



# **GREEN BOND FRAMEWORK**

**November 2019**



# INTRODUCTION

## About Norske tog

Norske tog AS is wholly owned by the Norwegian Ministry of Transportation and Communications, founded in 2016 following the implementation of the railway reform where the rolling stock owned by NSB AS was spun off and transferred to Norske tog. Norske tog aims to be a leading and innovative company and shall contribute to a sustainable increase in train traffic and to “the green shift”.

Norske tog shall procure, manage and lease out passenger train rolling stock to train operators in Norway to ensure low barriers to entry and competition on equal terms. The company shall have a high level of expertise within the area of procurement and management of passenger train rolling stock, and the aim is to have sufficient high-quality, up-to-date rolling stock at appropriate cost.

Norske tog currently owns and manages 255 train sets (226 electric/29 diesel), 135 passenger coaches and 22 locomotives (17 electric/5 diesel). Norske tog’s most important social function is laying the foundations for more people choosing to use public transport for their daily travel, by ensuring a sufficient supply of – good-quality – rolling stock.

Norske tog works systematically to accommodate capacity increases, and the demand for replacements, rationalisation and standardisation of the train fleet. In 2018, Norske tog began preparations to procure new local trains to replace the Class 69. New local trains will provide better capacity for a growing number of travellers, from today’s capacity of approx. 570 passengers to a new total capacity of 700-800. The new local trains will be a maximum of 110 meters, which is 33 meters longer than today's trains.

Furthermore, the final option for new FLIRT trains from the Swiss manufacturer Stadler was triggered in 2018. By the end of 2018 Norske tog has taken delivery of 105 FLIRTS, with remaining 45 scheduled for delivery over the next four years. All FLIRTS are electric except for 14 new Class 76 bimodal trains, i.e. trains that can run on both electricity and diesel. These will replace the diesel trains of Class 92 that currently operate in Central Norway. This means that, by the end of 2022, Norske tog’s fleet will comprise 150 modern trains of this type, such that the company will then be well on track with standardisation of its fleet. These trains have already been allocated to specific lines, so new demand will require new purchases.

In addition to acquire new trainsets, modifications and mid-life upgrades are important investments in order to ensure sufficient capacity of rolling stock in Norway and to meet the passengers increasing levels of expectations to travel comfort. Modifications and upgrade programs of Norske tog’s rolling stock are significant to the train’s useful lives, energy consumption, maintenance costs and safety.

Norske tog wants to contribute to making the railway even more climate friendly. In 2018, Norske tog joined forces with Feral on a pilot project developing new, retrofittable engine technology for diesel trains, which could potentially help reduce greenhouse gas emissions and consumption of fossil fuels for Norske tog’s diesel trains by up to 20%. Norske tog’s contribution consists in developing a prototype for the Class 93 trainsets. While Norske tog will deploy this technology on diesel trains in Northern Norway, the technology has global potential, which can also contribute to climate improvements in other places around the world.

## Climate considerations

The National Transport Plan outlines a historically large investment budget in the Norwegian railway sector of approximately NOK 320 billion from 2018 - 2029. The significant upgrade in railway infrastructure has great impact on Norske tog as the sector's rolling stock provider.

The Norwegian population is expected to increase from current 5.3 million to 6 million people within the next 20 years<sup>1</sup> and urbanisation is a global trend increasing the demand for efficient and environmentally friendly transport in urban areas. The railway's share of total transport has experienced a significant increase in growth rate, and the Norwegian government is planning for and projecting that the railway will have a growing market share of total domestic "passenger workload"<sup>2</sup> in the future.

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 makes only a marginal contribution to local air pollution.

The Paris Agreement sets a clear course for future, global client 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 2018-2029<sup>3</sup> and its objective for the transport sector to reduce greenhouse gas emissions is consistent with the transition to a low-carbon society and to reduce other negative environmental impacts. Norway is committed to halve emissions from the transport sector by 2030 compared with the 2005 baseline (\*taken from the government's 'Granavolden Platform') and investments in the transport sector will play a vital role to play in meeting this target.

## Norske tog and Green Bonds

Norske tog must follow up 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 make passenger train transport attractive in Norway and contribute to "The Green Shift". To further promote investments in rolling stock and improving existing trains Norske tog has decided to develop a Green Bond Framework and issue Green Bonds.

## Green Bond Framework

The International Capital Markets Association (ICMA) Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. This Green Bond Framework is based on the 2018 version of Green Bond Principles. It is Norske Tog's intention to follow best practices in the market as the standards develop and as such the Framework may be updated from time to time.

Through the Eligible Projects defined below this framework targets specifically the UN Sustainable Development Goals highlighted on the right.



<sup>1</sup> Statistics Norway SSB

<sup>2</sup> «Passenger workload»: a measure used in Norwegian transport sector to estimate how many passengers a mode of transportation carry for a specific travel length (travel length x number of passengers)

<sup>3</sup> <https://www.regjeringen.no/contentassets/7c52fd2938ca42209e4286fe86bb28bd/en-gb/pdfs/stm201620170033000engpdfs.pdf>

# 1. USE OF PROCEEDS

The net proceeds of the Green Bonds issued by Norske tog will be used to finance or re-finance Eligible Projects that have been evaluated and selected by Norske tog in accordance to this Green Bond Framework. Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance.

## Eligible Projects

The net proceeds raised from the issuance of Norske tog Green Bonds will be used 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
<b>Clean Transportation</b>	<i>Investments into new or renewed electric train sets and renovation or improvements of the existing electric rolling stock.</i>	(11.2) Provide access to safe, affordable, accessible and sustainable transport systems for all	Climate change mitigation Pollution prevention and control

## Exclusions

Trains running fully or partly on fossil fuel 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 Green bond issuance. Eligible Projects are selected and evaluated by a committee consisting of representatives from the Management (including the CFO), Treasury, Business Control and Technology and Development. 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 will establish a Green Bond Register in relation to 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.

Norske tog will over the duration of the outstanding Green Bonds build up 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 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 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, 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 Eligible Projects funded including amounts allocated
- Detailed descriptions and case studies of selected Eligible Projects financed
- 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. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported.

The impact indicators may vary with 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

## 5. EXTERNAL REVIEW

### **Second Party Opinion (pre-issuance)**

To secure 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's Green Bond, and that such processes and allocations are in accordance with the Norske tog Green Bond framework.

### **Publicly Available Documents**

The Green Bond Framework, the second party opinion, the third-party review, Allocation Report, Impact Report and other relevant documents will be publicly available on Norske tog website [www.norsketog.no](http://www.norsketog.no).