

# Statnett

Green Bond

## Investor letter and impact report

2023



## Introduction

Statnett is the transmission system operator (TSO) in the Norwegian power system and is responsible for developing, operating and maintaining the transmission system in a socio-economically optimal manner.

Statnett is a state-owned enterprise established in accordance with the State Enterprise Act and is owned by the state through the Ministry of Energy (ED) and regulated by the Norwegian Water Resources and Energy Directorate (NVE) and the Norwegian Energy Regulatory Authority (RME).

Statnett is playing a key role in the transition to a renewable energy society by enabling electrification and new green value creation.

Sustainability is an important part of our strategic agenda. Statnett's work on sustainability is systematic and targeted, and integrated into our processes through our management systems and strategy. Our sustainability commitments follow international standards and frameworks.

## The green change of pace

### How we work with sustainability

Statnett is facilitating the electrification of society, and we perform our tasks in a sustainable fashion. The UN's sustainable development goals provide a framework for our efforts.

Statnett is central in the transition to a more climate-friendly society. The interconnected European power system contributes significantly to the green transition. A well-integrated energy market and energy system is a fundamental prerequisite for achieving Europe's climate targets.

The prioritised areas for our sustainability work are identified based on a double materiality assessment carried out in the autumn of 2022. No significant impacts, risks or opportunities were identified in 2023 that required changes to the material topics and prioritised areas. The double materiality assessment was conducted in accordance with prevailing good practice and methodology for sustainability reporting at the time. In 2024, a new double materiality assessment will be carried out, using methodology and processes that meet the requirements of CSRD.

In 2023, Statnett also carried out a double materiality assessment for offshore grids. The assessment resulted in a set of principles that will serve as a basis for further development in this area.

The analysis examines our impact on people, climate and nature, as well as how relevant issues could affect our opportunities for long-term value creation. We have defined the three most important areas for Statnett's sustainability efforts (figure below) based on who we are, what demands and expectations are placed on us, and where we can make a difference. Furthermore, we have developed specific measures and indicators to help us achieve our overall objectives in our three priority areas, which also take account of risks and opportunities.



Statnett reports on sustainability in accordance with the Global Reporting Initiative (GRI) Standards. Our 2023 Sustainability report, part of our annual report, is available on our webpage:

<https://www.statnett.no/en/about-statnett/investor-relations/annual-and-semi-annual-reports/>

The 2023 annual report includes reporting on EU taxonomy.



## The Framework

Statnett established a Green Bond Framework as part of its financing strategy in December 2018. The Green Bond Framework has been assessed by the independent third-party *Center for International Climate and Environmental Research* (CICERO) who issued their Second Opinion. In 2024, Statnett updated its Green Bond Framework.

**The Green Bond Framework covers three project categories:**

1. **Connecting renewable power**
2. **Enabling efficient use of clean energy**
3. **Increasing the market for renewable energy**

Statnett achieved the highest possible shading (Dark Green) in the Second Opinion, with an “Excellent” governance score. The Framework and the Second Opinion are available on our web page: <https://www.statnett.no/en/about-statnett/investor-relations/green-financing/>

The framework describes what can be financed by proceeds from Green Financing. The selection and evaluation of Green Eligible Projects is conducted with representatives from at least three of the four following functions present: Grid Planning Function, Land Use and Environmental Function, Finance and Treasury Function, ESG Function.

Only projects which meet the criteria of Statnett’s Green Bond Framework, and have a high likelihood for positive, net long-term environmental effects, will be approved. A record is kept of meetings held and decisions made.

Statnett has evaluated the green bond financed projects’ alignment<sup>1</sup> with The EU Taxonomy. Our reporting includes the outcome of this evaluation for each project category of the reported portfolio of projects. The evaluations include the following technical screening criteria (TSCs): Substantial contribution (SC), Do no significant harm (DNSH) and Minimum Safeguards (MS).

## Issue of Green Bonds

In 2023, Statnett issued SEK 3 100m Green Bonds in February and EUR 500m Green Bonds in June with tenors of 5 and 10 years respectively.

The project categories included were efficient use of clean energy (Category 2) and increasing market share of renewable energy (Category 3).

Statnett sees the Green Bond market as its main source of long-term funding going forward. Issuance of Green Bonds is attracting a larger and more diversified base of investors and contributes to an increased attention around the much-needed green transition. Statnett's Green Bonds are issued under the company’s Euro Medium Term Note Programme and are listed.

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<sup>1</sup> An activity is *eligible* according to the taxonomy if it is included in the list of activities covered by the delegated act. An activity is *sustainable (aligned)* according to the taxonomy when it meets all the criteria for a material contribution to at least one of the environmental objectives, does not do significant damage to the other five environmental objectives and meets a minimum of social and governance conditions.



## Green Bond Reporting

Reporting covering Statnett's total portfolio of Green Bonds and corresponding use of proceeds. All figures are as of 31.12.2023.

### Green Bond Portfolio

Instrument	ISIN	Issue date	Maturity date	Currency	Amount (m)	NOK m <sup>2</sup>
Green Bond	NO0011024341	15.06.2021	15.06.2028	NOK	800	800
Green Bond	NO0011024333	15.06.2021	15.06.2026	NOK	550	550
Green Bond	XS2582544818	8.2.2023	8.2.2028	SEK	3 100	2 994
Green Bond	XS2631835332	8.6.2023	8.6.2033	EUR	500	5 976

Total (NOK m)	<b>10 320</b>
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### Green Bond Financed Portfolio by project category

#### EU Taxonomy <sup>3</sup>

		Accumulated financed (NOK m)	SC	DNSH	MS	Alignment
New projects financed	Connecting renewable power	-	-	-	-	-
	Enabling efficient use of clean energy	2 901	✓	✓	✓	Yes
	Increasing the market for renewable energy	7 419	✓	✓	✓	Yes
Sum New projects financed		10 320				

Projects refinanced	Connecting renewable power	-
	Enabling efficient use of clean energy	-
	Increasing the market for renewable energy	-
Sum Projects refinanced		-

Total (NOK m)	<b>10 320</b>
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<sup>2</sup> All debt in foreign currency is swapped to NOK.

<sup>3</sup> The applicable EU Taxonomy technical screening criteria (TSC) are assessed by tick-box, for substantial contribution (SC), do no significant harm (DNSH) and minimum safeguards (MS), see Appendix.

## Green Bond Financed Projects

Project	Accumulated financed (NOK m)	Accumulated investments (NOK m)	Remaining financed to be allocated to next year	Impact assessment
Smestad – Sogn	951	1 628	0	Capacity: 2 500 MW <sup>4</sup>
North Sea Link	3 779	7 495	0	Capacity: 1 400 MW Estimated CO <sub>2</sub> -reduction: 367 600 ton/y <sup>5</sup>
Lyse-Fagrafjell	1 950	2 023	0	Capacity: 3 000 MW <sup>4</sup>
NordLink	3 640	8 044	0	Capacity: 1 400 MW Estimated CO <sub>2</sub> -reduction: 703 900 ton/y <sup>6</sup>

<sup>4</sup> Category 2 projects are a precondition for making category 1 and 3 projects possible and their contributions to CO<sub>2</sub> reduction. Hence, the CO<sub>2</sub> reductions for projects under category 2 are indirect, and not estimated here.

<sup>5</sup> The reduction in European greenhouse gas emissions is from the 2018 Ten Year Network Development Plan published by the European Network of Transmission System Operators for Electricity (ENTSO-E). The CO<sub>2</sub> reduction estimate is the average assessment of the 2030 EUCO core policy scenario by the European Commission. The assessment is available on ENTSO-E's web page: <https://tyndp-data.netlify.app/tyndp2018/projects/projects/110>

<sup>6</sup> The reduction in European greenhouse gas emissions is from the 2018 Ten Year Network Development Plan published by the European Network of Transmission System Operators for Electricity (ENTSO-E). The CO<sub>2</sub> reduction estimate is the average assessment of the 2030 EUCO core policy scenario by the European Commission. The assessment is available on ENTSO-E's web page: <https://tyndp-data.netlify.app/tyndp2018/projects/projects/37>





## Example of projects financed with Green Bonds

### LYSE – FAGRAFJELL

#### New 420 kV power line and substation

Statnett has built a new power line for the central grid from the Lysefjord area in Forsand to Nord-Jæren and a new station at Fagrafjell on the border between Time and Sandnes municipalities.

The background for the project is to ensure enough electricity for the population of Sør-Rogaland and facilitate further growth. The two power lines previously supplying the region were not enough to handle the increased electricity consumption that has been and because of expected long-term growth in the region.

Together with Lyse Elnett, Statnett has conducted a grid analysis for Sør-Rogaland, and the results of the analysis, together with input from the previous consultation round, form the basis for the choice of interconnector. The previously applied for interconnector between Lyse and Stølaheia was suspended in 2015 after Statnett and Lyse Elnett decided to consider an alternative route south of Sandnes. New technical and economic assessments show that this alternative is both more cost-effective and can be implemented in pace with increased consumption.

#### Facts about the project:

- Location: Rogaland
- Length of cables: c. 67 km
- Voltage level: 420 kV
- Completed: June 2023
- Actual costs: NOK 2.0bn
- Capacity: 3,000 MW
- Green Bond framework category: *Enabling efficient use of clean energy*

## NORDLINK

### New subsea interconnector between Norway and Germany.

The NordLink project has been developed by Statnett in cooperation with grid company TenneT and investment bank KfW in Germany. The subsea cable will connect the Norwegian and German electricity markets for the first time.

There has been a significant increase in wind power and solar power in Germany. When the winds blow and the sun shines this creates a surplus of renewable energy in Germany, which also leads to lower prices than in Norway. Norway can then import this power and conserve the water in Norway's many hydropower reservoirs.

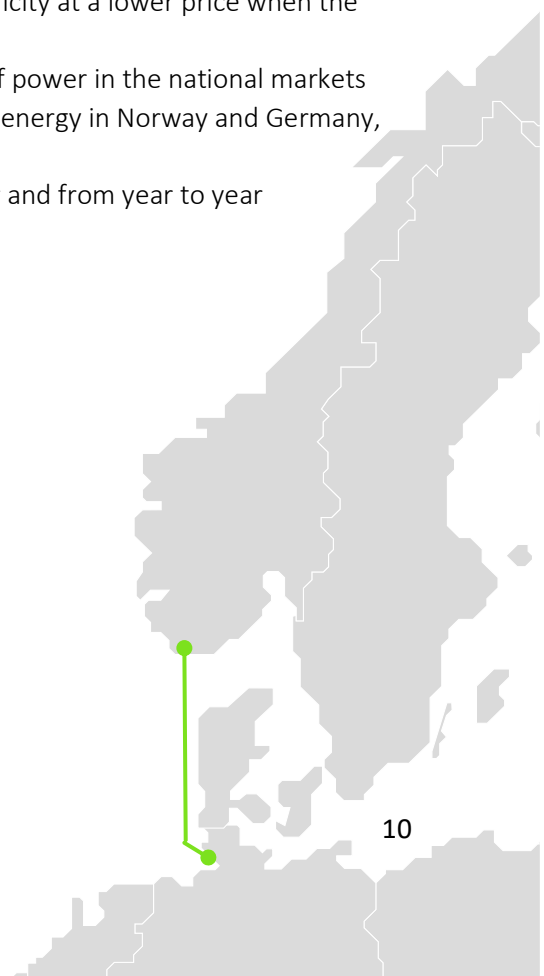
#### Facts about the project:

- Length: Over 500 km
- Voltage: 525 kV
- Capacity: 1,400 MW
- Location: Between Tonstad/Ertsmyra in Norway and Wilster in Germany
- Completed: Energy exchange started in December 2020 with a capacity of up to 1400 MW. Trial operation was completed in March 2021
- Statnett's actual costs: NOK 8.0bn
- Green Bond framework category: *Increasing the market for renewable energy*

When there is little production of wind power and solar power in Germany the need for power increases and the prices will be higher than in Norway. Norway can then produce hydropower and export it to Germany. This way we get more out of the resources on both sides of the cable.

#### The advantages of this exchange of green energy include:

- Increased security of supply because one can import more electricity at a lower price when the power situation is tight
- Increased market for power producers when there is a surplus of power in the national markets
- Facilitation of higher production and consumption of renewable energy in Norway and Germany, thereby contributing to future climate-friendly energy
- More predictable supply situation and price throughout the year and from year to year

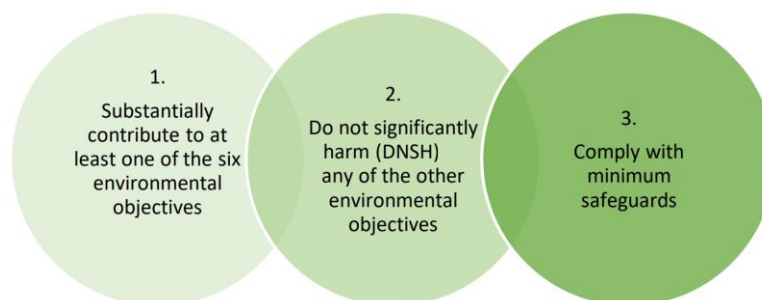


## Appendix

### EU taxonomy - Technical assessment

Statnett has a high score for taxonomy-qualified (eligible) and sustainable aligned activities. All our activities are included in *Activity 4.9 transmission and distribution of electricity*, in accordance with the Taxonomy Regulation. This means that we only have one activity to consider under the taxonomy.

In order for a taxonomy eligible activity to be defined as aligned, it must meet the requirements in the figure below.



Our Green Bond financed projects are fully aligned with the EU taxonomy.

Project	Substantial contribution criteria	Do not significantly harm criteria	Minimum safeguards
Smestad - Sogn	✓	✓	✓
North Sea Link	✓	✓	✓
Lyse - Fagrafjell	✓	✓	✓
NordLink	✓	✓	✓

For the 2023 accounting year the eligibility and alignment figures for Statnett overall are illustrated below.



## Assessment:

### 1. Substantial contribution to climate change mitigation

Statnett's activity 4.9 in the taxonomy meets the criterion of making a "substantial contribution" to the climate target "Climate change mitigation", because we are part of the interconnected European system and the activities related to *4.9 transmission and distribution of electricity* are defined as an enabling activity.

The Norwegian and Nordic power markets are an integral part of the common European power market. The Norwegian power system is closely interconnected with other countries. Closer integration between countries and sectors, new technology and digital solutions are prerequisites for making the transition to a low-emission society possible. The interconnected Norwegian, Nordic and European power system, and its subordinate systems, meet the qualification criteria for activity 4.9 of the taxonomy.

### 2. No significant negative impact on the other objectives in the taxonomy

The below summarises our assessment of the DNSH criteria for our business activities in activity 4.9 of the taxonomy.

**Climate change adaption:** We have identified physical climate risks and conducted vulnerability assessments that are substantial for our activities<sup>7</sup>. The assessments shows that our facilities, depending on where in the country they are located, will experience both increased, reduced or unchanged climate impact.

**The sustainable use and protection of water and marine resources:** There are currently no criteria for water in relation to activity 4.9.

**The transition to a circular economy:** Statnett has plans for waste management, and our waste is processed so that as much as possible can be utilised as either material resources or energy resources.

**Pollution prevention and control:** We follow the stated HSE guidelines. We follow the requirement related to electromagnetic fields. Here, we apply Norwegian legislation, the provisions in the Norwegian Radiation Protection Regulations and the authorities' advice on caution and good practice. PCB-containing power conduits have been taken out of use.

**The protection and restoration of natural diversity and ecosystems:** We comply with relevant requirements and carry out environmental impact assessments in accordance with applicable statutory requirements and expectations.

### 3. Compliance with the criteria for minimum safeguards

Statnett's activities are carried out in accordance with the taxonomy requirements for minimum safeguards.

Statnett works to identify, prevent, mitigate and disclose aspects that can have negative impact on human rights and decent working conditions – in the workplace, in the value chain and in the local communities where we operate. We carry out this due diligence in accordance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Our risk mitigating measures include conducting impact assessments, employee training, supplier assessments and follow-up, and stakeholder dialogue and engagement. We set clear expectations for ourselves in our Code of Conduct, and for our business partners, in Statnett's own Supplier Code of

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<sup>7</sup> Read more in the report "The importance of climate changes for Statnett's transmission infrastructure".

Conduct . We work to continuously improve and strengthen our policies and processes, and report on this regularly. Statnett discloses its Statement on Due Diligence Statement in its annual report, in accordance with the Norwegian Transparency Act.



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To the Management of Statnett SF

## INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON STATNETT GREEN BOND REPORT 2023

We have performed a limited assurance engagement for the Management of Statnett SF ("Statnett") on information set out in table "Green Bond Financed Projects" in the section "Green Bond Reporting" (the "Selected Information") within the Statnett Green Bond investor Letter and Impact Report for the reporting period ended 31 December 2023.

### Our assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2023, as described below, has not been prepared, in all material respects, in accordance with the Applicable Criteria.

### Scope of our work

Statnett has engaged us to provide an Independent Limited Assurance Report in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board ("IAASB") and our agreed terms of engagement.

The Selected Information in scope of our engagement, as presented in the Statnett Green Bond Report, for the period ended 31 December 2023 is as follows:

Selected Information in the Statnett Green Bond Report	Applicable Criteria
Table <i>Green Bond Financed Projects</i> , limited to; Column <i>Accumulated financed (NOK m)</i>	Whether the proceeds have been allocated to Eligible Projects as communicated in the table Green Bond Financed Projects as of 31.12.2023
Table <i>Green Bond Financed Projects</i> , limited to; Column <i>Project</i>	Whether the Eligible Projects comply with the criteria in Statnetts Green Bond Framework (December 2018), "Use of Proceeds".

In relation to the Selected Information, as listed in the above table, the Selected Information needs to be read and understood together with the Applicable Criteria.

### Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.



### **Managements' responsibilities**

The Management is responsible for:

- ensuring that the Use of Proceeds follows the Statnett Green Financing Framework
- ensuring that the project evaluation and selection, management of proceeds and reporting described in the Statnett Green Bond Report are in accordance with the purpose defined within the Statnett Green Financing Framework.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.

### **Our responsibilities**

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent limited Assurance Report to the management.

### **Our independence and quality management**

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply the International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Key procedures performed**

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the description of activities undertaken in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the description of activities undertaken in respect of the Selected Information, we performed the following procedures:

- Through inquiries of relevant personnel, we have obtained an understanding of the Company, its environment, processes and information systems relevant to the preparation of the Selected Information sufficient to identify areas where material misstatement in the Selected Information is likely to arise, providing a basis for designing and performing procedures to respond to address these areas and to obtain limited assurance to support a conclusion.
- Through inquiries of relevant personnel, we have obtained an understanding of the internal processes relevant to the Selected Information and data used in preparing the Selected Information, the methodology for gathering qualitative information, and the process for preparing and reporting the Selected Information.
- Performed procedures on a sample basis to assess whether the Selected Information has been collected and reported in accordance with the Applicable Criteria, including comparing to source documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



**Deloitte.**

Oslo, 28 June 2024  
Deloitte AS

**Guro Magnetun Heimvik**  
State Authorised Public Accountant

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