

# Green Bonds Framework

9 November 2017

*This is a translation of the Swedish version of Östersund Municipality's Green Bonds Framework. In the event of any discrepancies between the English language translation of the Green Bonds Framework and the Swedish language version of the Green Bonds Framework, the Swedish language version will prevail.*

## SEPARATE ACCOUNT

The net proceeds from the issue of Green Bonds shall be credited to a separate account with the purpose to finance Östersund Municipality's Green Projects as defined below. As long as Green Bonds are outstanding and proceeds from issues are available on a separate account, the Östersund Municipality shall, at the end of every fiscal quarter, deduct funds from the separate account in an amount equal to disbursements through Green Projects made during such quarter. Until disbursement to Green Projects, the separate account balance will be placed as part of the liquidity reserve.

## GREEN PROJECTS

"Green Projects" are specifically selected projects funded, in whole or in part, by the Östersund Municipality with the purpose of promoting the transition to low carbon and sustainable development.

Green Projects include projects with the purpose to:

- a) reduce greenhouse gas emissions, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy
- b) adapt operations to climate change, including investments in increased resilience
- c) to a lesser extent (max 20%) investments in environmental projects which address other environmental issues than the climate.

Analysis shall be made of each project to ensure the project does not contravene any other prioritized area. For example, an adaptation measure should not counteract energy efficiency and vice versa.

### Green Project categories are:

- **Renewable energy** (hydropower<sup>1</sup>, wind power and solar power. Production of hydrogen from electrolysis or other residual flows and biogas, biofuels and bioenergy from agricultural residues, forestry residues and other biological residues).
- **Energy efficiency** incl. district heating/cooling, energy recovery, energy storage and smart grids.
- **Sustainable transportation** (fossil free public transportation, pedestrian and bicycle paths, vehicles driven by hydrogen, biogas and electricity and logistics solutions leading to reduced climate footprints from transportation of people and goods).
- **Replacement of fossil raw materials**, for instance from fossil based plastics to bioplastics.
- **Energy efficient commercial and residential buildings:**
  1. Commercial and residential buildings that meet the energy requirements for FEBY, Svanen or Miljöbyggnad Silver. In each case, a geographical systemic approach and primary energy perspective shall be applied, i.e. it is the need of energy input, not purchased energy, which shall be considered. Energy use is verified against the energy declaration for each individual building. Certification of the buildings is positive but not a requirement.

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<sup>1</sup> Hydropower with water-rights court ruling in Sweden or concession in Norway.

2. Major renovations and re-construction leading to a reduced energy use of at least a 35% per m<sup>2</sup> Atemp and year.

- **Waste Management** (recycling and re-use, rehabilitation of contaminated land, and leachate management).
- **Water and waste water management.**
- **Carbon sequestration** (e.g. biochar production, CCS/CCR technology)
- **Climate adaptation measures** in buildings, infrastructure and sensitive habitats
- **Environmental measures** in other fields than climate mitigation and climate adaptation:
  - Nature conservation
  - Biodiversity
  - Development of non-toxic environments
  - Sustainable agriculture
  - Improved eco-system services

Östersund Municipality's Green Bonds will not finance nuclear power or fossil-fuel based projects.

Östersund Municipality's Green Bonds can be used to finance new projects and to refinance Green Projects in accordance with the Green Bonds Framework.<sup>2</sup>

### **SELECTION OF GREEN PROJECTS**

Green Projects will be selected in consensus by the Finance Unit and Climate and Environment Unit<sup>3</sup> in consultation with the implementing administrations and municipality-owned companies.

### **TRANSPARENCY**

To enable investors to follow the development of the Östersund Municipality's Green Projects and to get insight into prioritised areas, the Östersund Municipality will provide an annual investor letter including:

- 1) a list of financed Green Projects within the Östersund Municipality, including allocated amounts and a description of the projects and their main environmental benefits
- 2) a description of the allocation between financing of new projects and re-financing
- 3) a summary of the Östersund Municipality's Green Bond development.

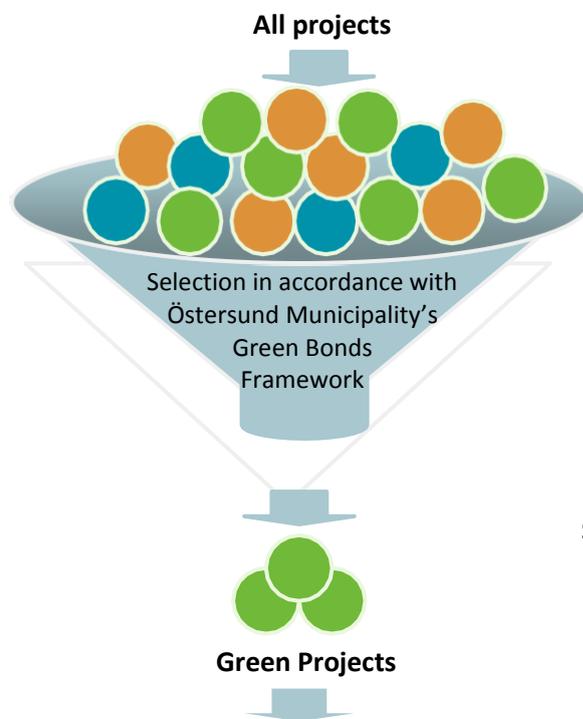
The Östersund Municipality encourages and promotes the use of impact reporting and will provide that to the largest extent possible. For each building, the expected or actual energy use will be reported in the investor letter. For solar and wind power projects, the amount of installed or produced renewable energy will be reported measured in kWh. The use of proceeds from the Green Bonds, tracking and management of the funds is part of the annual internal control in the Östersund Municipality. The investor letter will be made publically available on the Östersund Municipality's web page. Furthermore, the principle of free access to public records enables both investors and potential investors, generous insight into the operations of the Östersund Municipality.

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<sup>2</sup> New projects are defined as projects that have been finalised within one year before the time of approval by the Department of Finance and Economy and the Department of Environmental Strategy and thereafter.

<sup>3</sup> In Swedish: Kommunledningsförvaltningens finanssenhet och Samhällsbyggnadsförvaltningens klimat- och miljöenhet.

## Green Bond Project Selection Process Flowchart



### Guidelines:

1. EU law
2. The Swedish Environmental Code ("Miljöbalken")
3. Environmental certification<sup>4</sup>
4. The Östersund Municipality's environmental related goals, plans and programs.

### Selection of Green Projects is made in accordance with:

1. Definitions in the Green Bonds Framework
2. The Finance Unit and Climate and Environment Unit in consultation with the implementing administrations and municipality-owned companies

<sup>4</sup> The Municipality of Östersund is certified according to ISO 14001 since 2007, as well as EMAS registered. Jämtkraft is certified according to ISO 14001 since 2003. In 2015, Östersundshem implemented an environmental management system, but are not certified.



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