



Norske  
tog

# Green bond framework

December 2022



# Introduction

## About Norske tog

Norske tog AS procures, owns, and manages vehicles for rail passenger transport in Norway. The company enters into agreements for the leasing of passenger trains with operating companies that have an agreement with the Norwegian Railway Directorate to run passenger transport trains in Norway. This leads to the efficient procurement and management of trains and ensures that specialist expertise can be found in one place. Norske tog aims to be a leading and innovative company and shall contribute towards a sustainable increase in train traffic and towards “the green shift”.

Norske tog AS is owned by the Ministry of Transport and Communications. The state's rationale for ownership of Norske tog is to have a provider of vehicles for rail passenger traffic on competition-neutral terms. As the owner, the state's goal is the cost-effective procurement and leasing of trains.

Norske tog currently owns and manages 279 train sets (237 electric/28 diesel/14 bimodal), 138 passenger coaches and 21 locomotives (16 electric/5 diesel). Norske tog's most important social function is laying the foundations to enable more people to choose to use public transport for their daily travel, by ensuring a sufficient supply of high-quality trains.

Norske tog works systematically to accommodate capacity increases and the demand for replacements, rationalisation, and standardisation of the train fleet. In January 2022, Norske tog announced that the largest train procurement agreement in Norway's history had been signed – Norske tog is buying 30 new commuter trains from Alstom, with the option to buy an additional 170 trains. The new commuter trains will replace Class 69, which currently operates on the Østfold Line, and will increase the capacity by about 40 per cent. The trains consist of 6 carriages, with a total of 12 entrances with wide doors, allowing fast passenger flow during rush hour.

In November 2021, Norske tog announced a tender competition for new long-distance trains. Several of the current long-distance trains are more than 40 years old and have reached the end of their service life. Norske tog will therefore invest in 17 new long-distance trains, with the option to order an additional 83 trains. The estimated cost is NOK 6.5 billion, with a maximum budget of up to NOK 8 billion. Production will start no earlier than 2024, and the trains will be put into service from 2026 at the earliest. The trains will mainly operate on the Dovre Line, the Sørland Line, the Bergen Line and the Nordland Line.

The final option for new FLIRT trains from the Swiss manufacturer Stadler was called in 2018. By April 2023 Stadler will have delivered 150 FLIRT trains to Norway. All FLIRT trains are electric, except for 14 new bimodal trains (Class 76), which can run on both electricity and diesel. The trains will run on electricity where power is available but will use diesel on those parts of the line where the infrastructure is limited and there is no electricity. The bimodal trains are replacing old diesel trains (Class 92) operating in Central Norway, which are now more than 30 years old.

In addition to train acquisitions, modifications and mid-life upgrades are also important investments to ensure the sufficient capacity of rolling stock in Norway and to meet passengers' increasing expectations for travel comfort. Modifications and train upgrade programmes are also important elements in order to impact the train's service life, energy consumption, maintenance costs and safety.

## Climate considerations

The National Transport Plan (NTP) outlines a historically large investment budget in the Norwegian railway sector of approximately NOK 393 billion from 2022 to 2033. The significant upgrade in railway infrastructure has a major impact on Norske tog as the sector's passenger train provider.

The Norwegian population is expected to increase from the current 5.4 million to 6 million people within the next 30 years<sup>1</sup>, and urbanisation is a global trend that is increasing the demand for efficient and environmentally friendly transport in urban areas.

Rail transport plays a crucial role in achieving society's environmental and climate goals. Compared to other modes of transport, trains are more energy-efficient and make only a marginal contribution to local air pollution.

The Paris Agreement sets a clear course for future global climate initiatives, and businesses and society will have to adjust to new climate goals. Norske tog is aligned with the Norwegian government's National Transport Plan 2022–2033<sup>2</sup>, and its objective that the transport sector will reduce greenhouse gas emissions is consistent with the transition to a low-carbon society and the reduction of other negative environmental impacts. Norway is committed to halving emissions from the transport sector by 2030, compared with the 2005 baseline<sup>3</sup>, and investments in the transport sector will have a vital role to play in meeting this target.

## Norske tog and green bonds

Norske tog must follow up on the significant investments made in expanding and upgrading the rail network in Norway by making sure there is sufficient capacity in terms of rolling stock. Norske tog has a key role to play in achieving a more efficient and climate-friendly transport system, and the company shall help to both make passenger train transport attractive in Norway and contribute to "the green shift" by leasing out a sufficient number of up-to-date vehicles. To further promote train investments and the upgrading of existing trains, Norske tog has developed a Green Bond Framework and issued several green bonds.

Norske tog has secured NOK 3.3 billion from green bonds issued in 2021 and 2019 to finance the procurement of new electric train sets. The electric trains will contribute to savings in greenhouse gas emissions compared to alternative transport if passengers choose to travel by train rather than by car or bus.

1 Statistics Norway SSB: [https://www.ssb.no/en/befolkning/artikler-og-publikasjoner/\\_attachment/422993?ts=172758d6808](https://www.ssb.no/en/befolkning/artikler-og-publikasjoner/_attachment/422993?ts=172758d6808)

2 <https://www.regjeringen.no/contentassets/fab417af0b8e4b5694591450f7dc6969/no/pdfs/stm202020210020000dddpdfs.pdf>

3 The Granavolden Political Platform: <https://www.regjeringen.no/contentassets/7b0b7f0cf0f4d93bb6705838248749b/plattform.pdf>

## Green Bond Framework

The International Capital Markets Association's (ICMA) Green Bond Principles (GBP) are a set of voluntary guidelines that both recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. Norske tog's Green Bond Framework is established in line with the ICMA Green Bond Principles and based on the previous version of Norske tog's Green Bond Framework from 2019.

On 6 July 2021, the European Commission presented a proposal for the regulation of green bonds ("Green Bond Standard"). It is expected that the EU Green Bond Standard (EU GBS) will become the new standard for green bond frameworks, as it both incorporates the EU Taxonomy and establishes a common European standard. This may lead to parts of the current green market, where bonds have been issued in accordance with an old standard, not being able to be classified as "green".

Going forward, Norske tog is committed to improving its impact reporting, and will follow the development of the EU GBS to determine its relevance and the opportunities for Norske tog. Over time, we will work to close the gap between the current reporting according to the ICMA and that according to the EU GBS.

By means of the Eligible Projects defined below, this framework specifically targets the following UN Sustainable Development Goals:



## 1. Use of proceeds

The net proceeds from the green bonds issued by Norske tog will be used to finance or re-finance the Eligible Projects that have been evaluated and selected by Norske tog in accordance with this Green Bond Framework. The refinancing of eligible projects will have a look-back period of no longer than 15 years from the time of issuance.

### Eligible Projects

The net proceeds raised from the issuance of Norske tog Green Bonds will be used in order to finance or re-finance, in whole or in part, a selected pool of assets that promote the transition to low-carbon and climate-resilient growth, as determined by Norske tog (“**Eligible Projects**”).

Categories	Eligible Projects	UN SDG mapping	Environmental objective
Clean transportation	Investments in new or renewed electric train sets and renovation or improvements of the existing electric rolling stock	(11.2) Provide access to safe, affordable, accessible and sustainable transport systems for all	Climate change mitigation  Pollution prevention and control

### Exclusions

Trains running partly on fossil fuel (hybrids/bimodal) can qualify under the GBP. Norske tog has decided that trains running either fully or partly on fossil fuels do not qualify under this framework.

## 2. Selection and evaluation of eligible projects

Norske tog has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Projects for its issuance of green bonds. Eligible Projects are selected and evaluated by a committee consisting of representatives from the Management (including the CFO), the Treasury, Business Control, Technology and Development department in Norske tog. The CFO is the chair of the committee, and the selection is based on a consensus approach. Eligible Projects will be recorded in a Green Bond Register.

## 3. Management of proceeds

Norske tog have established a Green Bond Register for green bonds issued by Norske tog, for the purpose of monitoring the Eligible Projects and the allocation of the net proceeds from green bonds to Eligible Projects.

Throughout the duration of the outstanding green bonds, Norske tog will compile and maintain an aggregate amount of assets and projects in the Green Bond Register that is at least equal to the aggregate net proceeds of all outstanding Norske tog Green Bonds.

There may be periods when the total outstanding net proceeds of green bonds exceed the value of the Eligible Projects in the Green Bond Register. Any such excess portion will be held in accordance with Norske tog's normal liquidity management policy and managed as such.

The Green Bond Register will form the basis for the impact reporting.

## 4. Reporting

Within one year of the first issuance, and as long as there are green bonds outstanding, Norske tog will annually publish a report on the allocation and impact of green bonds issued under this framework. Where relevant, Norske tog will seek to align the reporting with the latest standards and practices as identified by the ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. The impact report will, to the extent feasible, also include a section methodology, and the baselines and assumptions used in impact calculations.

### Allocation report

The allocation report will, to the extent feasible, include the following components:

- A list of all financed Eligible Projects, including the amounts allocated
- Detailed descriptions and case studies of selected financed Eligible Projects
- Amounts invested in each category, as defined in the Use of Proceeds section, and the relative share of new financing versus refinancing

### Impact report

Norske tog will strive to report on the actual environmental impact of the investments financed by their green bonds. In the event that the actual impact is, for some reason, not observable or is unreasonably difficult to source, the estimated impact will be reported.

The impact indicators may vary according to investment category, as defined in this Green Bond Framework. The impact metrics selected could include the following:

- Clean transportation
  - Annual GHG emissions reduced/avoided
  - Energy savings (GWh saved/reduced)
  - Increase in the use of renewable energy

## External review

### Second-party opinion (pre-issuance)

To ensure alignment with national and international guidelines, Norske tog has engaged Cicero Shades of Green to act as an external verifier of this Green Bond Framework and the Eligible Projects.

### Third-party review (post-issuance)

Norske tog may appoint an external independent auditor to annually assure Norske tog's selection process for the financing of Eligible Projects and the allocation of the proceeds of Norske tog Green Bonds, and to assure that such processes and allocations are in accordance with Norske tog's Green Bond Framework.

### Publicly available documents

The Green Bond Framework, the second-party opinion, the third-party review, the impact and allocation reports, and other relevant documents will be made publicly available on Norske tog's [website](#).

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