



A Green Future – Supporting climate-friendly investments by Swedish municipalities

Björn Söderlundh, Head of Lending, Swedish Local Government
Debt Office | Energy Efficiency Directive Concerted Action
Plenary Meeting, 20 October 2015, Luxemburg



KOMMUNINVEST

Swedish Local Government Debt Office



- Founded 1986 by ten local govts. Currently 280 owners/members (total=310), of which 272 municipalities and 8 county councils/regions.
- AAA/Aaa, stable outlook.
- Balance sheet: EUR ~35 bn, lending portfolio: EUR ~25 bn.
- Funding on international and domestic capital markets. Lending in Sweden.
- Mission: provide members with access to cost-efficient and stable funding.



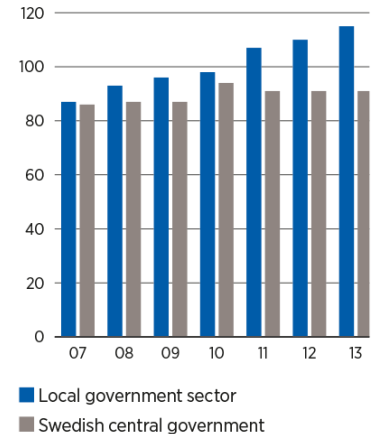


Role of municipalities



- Municipalities drive Swedish green efforts, through regulatory supervision, procurement and responsibility for city planning and local infrastructure.
- >90 % of municipalities have green targets or have adopted national or regional goals.
- Local government sector accounts for >50 % of all public sector investment.
- Transparency & reporting stimulates development.

Central and local government investments, SEK billion

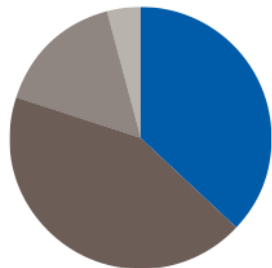




Local government investments



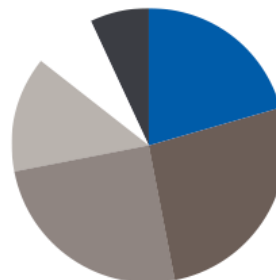
Distribution of local government sector investment in 2013,%



- Municipalities 37 %
- Municipal companies 43 %
- County councils/regions 16 %
- Companies owned by county councils/regions 4 %

Source: Kommuninvest

The municipal groups' investments in 2013, broken down by investment category



- Infrastructure, 21 %
- Housing 27 %
- Properties 25 %
- Energy 14 %
- Water and sewerage 7 %
- Other 7 %

Source: Kommuninvest. Rounding up/down means that sub-items add up to >100%.

3.1 % of GDP
in 2013



Kommuninvest Green Loans



1) Climate-friendly investment projects are eligible

Projects must promote the transition to low carbon and climate resilient growth, and be:

- part of applicant's systematic environmental work;
- be related to the national or regional environmental goals;
- target mitigation or adaption to climate change or env. mgmt.

2) Green Loans approval by external advisory committee

- Loan application signed by applicant's Finance and Environmental departments
- Screening and preliminary approval by Kommuninvest
- Final approval by the Kommuninvest Green Bonds Environmental Committee.

3) Green Bonds issued to SRI/ESG investors

- To fund Green Loans lending, Green Bonds will be issued, targeting investors with Socially Responsible Investment or Environment, Social, Governance focus.
- Green Bonds can be issued against max 75 % of Green Loan portf.



1) Climate-friendly projects





2) External advisory committee



- Audit and final approval of Green Loan applications
- Advisory board to Kommuninvest and Kommuninvest borrowers
 - Review and decide on Green Loan reporting by borrowers
- Review and approve Green Loans impact reporting in annual investor report
- Participate in development of Kommuninvest Green Bonds framework

Members (left to right) : Susanne Arneborg, Energy Coordinator, Municipality of Borås; Petra Mangnäs, Client Advisor, Kommuninvest; Marta Fallgren, Environmental Mgr, Uppsala County Council; Andreas Hagnell, Senior Advisor Environment and Energy, Swedish Association of Local Authorities and Regions; Sara Pettersson, Urban Development Officer, City of Gothenburg; Björn Söderlundh, Head of Lending, Kommuninvest; Hanna Arneson, Sustainability Mgr, Municipality of Örebro



Green Loan portfolio - examples



Järfälla | SEK 300 mn | **Herresta school** | First school in Sweden built entirely from cross laminated timber



Inaugural Green Loan: Municipality of Eskilstuna, SEK 165 mn for wind farm construction.



Karlstad | SEK 900 mn | **New biofuelled Combined Heat and Power plant**



Skellefteå | SEK 650 mn | **Phase 2&3 of Blaiken wind farm** | One of Europe's largest onshore wind farms



Thank you



For additional information, please consult Kommuninvest's Investor Presentation and Investor Factbook:

www.kommuninvest.org



An aerial night view of a city, likely Stockholm, Sweden, featuring a large, illuminated Christmas tree in the foreground. The city is lit up, and the lights are reflected in the water. The word "Appendix" is overlaid in large yellow text.

Appendix



Green Bonds Framework



Multi-level project selection & approvals process

1. Environmental functions & treasury departments in Kommuninvest's member municipalities/county councils.
2. Kommuninvest lending department.
3. Kommuninvest Green Bonds Environmental Committee.

Earmarked account for proceeds

Net Green Bond proceeds credited to a special account | On quarterly basis, NGB proceeds are used to fund Eligible Loans made during the quarter | Balance to be held in cash, green bonds, Swedish covered bonds, municipality and/or government risk | Minimum average credit rating: A- (S&P).

Focus on lending to new investment projects

Transparency & reporting

Annual investor letter: Eligible Loans exceeding SEK 25 mn; Project examples with impact reporting; Summary of Kommuninvest's Green Bond development.

Sustainability reporting according to GRI Guidelines.

→ All reports to be published at www.kommuninvest.org

Second opinion from Cicero

“Overall, Kommuninvest’s Green Bond framework and environmental policies provide a progressive, clear and sound framework for climate-friendly investments. The green bond framework lists eligible projects that are supportive of the objective of promoting a transition to low-carbon and climate-resilient growth and is supported by a strong governance structure in Kommuninvest.”

Center for International Climate and Environmental Research, 28 May 2015



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