

THE ROYAL NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

**UNOFFICIAL TRANSLATION**

**INSTRUCTIONS FOR NORFUND'S MANAGEMENT OF THE CLIMATE INVESTMENT FUND FOR RENEWABLE ENERGY IN DEVELOPING COUNTRIES**

**Introduction**

These instructions were laid down by the Ministry of Foreign Affairs on 2 May 2022 and came into effect on the same date.

1. **SCOPE OF ACTIVITIES**

The instructions establish the responsibilities and obligations associated with Norfund's management of the Climate Investment Fund for Renewable Energy in Developing Countries (the Climate Investment Fund).

1. **THE OBJECTIVE AND INVESTMENT STRATEGY OF THE CLIMATE INVESTMENT FUND**
2. The objective of the Climate Investment Fund is to contribute to reducing or avoiding emissions of greenhouse gases by investing in renewable energy in developing countries with extensive emissions from coal power and other fossil fuel-based power production. The Fund shall contribute to the initiation of investment in renewable energy that would not otherwise take place. The investment shall lead to economic development in these countries being based to the greatest extent possible on renewable energy.
3. The Climate Investment Fund shall provide risk management capital and may employ appropriate financial instruments (equity, loans, guarantees etc.) to achieve this objective.
4. The Climate Investment Fund may participate in jointly controlled joint-venture companies.
5. Profitable projects shall be aimed for. Investment shall take place on commercial terms and conditions.
6. The Fund’s investment shall be in compliance with national climate and energy plans in the countries in which it invests.
7. The Fund's management shall adhere to the principles of responsible business conduct in accordance with international norms and standards endorsed by Norway.
8. The Fund shall reinvest earned and freed up resources from its investments. The Fund may make follow-up investments.
9. **GEOGRAPHICAL SCOPE OF ACTIVITIES**

The Climate Investment Fund’s resources may be used in all ODA-approved countries, see OECD/DAC guidelines, and shall primarily aim to invest in countries in which greenhouse gas emissions are or are expected to become extensive, and where investment in climate may contribute to supplanting coal power and other fossil fuel-based energy production.

1. **MANAGEMENT OF THE CLIMATE INVESTMENT FUND**
2. With legal basis in the Norfund Act, Norfund shall manage the Climate Investment Fund on behalf of the Norwegian State through the Ministry of Foreign Affairs.
3. The management of the Fund shall be in accordance with principles of good corporate governance as well as the cross-cutting considerations in development policy.
4. Norfund shall make investments under the Climate Investment Fund in its own name, but the Fund's investments and portfolio are to be managed as a collection of assets separate from Norfund's other activities.
5. The Climate Investment Fund's equity in a company shall not normally exceed 35 per cent of that company's total equity.
6. The Climate Investment Fund's maximum share of risk associated with outstanding loans and guarantees in a company shall not normally exceed 35 per cent of that company’s overall loan risk.
7. The supply of capital from the government to the Climate Investment Fund will follow from the Storting's annual allocation over the National Budget. In addition, Norfund's General Meeting may decide to transfer resources from Norfund's surplus capital.
8. The Climate Investment Fund shall be managed in accordance with the Regulations for Central Government Financial Management.
9. The management costs will be covered by the Fund's resources.
10. **THE BOARD’S RESPONSIBILITY**
11. Norfund’s Board is responsible for ensuring that Norfund's management of the Climate Investment Fund proceeds in accordance with the regulatory framework adopted for the Fund, including the present instructions.
12. Norfund's Board shall to the extent necessary establish plans and a strategy for Norfund's management of the Fund. The Board shall ensure that it remains informed of the Fund's financial position, and undertakes to ensure that management and reporting are subject to satisfactory supervisory control.
13. The Board is responsible for any adaptations made in Norfund's organisation for the management of the Climate Investment Fund.
14. Norfund's Board shall ensure that the Climate Investment Fund is managed efficiently and according to commercial principles, such that the largest possible share of the Fund's resources is used for investment activities designed to achieve the largest possible reduction and avoidance of greenhouse gas emissions.
15. **LOAN LOSS PROVISION**

The Fund's resources shall at all times be placed such that losses on investments, including guarantees, can be covered by the Fund's available resources.

1. **RELATIONSHIP WITH NORFUND’S STATUTES**
2. Norfund's Statute 14 provides that Norfund shall manage the Climate Investment Fund in accordance with the present instructions.
3. Norfund’s Statutes 4-7 and 9 apply similarly to the management of the Climate Investment Fund's resources.
4. **REPORTING ETC.**
5. Norfund shall prepare separate reports and accounts for the assets managed under the Climate Investment Fund, including evaluating the efficiency of operations and use of resources, the development of the investment portfolio and contributions to expected (ex-ante) and actual (ex-post) reduced or avoided greenhouse gas emissions.
6. A separate report on the activities of the Climate Investment Fund shall be made annually.
7. The Ministry’s regular meetings with Norfund shall include an agenda point on the Climate Investment Fund.
8. The Ministry may share reports and accounts with other involved ministries.
9. **TERMINATION**

In the event that the Climate Investment Fund is terminated, it is assumed that resources supplied by the Treasury, including returns, will be transferred back to the Treasury unless otherwise decided.