



# EKF's climate policy

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# Net zero 2045

EKF Denmark's Export Credit Agency (EKF) supports Danish exports and Danish companies by financing, covering and mitigating the risks entailed by exporting to and investing in other countries. In doing so, EKF helps to facilitate and mobilise international trade, investments, and projects.

Today, a large proportion of EKF's export finance is invested in climate-related exports. As a result, in 2020, export credits for renewable energy projects accounted for more than 70% of EKF's transactions overall. This makes EKF one of the greenest export credit agencies in the world.

Such a green portfolio is a good starting point in a world where the global climate crisis constitutes a substantial risk; and one that also affects EKF's overall risk picture. At the same time, the climate crisis holds a unique opportunity for EKF in terms of continuing to support Danish exporters in the green transition.

EKF's climate policy will consequently ensure that:

- ✓ EKF operates in accordance with the international and national climate action goals.
- ✓ EKF demonstrates global leadership for ambitious international frameworks for export finance and climate action.
- ✓ Climate-related risk coverage is integral to EKF's business model.
- ✓ EKF as a business enterprise supports Danish positions of strength within green technology as well as Danish exporters' ambitions for and their contributions to the global green transition.

## International alignment in export finance

EKF's climate policy is based on the Paris Agreement's goals of limiting the global warming to one and a half degrees, and on Denmark's goal of achieving a 70% reduction in greenhouse gas emissions by 2030 relative to 1990, and climate neutrality by no later than 2050.

Officially supported export finance can play a significant role in advancing and supporting the realignment of financing practices in favour of more climate-neutral projects. This type of financing can reduce the technological and financial risks in the projects and in so doing advance the green transition. EKF has extensive experience within climate finance and is helping to retain thousands of green Danish jobs.

In addition, EKF/Denmark has substantial influence on international regulation and rules for climate-related export finance and is leading the way in the EU and OECD in establishing international agreements on export finance and climate action.

## Definitions in the climate policy

The policy uses a range of climate-related terms. These are defined as follows:

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| <b>Net-zero emissions</b> | For global greenhouse gas emissions to achieve net zero, any given volume of greenhouse gas emitted into the atmosphere must be balanced by a corresponding volume removed. In other words, net-zero refers to a state in which greenhouse gases entering the atmosphere are balanced by taking greenhouse gases out of the atmosphere. The term 'net-zero' is important in the context of climate change, as this is the state in which global warming ceases. |
| <b>Green projects</b>     | EKF has adopted the EU taxonomy for sustainable activities as a benchmark for classifying green projects. View the Taxonomy Compass here: <a href="#">EU Taxonomy Compass</a> .   |



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| <b>TCFD</b> | <p>In June 2017, the Task Force on Climate-Related Financial Disclosures (TCFD) presented a number of recommendations on reporting of climate-related risks and opportunities.</p> <p>The recommendations consist of four main reporting parameters which the business enterprise commits to addressing and disclosing data on in their non-financial statements.</p> |
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## EKF's four guiding principles

EKF has committed to achieving net-zero emissions in the EKF portfolio by 2045 or earlier, and for the period 2022-2030, EKF will be aiming to issue guarantees and loans to green projects totalling at least EUR 20 billion.<sup>1</sup>

EKF will focus on four overarching principles:

- › Consolidating its position within renewable energy solutions, especially in the light of the intensified global competition in this sector.
- › Pursuing global leadership in the international negotiations on climate and export finance.
- › Being a frontrunner in developing financial solutions and specific instruments for promoting the green transition in the hard-to-abate sectors.
- › Phasing out finance for projects incompatible with the green transition and working for international phase-out agreements in order to ensure a level playing field for Danish companies vis-à-vis their competitors abroad.

## The path to net zero 2045

In order to achieve the objectives, in the short term, EKF will:

- › Integrate EKF's climate footprint in EKF risk assessments, credit policy and decision-making process with specific climate targets to guide our commitment, including the development of targets for achieving net-zero emissions by 2045 or earlier.
- › Continue EKF's ambitious undertaking to finance the global renewables expansion by supporting the roll-out of cleaner energy and modes of transport, by, for example:
  - › Mobilising the private financial sector
  - › Developing market-compatible green finance products.
- › Help to facilitate the transition of industries with a heavy climate footprint, especially those reliant on fossil fuels, by, for example:
  - › Partnering with energy-intensive Danish companies on realising their transition
  - › Developing incentives to motivate and support heavy industry for green transitioning.
- › Uphold the ban on export credits for thermal-coal mining operations, thermal coal logistics and coal-fired power plants.
- › From 2022 EKF will phase out all export financing of fossil fuels in the energy sector abroad. This includes,
  - › Fossil fuel power plants
  - › Drilling, exploration, extraction, refinery and trading activities of crude oil, gas, and thermal coal<sup>2</sup>
  - › Storage, supporting infrastructure (pipelines, etc.), transport/logistics primarily serving fossil fuels.

<sup>1</sup> EKF uses the EU Taxonomy for classifying green projects

<sup>2</sup> The Danish Government's Committee for Green Matters (*Det Grønne Udvalg*) decided September 2020 to end all export financing of coal power and thermal coal



A number of projects related to gas will be exempt from the restrictions during a transition period. These exceptions will expire in mid-2025 for new applications to EKF. Applications in EKF's pipeline can be processed and possible legally binding offers can be submitted until the end of 2026 with the possibility that the offer can be accepted until the end of 2027.

- › Continue to pursue green Danish leadership in international negotiations on climate and export finance, with a focus on
  - › Offering additional financial incentives for renewable energy and transitional projects
  - › Taking the lead in relevant international partnerships and initiatives, including the climate coalition, Export Finance For Future (E3F)
  - › Applying tougher international restrictions to fossil fuel finance in line with EKF climate policy.
  
- › Further enhance EKF's external climate disclosures from 2022 by reporting in accordance with the TCFD recommendations on climate-risk disclosures. Ahead of the disclosures for 2022, EKF will continue to report on its climate footprint and contributions to CO<sub>2</sub> mitigation in both its annual financial statements and its Sustainability Report. EKF's avoided carbon emissions inventory and disclosures will be audited by an independent third party.

EKF will strengthen its climate leadership by integrating climate-related responsibility across the organisation, including at senior management and boardroom level. In addition, EKF will engage its employees in implementing the climate policy. Employees play a major role in achieving the desired effect, and EKF will ensure that its staff has the requisite knowledge for achieving policy compliance and goal attainment. Finally, EKF will engage its external stakeholders, including business and industry, NGOs and civil society, in shaping and supporting the realisation of our policy.

## A just and cost-effective transition

EKF supports Danish jobs in all sectors, including in hard-to-abate industries that now face a steep transition. EKF is committed to fulfilling the Danish Government's ambitions for a fair transition without loss of Danish jobs.

Generally, the green transition is well underway among many companies. While new solutions are being developed, export finance has a key role to play in financing ongoing energy-intensive core business, energy-efficiency transactions and new sustainable ventures. Many companies are unable to make the necessary technological investments without financing.

EKF is committed to reducing the climate footprint of projects we participate in. That is why climate impact is being incorporated in EKF's risk assessments and decision-making process, and specific climate targets are being introduced to guide our commitments. In addition, EKF will be continuing its ambitious due diligence efforts at transactional level in order thereby to prevent pollution, protect ecosystems and biodiversity, and boost the sustainable use of energy in the projects EKF is participating in. The transactions we participate in must be compliant with EKF's ESG policy and EKF's international obligations in terms of standards for the environment and human rights.

