

Standard	 Norfund		
Issued by:	Approved by:	Originally issued:	Revision date:
S&C department	Management	24.09.2020	13.11.2023

Norfund Fossil Fuel Standard

Contents

1. Introduction	1
2. The Fossil Fuel Standard	1
2.1 Direct investments in Green Infrastructure, Renewable Energy and Scalable Enterprises.....	3
2.2 Investments through financial intermediaries (funds)	4
2.3 Direct investments into financial institutions (including FI platforms and FI funds)	5
3. ANNEX - Harmonized EDFI Fossil Fuel Exclusion List	6

1. Introduction

Norfund recognizes the important role of finance in the transition to a net-zero by 2050. Our investment decisions should consider how we contribute towards the goals of the Paris Agreement. To ensure that Norfund does not contribute to locking-in high carbon pathways in the countries where we operate, we will not finance activities in the fossil fuel value chain, with the exemption of some clearly defined activities.

The purpose of the fossil fuel standard is to ensure that Norfund does not directly or indirectly make new investments into fossil fuels, with the exception of clearly defined and necessary projects that support energy transition in line with the Paris agreement. The standard is aligned with the 2022 Norfund AGM resolution on no new fossil fuel investments and is adopted by Norfund’s management team.

Norfund’s fossil fuel standard is a minimum standard which will guide investment teams in initial screening of potential projects. As agreed in the “EDFI commitment on climate and energy” (2020), Norfund will also subject all investments to an assessment of Paris alignment and exclude projects that are not, or cannot become, aligned with its respective sector pathway.

The requirements of the standard will be included in Norfund investment agreements, and the requirements will be monitored for the duration of Norfund’s investment. .

2. The Fossil Fuel Standard

Norfund’s fossil fuel standard applies to all Norfund investments, including investments through financial intermediaries and funds. The standard’s primary application is when screening projects. The standard will be included as a requirement in investment agreements where relevant. The Fossil Fuel Standard is in addition to the [EDFI Harmonised Fossil Fuel Exclusion List](#). (see Annex I).

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To ensure that the standard can be reasonably applied across all Norfund investments there are different approaches based on the type of investment:

1. [Direct investments \(including into platforms\) for Green Infrastructure, Renewable Energy and Scalable Enterprises.](#)
2. [Direct investments into financial institutions \(including into platforms\)](#)
3. [Investments through financial intermediaries \(funds\)](#)

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2.1 Direct investments in Green Infrastructure, Renewable Energy and Scalable Enterprises

In addition to the activities on the EDFI Fossil Fuel Exclusion List, Norfund will not make any investments into:

- I. upstream, midstream and/or downstream fossil fuel activities¹
- II. power generation based on fossil fuels²
- III. companies that primarily serve an excluded activity³

These restrictions apply to direct investments, as well as for platforms⁴ at Holdco and subsidiary level. For item III the following is included:

- Financing an allowed activity that *primarily serves* an excluded fossil fuel activity (such as a solar plant for a coal terminal, a wastewater plant for an oil refinery).
- Financing a company or project that *primarily provides services* (including advisory), equipment, or other outputs to excluded fossil fuel activities (such as a company that primarily provides construction services for oil exploration activities)
- Financing a company or project that primarily *produces goods* for and/or provide goods to excluded fossil fuel activities (such as a company that exclusively manufactures machine parts for use in coal-fired power plants)

The following activities are still considered eligible for investment:

- Clearly defined and necessary projects that support energy transition in line with the Paris agreement⁵
- Expansion of on-site power production (captive power) based on oil and gas where there is no viable renewable energy source⁶
- LPG for cookstoves
- Carbon Capture and Storage
- Support for physical decommissioning of coal mines, coal plants, oil and gas assets, or conversion into non-fossil fuel infrastructure
- Decentralized renewable energy systems with back-up generators powered by petrol, diesel or LPG

¹ Definitions: Upstream - exploration and production of fossil fuels, midstream - transportation and storage of raw fossil fuels, downstream - refining and distribution of refined fossil fuels

² Definition: grid-connected power production, including as primary source in mini-grids

³ *Primarily* defined as *approximately* 50% of revenues, or 50% of existing or planned CapEx, from/to one or more excluded activities. For platforms *primarily* will be assessed at sub-company level.

⁴ A platform is a holding company that operates as an "extended arm" of Norfund under a specified mandate.

⁵ For guidance see: [Natural Gas Power Plants: Assessing alignment with the Paris Agreement](#)

⁶ Cases with existing captive coal for electricity generation or heat, is not excluded but will be part of the Paris Alignment assessment. Norfund will not finance expansions of existing captive coal or new captive coal operations.

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2.2 Investments through financial intermediaries (funds)

In addition to the activities on the EDFI Fossil Fuel Exclusion List, Norfund will not fund any investments into:

- I. upstream, midstream and/or downstream fossil fuel activities⁷
- II. power generation based on fossil fuels⁸

the following activities are still considered eligible for investment:

- Clearly defined and necessary projects that support energy transition in line with the Paris agreement⁹
- Expansion of on-site power production (captive power) based on oil and gas where there is no viable renewable energy source
- LPG for cookstoves
- Carbon Capture and Storage
- Support for physical decommissioning of coal mines, coal plants, oil and gas assets, or conversion into non-fossil fuel infrastructure
- Decentralized renewable energy systems with back-up generators powered by petrol, diesel or LPG

⁷ Definitions: *Upstream* - exploration and production of fossil fuels, *midstream* - transportation and storage of raw fossil fuels, *downstream* - refining and distribution of refined fossil fuels

⁸ Definition: grid-connected power production, including as primary source in mini-grids

⁹ For guidance see: [Natural Gas Power Plants: Assessing alignment with the Paris Agreement](#)

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2.3 Direct investments into financial institutions (including FI platforms and FI funds)

In addition to the restrictions on dedicated lending on EDFI Fossil Fuel Exclusion list, Norfund will not:

1. Norfund will not finance, through equity or loans, financial institutions that provide project finance to **new investments in coal-related activities**¹⁰ prospecting, mining exploration, processing and power generation
2. **finance financial institutions that have >5% underlying portfolio volumes in coal** prospection, exploration, mining, processing or power generation¹¹

The following activities are still considered eligible for investment:

- Captive coal-fired power plants used for industrial applications such as mining, smelters, cement or chemical industries,
- Coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.
- Physical decommissioning of coal mines, and coal plants, or early retirement of coal plants
- For syndicated loans Norfund will seek to apply same standards as for direct lending and equity. In cases where this is not achievable, we will accept best effort.

¹⁰ **Coal-related activities** refer to long-term (more than 36 months) project finance and/or corporate finance for the development of new coal-related projects including: coal mining, coal transportation, as well as infrastructure services exclusively dedicated to support any of these activities, and coal-fired power plants.

¹¹ In cases where the financial institution has a portfolio of coal which is 0%< and >5% Norfund will not provide loans or make equity investments in financial institutions that are unwilling to make a **commitment to phase out investments in coal-related activities**

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3. ANNEX - Harmonized EDFI Fossil Fuel Exclusion List

The following investment exclusions are considered as a minimum common requirement by all EDFI members for all new Direct Financing (Debt or Equity), for Indirect Equity through new commitments to investment funds, and new dedicated lending¹ via financial institutions:

- Coal prospection, exploration, mining or processing
- Oil exploration or production
- Standalone fossil gas exploration and/or production²
- Transport and related infrastructure primarily³ used for coal for power generation
- Crude Oil Pipelines
- Oil Refineries
- Construction of new or refurbishment of any existing coal-fired power plant (including dual)
- Construction of new or refurbishment of any existing HFO-only or diesel-only power plant⁴ producing energy for the public grid and leading to an increase of absolute CO2 emissions⁵
- Any business with planned expansion of captive coal used for power and/or heat generation⁶

¹ “Dedicated lending” is defined for these purposes as loans conditioned by a use of funds clause specifying that such financing will be used for one or more of the purposes described.

² Gas extraction from limnically active lakes is excepted from this exclusion.

³ “Primarily” means more than 50% of the infrastructure’s handled tonnage.

⁴ For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and under the condition that there is no economically and technically viable gas or renewable energy alternative.

⁵ I.e. where energy efficiency measures do not compensate any capacity or load factor increase.

⁶ This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.