU taxonomy). This means even 'green' investments may be classified as non-green if they prolong reliance on fossil fuels.
For example, electrification of an offshore PSV vessel is unlikely to extend an oil field's life, whereas investments in field infrastructure or production equipment such as platforms or subsea systems likely will.

Enabling Activity

Some EU taxonomy activities are considered 'enabling activities', which support improvements toward environmental objectives for other sectors or activities. Conditions include:
1) Avoiding lock-in to technical solutions that undermine long-term environmental goals
2) Providing substantial positive environmental impact over the activity's lifecycle
Example: Service to an offshore wind farm by a support vessel using fossil fuels is considered enabling.

2030 Transition Target

Norway’s climate goal for 2030 is a 55% reduction in greenhouse gas emissions compared to 1990 levels.

Transitional Activity

Some activities are categorized as 'transitional activities' under the EU taxonomy. These are sectors lacking technically or economically feasible low-carbon alternatives but support a climate-neutral economy aligned with the Paris Agreement and the 1.5°C goal. They should play a key role in the transition without displacing renewable energy investments. Example: gas power replacing coal under strict criteria.

Task Force on Climate-related Financial Disclosures (TCFD)

Developed by the G20's Financial Stability Board in 2017, TCFD provides a methodology for analyzing and reporting climate risks and opportunities. It is now the leading standard for climate risk reporting in the financial sector.

3 Principles for Financing Decisions

Eksfin's main principle is that financed projects must support Norway's 2030 transition target and the goal of becoming a low-emission society by 2050.

This means that Eksfin shall promote exports and investments that contribute to reducing greenhouse gas emissions in Norway and globally. Products and services that do not directly reduce emissions but are necessary in a low-emission society may also be financed. It is assumed that emissions from projects align with recipient countries' Paris Agreement commitments.

Eksfin shall prioritize financing of transactions that accelerate the green transition as part of the official industry-oriented support system, defined as:
- Green activities
- Transitional activities
- Enabling activities

In line with the Governments Green Industrial Initiative (Grønt Industriløft), Eksfin shall prioritize work with and financing of offshore wind, hydrogen, batteries, carbon capture and storage, process industry, shipyards, and wood processing industries.

Eksfin will also finance projects not covered by the Green Industrial Initiative but deemed necessary in a low-emission society, such as healthcare technology, ICT, consumer goods, defense equipment, fisheries, and aquaculture.

Eksfin will gradually phase out financing of activities or projects that do not contribute to a low-emission society – i.e., those not qualifying as green, transitional, enabling, or neutral.

The following four points are regulations from NFD concerning financing of new fossil energy projects:

1. Eksfin cannot finance the development of new infrastructure for oil and gas extraction unless technology is used that significantly reduces or eliminates emissions, such as carbon capture and storage, low-carbon electricity from land, or offshore wind. 'Infrastructure' refers to fixed or floating production or storage units used for extraction and processing of oil and gas.

2. Eksfin may provide loans and guarantees for climate and environmental technologies (e.g., carbon capture and storage) and for HSE improvement for existing oil and gas infrastructure.

3. Eksfin may finance the sale and distribution of oil and gas where necessary for security of supply or a just energy transition.

4. Eksfin shall support the transformation of the supplier industry and may finance fossil energy suppliers if the project or company the project or company has applications or activities other than in the fossil energy sector.

Operationalization of these regulations is detailed in separate guidelines for financing new oil and gas project applications.

Coal and heavy fuel oil power plants, or related equipment, cannot be financed, as outlined in OECD export credit regulations.

4 Principles for Managing Climate Risk and Opportunities

The principles for managing climate risk and opportunities resulting from climate change are based on guidelines in the allocation letter from the Ministry of Trade, Industry and Fisheries (NFD). Eksfin is responsible for safeguarding the state's assets and operates under a long-term balance requirement, that means our financial schemes must be self-sustaining and break even in the long run.

In a world heading toward at least 2.5 degrees of global warming according to the UN, climate risk will increasingly affect and add to other types of risk Eksfin considers in managing its loan and guarantee portfolio and securing the state's assets.

Eksfin shall identify and manage risks and opportunities related to climate and integrate this into the company's strategies. Climate risk shall be integrated into financial risk assessments and reporting, alongside other risk parameters. New export opportunities arising from climate change shall be identified and followed up by Eksfin.

Eksfin shall set targets and implement measures to reduce greenhouse gas emissions in the short and long term in line with the Paris Agreement and report on the achievement of these targets. The targets shall be science-based where available. Emissions reduction targets (direct and indirect) for 2030, 2035, etc., shall be set in accordance with best practice.

Eksfin shall:

- Actively identify and follow up potential and existing exporters where export financing can contribute to the green transition in Norway and globally.
- Focus on managing significant climate risks and opportunities, with particular emphasis on supporting SMEs.
- Through regular customer dialogue, support clients' efforts to reduce emissions and

encourage high-emitting clients to report annual greenhouse gas emissions and emissions reduction targets.
- Conduct a specific due diligence assessment for projects with expected high emissions and follow up with additional measures and requirements before final financing offers are made.
- Consider nature and biodiversity in relevant transactions (primarily buyer and investment financing) and support clients in identifying and managing nature-related risks together with climate risk.

5 Reporting Obligations

Eksfin will report on direct and indirect greenhouse gas emissions, as well as climate risk, using recognized standards for emission and climate risk reporting. Implementation will be phased in with the goal of full compliance with the standard by 2025.

Furthermore, Eksfin will report on the achievement of short- and long-term emissions reduction targets and on measures implemented and planned to meet these targets.