

Guidelines for Lending and Investments in Power and Energy Production

Date	Description	Approved
22 September 2020	Guidelines for Lending and Investments in Power and Energy Production	Approved by Head of Corporate Banking
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Energy production is important for all businesses. According to the Intergovernmental Panel on Climate Change (IPCC), renewable and low carbon-intensive energy production must be increased substantially and account for at least 80% of energy production in 2050.

SpareBank 1 Østlandet has ambitious climate goals and is one of the few Norwegian banks to have signed up to the UNEP FI's ambitious Collective Commitment on Climate Action.¹ The obligations entail focusing our efforts where we have, or can have, the greatest impact, i.e. first focusing on the most carbon-intensive and climate-vulnerable sectors in our portfolios, as well as setting sector-specific, scenario-based goals for portfolio prioritisation.²

We encourage all of our customers to switch from fossil to renewable energy and have a number of means of accelerating this transition, including green agriculture loans and green mortgages. We also assess energy use in all credit cases through our sustainability assessment. High fossil energy consumption/high greenhouse gas emissions, plus no plan to reduce these, can result in the bank refusing to lend or invest.

There are a number of risks associated with energy production, including greenhouse gas emissions, interventions in vulnerable habitats and a failure to safeguard society and people in and around the energy production. In addition to this, in many instances large-scale dam developments have resulted in the voluntary or involuntary displacement of local and indigenous communities around the world.³ Such projects can also have negative effects such as flooding, obstructing water supplies and other negative impacts on ecosystems, both in and near the water, for example for fish. Large dam projects can also result in large emissions of methane from the seabed.

SpareBank 1 Østlandet's power and energy production portfolio accounts for around 2% of its entire loan portfolio. SpareBank 1 Østlandet mainly lends money for small-scale hydropower projects and the customers are generally in our market region: Innlandet County, Oslo and Viken County. Some of the projects are located outside our market area, but all of them are in Norway. We do not lend money for large-scale dam projects. Nor do we invest in such projects. As a result, the greenhouse gas emissions in this part of our portfolio are low, both due to the size of the portfolio and the fact that we only lend money for hydropower projects.⁴

Our ambition is to increase our lending within renewable energy by 10% a year up to 2026. This applies to small-scale hydro projects, solar energy and geothermal heating.

SpareBank 1 Østlandet has decided not to lend money for fossil energy, including coal, oil and gas. Nor will we *invest* in fossil energy. The bank does not lend money for, or invest in, nuclear power or mining activities either.

As a major forestry and agriculture bank with a focus on nature and the environment, we understand the challenges involved in carrying out good enough risk assessments in relation to the natural world for wind power developments. This, in addition to the resistance of local and indigenous communities, means we have chosen to refrain from lending to this industry at the present time.

¹ <https://www.unepfi.org/banking/bankingprinciples/collective-commitment/>

² See our Guidelines and Action Plan for the Climate and Climate Risk, <https://www.sparebank1.no/content/dam/SB1/bank/ostlandet/omoss/samfunn/Retningslinjer-og-handlingsplan-klima-og-klimarisiko-SB1O.pdf>

³ Documented by several civil society organisations, e.g. the World Commission on Dams (WCD)

⁴ Also see our carbon-related credit exposure calculated by industrial sector in the bank's annual report for 2019, page 212, where hydropower production is included under the industrial classification code for "Electricity, gas, steam and hot water supply".

The following principles must not be breached in any energy production and we also encourage our customers and companies we invest in to apply these principles in their supply chains as well:

- Companies shall minimise the risk of accidents by using the best available techniques and have clear contingency plans.
- Companies shall not operate in locations where the environmental consequences of an incident or accident would be unmanageable.
- Dams shall be constructed in line with the seven principles of the World Commission on Dams.⁵
- Companies must assess and do all they can to minimise the negative health and environmental impacts of energy projects, e.g. in the dismantling of production systems.
- Waste from energy production shall be reduced and hazardous waste shall be properly managed and treated.
- Companies shall comply with the voluntary principles for safety and human rights where relevant.⁶
- Companies must ensure that ecosystems are restored in line with the regulations and norms once the commercial activities have been completed.
- Good cooperation with local communities, especially indigenous communities, to avoid conflicts surrounding land rights and to gain access to natural resources is generally an important principle in all commercial developments. In this regard, all commercial actors should adhere to free, prior and informed (FPIC) principles.⁷

⁵ The World Commission on Dams [https://energypedia.info/wiki/World_Commission_on_Dams_\(WCD\)_Report](https://energypedia.info/wiki/World_Commission_on_Dams_(WCD)_Report)

⁶ National action plan for following up on the UN's Guiding Principles, page 26.

⁷ See the guide from the Norwegian Ministry of Foreign Affairs, which explains and defines the concept of FPIC: https://www.regjeringen.no/contentassets/b7384abb48db487885e216bf53d30a3c/veileder_urfolk1310.pdf