



Our approach to assessing, reporting and tracking climate finance

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Guidance lead:
British International Investment



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Purpose of this document

This British International Investment (BII) methodology document describes our climate finance qualification criteria and quantification approach. It is based on the Common Principles for Climate Change Mitigation and Adaptation Finance Tracking report developed by multilateral development banks (MDBs) and the International Development Finance Club (IDFC). It also includes additional details from the operational approach we take for the various investment instruments we deploy. We carry out the qualification and quantification process in a systematic and transparent way to allow for verification. This means we can track progress towards our climate finance target, be accountable to our shareholder and stakeholders, and feed into our Development Impact score. This document is intended to improve transparency for the benefit of our investees, co-investors, and other external stakeholders.

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01

Introduction to climate finance

Climate finance refers to finance committed to activities that contribute to:

- Climate change mitigation by avoiding, reducing, or limiting greenhouse gas (GHG) emissions or enhancing GHG removals ('sequestration'). This can include circular economy activities where relevant, and/or
- Climate change adaptation by preventing or reducing the risks of adverse impacts posed by the current and expected future effects of climate change and to increase climate resilience.

in a manner that is 'Paris-aligned', that is consistent with a pathway towards countries 1.5°C and climate-resilient development.

For our 2022-2026 five-year strategy period, we set a climate finance target of 30 per cent of total commitments to be invested in activities that are counted as mitigation and/or adaptation finance. In addition, as per our Climate Strategy, all of our transactions are assessed for Paris alignment.

Our climate finance methodology follows the MDBs and IDFC Common Principles for Climate Change Mitigation and Adaptation Finance Tracking. Where needed, to support the operationalisation of these Common Principles, we complement these with other international frameworks such as the EU Taxonomy for Sustainable Activities, the Adaptation Solutions Taxonomy and its updated version, the Climate Resilience Investment Solutions Principles.¹

The list of eligible activities will be reviewed regularly by the MDBs to account for technology developments that may enable deeper decarbonisation of economic activities. Therefore, the current list includes some activities that may not be eligible in the future as the transition to an economy with net zero GHG emissions progresses. This document is aligned with the December 2023 update of the MDB/IDFC Climate Mitigation² and Adaptation³ Finance Tracking Principles.



Note: Some investments can deliver 'dual benefits' by contributing to both climate change mitigation and adaptation outcomes. These types of investments, however, would be counted as such to avoid double counting.

1.1 The difference between climate finance and climate impact

Climate finance only counts the proportion of our investment, and of our portfolio, which is in 'climate positive' activities with defined impact metrics.⁴ It does not reflect the broader value-add we provide beyond capital by supporting our investees/borrowers to transition to net zero and/or climate-resilient approaches. Therefore, we have classified the climate impact beyond the proportion of the portfolio as climate finance. This includes our efforts towards the enhanced adoption and implementation of the recommendations of the Task Force on Climate-related Disclosures (TCFD), now ISSB S2 climate-related disclosure standard, and related regulatory requirements on climate risk integration and disclosures.

1.2 Scope

Climate finance activities can consist of a standalone project; multiple standalone projects under a larger programme; a component of a standalone project; a programme financed through a financial intermediary; a programme focused on communication or awareness-raising; or an activity to prepare one of the foregoing projects or programmes. Climate finance tracking may be applied to a range of financial instruments, such as advisory services,⁵ equity, grants, bonds, guarantees, investment loans, refinancing, working capital, lines of credit, and results-based financing.

1.3 Climate finance mobilisation

We report climate finance mobilised as part of our reporting under UK Climate Finance Results using the appropriate key performance indicators (KPIs).⁶ KPI12 is the "Volume of private financed mobilised for climate change purposes as a result of ICF", and we follow this methodology using the Organisation for Economic Co-operation and Development (OECD) DAC methodology for mobilisation.⁷ This is calculated centrally by our Finance team for commitments where mobilisation did occur. The Climate team then reviews this list, indicating which of these also qualified as climate finance for the previous year.

Climate finance mobilised is reported separately to our climate finance commitments from our investment capital.

1.4 Governance

Our Climate team is responsible for climate finance qualification. The climate lead for a transaction conducts the eligibility assessment and a senior member of the team provides oversight and sign off. This ensures consistency across transactions and an objective treatment towards documentation as part of our Impact Score governance.⁸

1.5 External reporting

We report our climate finance commitments annually at investment level, both in absolute terms and as a percentage of total commitments. We do so through our Annual Review, Annual Accounts, our website, in reporting to our shareholder as part of HMG International Climate Finance (ICF) reporting, and via other channels as required.

We report on our UK ICF commitments using the relevant KPIs, such as private finance mobilised, emissions reduced/avoided, and megawatts (MW) of capacity installed.

The climate finance target applies only to climate finance commitments out of total commitments from our investment capital.

1.6 Point of reporting

Data reported reflects financial commitments at the time of signature of financial agreement and is therefore based on ex-ante estimations.



02

Principles of tracking climate finance

2.1 Complying with our policies and commitments

An investment would not count as climate finance if:

- **Not compliant with our Environmental and Social Policies and standards**, including our Policy on Responsible Investment.⁹
- **Supporting excluded activities** (for example, solar power exclusively for oil production or a coal terminal) as outlined in our Fossil Fuel Policy.¹⁰

2.2 Paris alignment and climate finance

To qualify as climate finance, investments must be considered aligned or conditionally aligned to the goals of the Paris Agreement. In other words, they must be consistent with, or on a path to, countries' low-carbon, climate-resilient development pathways. This implies that the following would not count as climate finance:

- Energy efficiency interventions in Paris mis-aligned and therefore excluded activities (for example, coal/heavy fuel oil (HFO) non-Paris-aligned gas power plants).
- Energy efficiency interventions which reduce GHG emissions, but even after the intervention the emissions profile of the activity is not projected to meet Paris-aligned benchmarks (for example, energy efficiency interventions internal combustion engine vehicles that improve efficiency somewhat but are not Paris aligned).
- Climate finance in Paris mis-aligned investments as determined by the application of our Fossil Fuel Policy and Natural Gas Power Plants¹¹ and our other investment-specific Paris alignment guidance such as Food and Agriculture.¹²

Paris alignment and climate finance qualification are different processes. While Paris alignment is a prerequisite for qualifying as climate finance, investments that are Paris aligned do not automatically qualify as climate finance (for example, a Paris-aligned gas power plant). For instance, an investment in a healthcare business may be Paris aligned, but might not qualify as climate finance. It would qualify as climate finance if components and/or subcomponents or elements or proportions of the healthcare investment contribute directly to or promote climate change adaptation and/or mitigation.

2.3 Granularity

Climate finance is tracked in a granular manner. In other words, the climate finance reported covers only those activities (components and/or subcomponents, elements, or proportions of investments) that directly contribute to or promote adaptation and/or mitigation.

In practice, we operationalise this principle by calculating our financial commitments linked to the qualifying activities outlined in the investment documents by:

- a) Applying a 'use of proceeds' approach (expenditures). For example, a BII equity investment in a renewable energy generation project would count 100 per cent as mitigation finance. A BII equity investment in a company offering adaptation solutions business would count 100 per cent.

OR

- b) Using the turnover linked to qualifying activities if disaggregating the 'use of proceeds' is not feasible; For example, when we invest in equity or provide corporate debt to a counterparty offering multiple climate solutions – contributing to mitigation and/or adaptation and others not eligible. An example could be a BII investment in a technology and digital solutions provider offering, among the other things, climate data services (this approach applies only to investments generating revenues from climate solutions).

OR

- c) Using other relevant data points and experience-based assessment to identify the proportion of the project that covers climate finance activities, consistent with the principle of conservativeness. For example, by using as a reference the costs of adaptation or mitigation interventions of past investments, or the results of resource efficiency audits or feasibility studies.

The following sections provides further details on how we operationalise the principle of granularity in climate finance accounting.

2.4 Conservativeness

Where data is unavailable, any uncertainty must be overcome by taking a conservative approach. Under-reporting rather than over-reporting climate finance is preferable.

2.5 Avoiding double counting

Where the same components and/or subcomponents, elements or proportions of investments contribute to both mitigation and adaptation, actual financing will not be recorded more than once. Climate finance in projects where the same components or elements contribute to mitigation and adaptation simultaneously will be reported as a separate category, namely 'dual climate finance'.

2.6 Climate finance accounting

Table 2 provides specific details about how we account for climate finance across a range of investment and financing products.

Table 2. How we operationalise the principle of granularity

Product	Approaches for determining the share of the total investment qualifying as climate finance	Examples
DIRECT INVESTMENTS		
Project finance	<ul style="list-style-type: none"> – ‘Use of proceeds’ approach: counting only our financial commitments linked to mitigation or adaptation qualifying activities. 	<ul style="list-style-type: none"> – Project finance for a renewable energy project structured as a Special Purpose Vehicle (SPV)
Corporate debt	<ul style="list-style-type: none"> – ‘Use of proceeds’ approach for contractually ringfenced debt: counting only our financial commitments ring-fenced mitigation or adaptation qualifying activities, or – ‘Use of proceeds’ approach for non-ringfenced debt: an estimated portion of our capital investment that can be directly linked or pro-rated to the qualifying adaptation and/or mitigation measures based on the information outlined in the business plan, budget, financial agreement, or – Turnover-based: where a use of proceeds approach is not feasible, we will estimate the proportion of climate finance based on a company’s climate activities-linked turnover. 	<ul style="list-style-type: none"> – General purpose loan in a fully climate finance-qualifying company – E.g., ringfenced debt for a new sustainable biomass boiler in a textile company. Sustainable biomass energy is a qualifying activity and the use of proceeds for the activity qualifies as climate finance (Refer to Annex A, Table 2: Energy) – E.g., general purpose corporate debt loan to a car manufacturer which cannot be ringfenced. Use the turnover based approach given 50 per cent turnover comes from electric vehicle (Refer to Annex A, Table 8: Transportation) 50 per cent of loan qualifies as climate finance
Direct equity	<ul style="list-style-type: none"> – Turnover-based: if a use of proceeds approach is not feasible, we will estimate the proportion of climate finance based on a company’s climate activities-linked turnover – ‘Use of proceeds’¹³: an estimated portion of our capital investment that can be directly linked or pro-rated to the qualifying adaptation and/or mitigation measures based on the information outlined in the business plan, budget, financial agreement, or agreement or bespoke physical climate risk assessment included in the investment documents. 	<ul style="list-style-type: none"> – Turnover based approach for climate-based companies, e.g., company offering weather and climate analytics services – Use of proceeds approach, e.g., <ul style="list-style-type: none"> A) housing developer raising equity round for certified green building where 70 per cent of use of proceeds goes to certified green building B) Food and beverages manufacturing company investing in adaptation measures as part of our involvement in its capital structure as outlined in related contractual arrangements

INDIRECT INVESTMENTS

FUNDS		
Investment in a fund	<ul style="list-style-type: none"> The proportion of our financial commitment is linked to a fund's future investment capital allocation for climate finance eligible activities. This is based on i) a thorough review of the fund's track record, strategy, indicative pipeline and processes and ii) any climate finance investment targets the fund manager agrees to. The principle of conservativeness should be observed. 	<ul style="list-style-type: none"> Equity investment in a fund dedicated to climate tech investing Debt investment into a climate finance fund Equity investment in a generalist fund committing to a 30 per cent climate finance target
FINANCIAL INSTITUTIONS		
Equity investment in a financial intermediary	<ul style="list-style-type: none"> Use of proceeds' approach: Our financial commitment would count as climate finance only if the financial intermediary is dedicated to delivering climate finance or dedicated to investing green sector(s), similar to a sector-focused fund. If a financial institution commits to a climate finance target by allocating a percentage of its funding to climate-related activities/transactions, we will use this percentage to determine the proportion of the investment eligible for climate finance. 	<ul style="list-style-type: none"> Equity investment into a specialist financial institution delivering green finance
Directed lending	<ul style="list-style-type: none"> 'Use of proceeds' approach: the proportion of our financial commitment for the credit line linked to eligible activities. This is assessed in line with the four areas of the Green Lending Principles (use of proceeds, process for project evaluation, selection management of proceeds and reporting). Other factors considered are the track record, growth ambitions for the climate portfolio and broader climate strategy. 	<ul style="list-style-type: none"> Green directed lending loan Climate resilient lending loan
General purpose loan to a financial intermediary	<ul style="list-style-type: none"> Use of proceeds' approach: Our financial commitment would count as climate finance only if the financial intermediary is dedicated to delivering climate finance. If a financial institution commits to a climate target by allocating a percentage of its funding to climate-related activities/transactions, we will use this percentage to determine the proportion of the investment eligible for climate finance. This is applicable only to a <u>specialist financial intermediary</u> with focus on climate finance. 	<ul style="list-style-type: none"> Debt investment into a specialist financial institution delivering green finance
PLATFORMS (including joint ventures)		
Equity investment in a platform	<ul style="list-style-type: none"> 'Use of proceeds' approach: the proportion of our capital targeted to activities contributing to climate adaptation or eligible mitigation activities. Seed assets and follow-on assets will be qualified separately. If the pipeline that a platform will invest into is highly uncertain, a fallback option will be to qualify this using the climate finance exposure of the existing portfolio in cases where the platform has established a climate focused strategy, capacity and track record. 	<ul style="list-style-type: none"> Infrastructure Equity Platform

Investment loans in more detail

2.6.1 Refinancing

Refinancing is the replacement of an existing debt obligation with another debt obligation under different terms. Refinancing can be classified as climate finance subject to meeting one of the following terms:

- Refinancing of assets that have reached financial closure for the entire term of the project or that have passed the breakeven point, provided the client commits to originating new climate deals for that amount within the next 24 months.
- Refinancing of assets where financial closure has not yet taken place, or the project has not yet been fully constructed and is not yet operational.
- Bringing in additional long-term funds to replace short-term bridge loans or strengthening the financial terms of the climate-related asset through long-term loans with better terms than those of previous loans (for example, they correct a mismatch of maturity, adjust the costs of asset construction, reduce exchange rate impact, replace expensive debt, and so on).
- Refinancing climate finance projects that have already been constructed or are already operational but have not passed the breakeven point (for example, recently-built solar projects). The breakeven conditions are confirmed by the Investment team.

The principles of this approach should be applied to equity investments to ensure consistent treatment.



03

Implementing mitigation finance

3.1 Defining mitigation finance

An activity can be classified as climate change mitigation where, by avoiding or reducing GHG emissions or increasing GHG sequestration, it contributes substantially to the stabilisation of GHG concentrations in the atmosphere – at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement.

Activities that, despite reducing GHG emissions in the short term, risk locking-in emissive technologies over long periods of time, and run counter to the structural changes needed, thereby undermining the long-term temperature goal, are not eligible as mitigation finance.

In 2020, we committed to implementing the MDB joint methodology on mitigation finance tracking *ex-ante* assessments⁴ and focusing on the type of activity to be executed, not on its purpose, the origin of the financial resources, or its actual mitigation impact.

The Common Principles recognise that a substantial contribution to climate change mitigation can involve the following three categories of climate change mitigation activities:

Table 1: Summary of eligibility principles for the three categories of activities

Summary of eligibility principles	
Negative or very low emissions	<ul style="list-style-type: none"> – Have negative or near-zero net GHG emissions.
Transitional	<ul style="list-style-type: none"> – Lack technologically or economically feasible very-low-emission alternatives available. – Comply with high performance country-specific or sector-specific standards, benchmarks or thresholds for GHG emissions, or emission-intensity that significantly exceed expected performance in a sector or activity – Do not hamper the development or deployment of very-low-emission activities; and – Do not lead to a lock-in of GHG-emission-intensive assets inconsistent with the long-term goal of net zero GHG emissions.
Enabling	<ul style="list-style-type: none"> – Are necessary for developing or implementing other eligible climate mitigation activities; – Do not hamper the development or deployment of negative- or very-low-emission activities; and – Do not lead to a lock-in of GHG-emission-intensive assets inconsistent with the long-term goal of net zero GHG emissions.

The MDB methodology recognises that institutions may wish to set specific quantitative thresholds according to individual mandates and specific circumstances in the areas of their operation, or apply thresholds set in other standards or taxonomies where no fixed quantitative requirements are established. However, from time to time we will rely on third party resource benchmarks, such as the Climate Bonds Initiative or EU Taxonomy.

Some investment partners will use other climate finance definitions. We will assess these and, where they are aligned with the Common Principles and the eligibility criteria in this document, these investments will be eligible as mitigation finance.

3.2 National context

- The Common Principles acknowledge that the development pathways in individual countries that collectively enable the world to achieve low – and ultimately net zero – GHG emissions depend on different national circumstances and capabilities.
- Assessing potential mitigation activities should consider, where appropriate and to the extent possible, country-appropriate technology benchmarks (including those derived from regional benchmarks) to facilitate progress towards national goals and avoid risks of locking-in emission-intensive technologies and practices over the long term.

3.3 GHG assessment

- Where GHG assessments are required to demonstrate eligibility, these should follow, where appropriate, the International Financial Institution (IFI) Framework for a Harmonised Approach to Greenhouse Gas Accounting¹⁵ and the harmonised standards or approaches adopted by the IFI Technical Working Group on Greenhouse Gas Accounting.¹⁶ Where IFI standards or approaches do not exist, then relevant alternative methodologies or standards may be applied.

Where lifecycle emissions are considered material and relevant for assessing eligibility, they may be based, where appropriate, on literature references rather than project-specific information. Emissions associated with the rebound effect may also be considered within GHG assessments, where such emissions are feasible to assess and deemed material.

- Where a GHG assessment is not feasible, for example, where data are not available or no suitable methodology exists, the assessment may be substituted by the use of appropriate proxy approaches ensuring adoption of widely accepted international practices and implementation of the principle of conservativeness.
- In certain activities, the methodology recommends that Scope 3 emissions be quantified for activities where those emissions are expected to be material and relevant. Quantification should be carried out to the extent possible and on a best-effort basis, particularly where the activity's Scope 1 and Scope 2 emissions result in net GHG emissions that are (i) positive (that is, GHG emissions in the project scenario are higher than in the baseline scenario) or close to zero, or (ii) negative but with material Scope 3 emissions that can result in net positive GHG emissions. By contrast, if the net GHG emissions are already substantially negative, even without accounting for Scope 3 emissions and inclusion of the latter is expected to decrease net GHG emissions further, quantification of Scope 3 emissions may be omitted and replaced with a qualitative analysis.
- Baseline scenario: To assess the impact of projects and where required for a GHG assessment, the baseline scenario should follow the *IFI Framework for a Harmonised Approach to Greenhouse Gas Accounting* approach, and the harmonised standards or guidelines adopted by the IFI Technical Working Group on Greenhouse Gas Accounting. Additional guidance on defining baselines is provided within certain categories in the eligibility list, and in some cases an alternative baseline scenario is proposed.

3.4 Substantial reduction in GHG emissions

- Activity types included in the list of eligible activities are assumed to contribute to climate mitigation, provided they meet the criteria specified. Some activity types with significant GHG emissions call for a demonstration of a substantial reduction in net GHG emissions against a baseline scenario. A reduction in net GHG emissions is deemed 'substantial' when it is significantly greater than a normal incremental reduction expected in a particular sector or activity.
- In some cases, it may be challenging or not appropriate to calculate a reduction in net GHG emissions (for example, on account of difficulties in defining the baseline scenario), whereas there may be suitable benchmarks for intensity metrics— such as tonnes of carbon dioxide equivalent (CO₂e) or gigajoules of energy per unit of output—and comparison with such benchmarks may be adequate for assessing the likely mitigation impact. To accommodate such cases, some eligibility criteria (specified in tables in Annex A, for example in agriculture, forestry, land use, fisheries, manufacturing, and information and communications technology (ICT)) allow the option of substituting the reduction in net GHG emissions with that in the intensity of CO₂e emissions or energy consumption, or meeting a high-performance threshold for CO₂e emissions as defined in standards, taxonomies, regulations or benchmarks.

- Where absolute emissions are already very low in the baseline, and it is not possible to reduce the emissions much further, demonstration of a substantial reduction in net GHG emissions is not required. Two examples are the addition of renewable energy generation capacity in a system already dominated by very-low-carbon electricity and increasing the energy efficiency of electric equipment using largely renewable energy. For the former, it may be sufficient to demonstrate very low absolute emissions (such as tonnes of CO₂e emitted per gigawatt-hour), and for the latter it may be sufficient to demonstrate a substantial reduction in the intensity of energy consumption (such as kilowatt-hours per lumen).

3.5 Carbon offsetting

This methodology requires climate mitigation activities to reduce GHG emissions (or meet other criteria) within the defined scope and boundaries of the project, programme or investment. Any purchased carbon credits or other market-based instruments, such as renewable energy credits, to offset GHG emissions directly generated by the activity cannot generally be used as an eligible mitigation approach at the project level, with certain narrowly limited exceptions.

Where the activity has no or low direct emissions, or direct emissions do not make the activity ineligible – such as a manufacturing plant burning sustainably harvested biomass for heat generation – and has high Scope 2 emissions even after adopting energy efficiency improvement measures, purchasing energy with very low lifecycle GHG emissions by, for example, signing a power purchase agreement with a renewable energy provider or paying a renewable energy premium for electricity consumed, as a means of achieving a substantial reduction in Scope 2 emissions, may be eligible, if the contractual arrangement results in an increase in the amount of such energy generated through, for example, new capacity addition or reduced curtailment.

3.6 Greenfield and brownfield activities

- The Common Principles distinguish between greenfield and brownfield activities where eligibility and criteria differ. Greenfield activities relate to projects in new sites or in existing facilities where the vast majority of a plant and equipment is new and where, in the case of projects in existing facilities, all the critical items of equipment are decommissioned, or projects that primarily acquire and deploy new appliances or equipment. Brownfield activities relate to projects that modify existing facilities, equipment, appliances, systems or processes. Where there is gradual replacement or retrofit of a whole facility dedicated to the same activity over a longer period, this may be considered as a series of brownfield projects.
- Recognising the role that new, highly efficient, and low-carbon activities can play in mitigating climate change, the updated Common Principles introduce criteria and guidance to determine the circumstances under which greenfield activities are eligible activities and help prevent a long-term lock-in of high-GHG-emission infrastructure and activities. In particular, such greenfield investments may enable structural changes required for meeting the long-term temperature goal, support emerging technologies with significant climate mitigation potential, meet global high-performance standards or high-efficiency benchmarks, or significantly exceed national or regional standards. In all cases, and particularly relevant to greenfield facilities, whether land costs and other costs are integral to climate change mitigation should be assessed, and if they are not and yet, comprise a significant share of the total cost, they are not counted as climate finance.
- **Mixed greenfield and brownfield projects:** In some projects, there may be both greenfield and brownfield components. Where there is a physical expansion of an existing site, a significant increase in output capacity, or a significant extension of the expected life of the site, facility or the equipment, the activity should be disaggregated into brownfield and greenfield components whereby the one corresponding to such an increase or extension should be considered as greenfield development and must meet criteria defined for greenfield activities. Where possible, the proportion of the project that is considered as greenfield should be based on the incremental investment costs associated with the increase in cumulative outputs. Where this approach is not possible, the proportions of investments in greenfield and brownfield may be apportioned by comparing cumulative outputs before and after the project.

3.7 Energy efficiency

- For projects that improve the energy and resource efficiency of technologies and processes, the methodology acknowledges that their impacts in terms of reducing GHG emissions may be considered upstream and/or downstream. However, it also acknowledges that drawing the boundary between increasing production and reducing emissions per unit of output is difficult. Therefore, investments in greenfield energy and resource efficiency are included only in a few cases where they help prevent a long-term lock-in to high-carbon infrastructure.
- When considering brownfield energy and resource efficiency investments as climate finance, old technologies must be replaced well before the end of their lifetimes with new technologies that are substantially more efficient. Alternatively, new technologies or processes must enable substantially higher system efficiency compared to those normally used in greenfield projects. For guidance on relevant greenfield projects, please see:
 - Table 2: Energy, activity 3
 - Table 4: Manufacturing, activity 3
 - Table 6: Water supply (potable water) and wastewater, activity 3
 - Table 7: Solid waste management, activity 10
 - Table 9: Buildings, public installations and end-use energy efficiency, activity 2
 - Table 10: Information and communications technology (ICT) and digital technologies, activity 2

3.8 Use of renewable energy

In cases where a project generates renewable energy and uses it, the following activities may be tracked as climate mitigation finance:

- a) On-site production of renewable energy, provided it has very low lifecycle GHG emissions.
- b) Costs associated with conversion of existing equipment to use renewable energy.
- c) New equipment or appliances using renewable energy are eligible if one or more of the following conditions are satisfied:
 - a. The equipment or appliance is designed specifically to use renewable energy (for example, a solar cooker).
 - b. The equipment or appliance using renewable energy and equipment generating renewable energy is integrated in a package and switching to another source of energy for the appliance or equipment in the package is not possible without altering the integrity of the package.
 - c. The equipment or appliance uses the best available technology or matches or surpasses country-appropriate performance benchmarks.
 - d. The use of electricity in a particular application is relatively rare in the region.



04

Implementing adaptation finance

4.1 Defining adaptation finance

Adaptation finance relates to the tracking of the value of our financial commitments for activities aimed at preventing or reducing the risks or vulnerabilities posed by climate change and to increase climate resilience.

In the move towards enhanced harmonisation on adaptation finance tracking among DFIs, since 2021 we apply the MDBs and the IDFC Common Principles for Climate Change Adaptation Finance Tracking which were updated in 2023.¹⁷

The Common Principles understand that climate change adaptation is context- and location-specific. As such, it requires the use of a process-based approach to assess climate change vulnerabilities and identify the activities required to reduce such vulnerabilities. This has been recognised as good practice¹⁸ for climate change adaptation and resilience building. The approach recognises the heterogeneity of potential climate-related impacts and sets a requirement that assessments must be contextualised.

4.2 Operationalising adaptation finance tracking

The MDBs and IDFC adaptation finance qualification consists of the following steps.

1. Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change;
2. Stating the intent to address the identified risks, vulnerabilities and impacts in project documents; and
3. Demonstrating a direct link between the identified risks, vulnerabilities and impacts, and the financed activities.

The following sections explain their operationalisation in the context of enabling vs. adapted activities in our investment process. Annex B provides further details, including examples of adaptation finance activities.

Adapted investments vs. investments enabling adaptation and resilience

The following two categories are considered activities for adaptation finance:

	Adapted activities	Enabling activities
Description	Activities that integrate measures to manage physical climate risks and ensure the project's intended objectives are realised despite the risks.	<ul style="list-style-type: none"> Activities that directly reduce physical climate risk and/or build the adaptive capacity of the system within which the activity takes place. Activities that contribute to reducing the underlying causes of vulnerability to climate change at the systemic level and/or removing knowledge, capacity, technological and other barriers to adaptation.
Objective	<ul style="list-style-type: none"> Activities that directly reduce physical climate risk and/or build the adaptive capacity of the system within which the activity takes place. 	<ul style="list-style-type: none"> Adaptation is one of the objectives or the primary objective of the activity.
Scope	<ul style="list-style-type: none"> Activities that directly reduce physical climate risk and/or build the adaptive capacity of the system within which the activity takes place. 	<ul style="list-style-type: none"> System level/other people, nature, assets and/or other economic activities.
Examples	<ul style="list-style-type: none"> A water utility vulnerable to increased risk of floods invests in early warning systems to reduce this risk. Using conductors with operating limits at higher temperature thresholds in a transmission line vulnerable to increased extreme temperature. 	<ul style="list-style-type: none"> Investment in a start-up offering flood early warning and response systems. Diversification of water sources needed in a city's water supply system to meet increased demand from a growing population and reducing risks to the water supply system resulting from droughts.
MDBs A&R activity type	Type 1	Type 2 and 3 ¹⁹
Adaptation finance quantum	X per cent determined taking a proportional approach as outlined in Annex B.	X per cent to 100 per cent determined taking a proportional approach as outlined in Annex B and based on investment-specific circumstances.

We make this distinction to guide how we pursue adaptation and resilience building investment opportunities in line with the 2023 MDBs and IDFC Common Principles as well as national or regional taxonomies and industry practice.²⁰ The following sections outline how we operationalise the principles outlined in the context of these activities.

4.2.1 Adapted activities

Adapted activities are investments in activities that integrate measures to manage physical climate risks and ensure that an investment's intended objectives are realised despite these risks. These activities include adjustments or improvements required to ensure that an investment (e.g., an infrastructure project), performs well against experienced and anticipated impacts of climate change.

The operationalisation of our adaptation finance tracking approach in the context of adapted activities is linked to the physical climate risk assessment and management process integrated into our investment process, and overall risk management framework.²¹ However, it is worth noting that our physical climate risk identification, assessment and management process at the transaction level aims to identify the need for and ensure that adaptation and resilience measures and capabilities are in place to reduce material physical climate risks. These measures could include both structural interventions requiring capital expenditures as well as the strengthening of an investee's physical risk management capabilities. Our adaptation finance tracking methodology, instead aims to determine the amount of finance invested in adaptation and resilience-building activities. The former requires an assessment at the investee/asset level and is instrumental to the identification of opportunities for investing in and engaging on adaptation and resilience-building measures. The latter also relates to investments specifically targeted to the provision of capital to adapt to the adverse effects of climate change.

Where our capital is specifically linked to such adaptation and resilience building measures, it can be counted as adaptation finance provided the following three steps of the MDBs and IDFC methodologies are met:

- **Set out the climate vulnerability context** by leveraging findings that emerged from the physical climate risk due diligence process or provided by the counterparty.
- **Make a statement of intent** to address the identified risks and vulnerabilities in the investment documents.
- **Articulate the direct link** between the activities financed and the climate vulnerabilities identified in the investment documents.²²

As part of the investment due diligence process, we also investigate the risk of so-called maladaptation²³ to avoid possible unintended consequences via increase of GHG emissions. Other possible drivers of maladaptation are evaluated through the implementation of the environmental and social risk management approach outlined in our Policy on Responsible Investing.²⁴

Another key step of our investment process is to articulate quantitatively and/or qualitatively the **expected adaptation and resilience benefits** of an investment in the Development Impact Dashboard and monitoring plan. This implies defining investment-specific adaptation and resilience output or outcomes metrics to monitor during the life of an investment.

We are working with peers to develop a consistent measurement framework that improves our ability, and that of our investees, to assess the positive adaptation and resilience impacts of our investments. This framework applies the five dimensions of impact outlined in our Development Impact Dashboard.²⁵ This dashboard is a key tool for setting out the key steps of the MDBs-IDFC adaptation finance methodology.

4.2.2 Enabling activities

This refers to investments in companies offering a technology, product, services and/or practice that enables others to prepare, prevent, respond to and recover from climate shocks and stresses. Such solutions can reduce physical climate risks and build the adaptive capacity of other people, of nature, of physical assets and of other economic activities. They can also address systemic barriers to adaptation, such as by removing information, technological, capacity and/or financial barriers to adaptation by others. Annex B and the Climate Investment Playbook²⁶ offer examples of adaptation solutions mapped against key sectors targeted by our business groups.

To qualify as adaptation finance, our investments in companies offering adaptation solutions must articulate in the investment documents how they meet the three steps of the MDBs-IDFC methodology, outlined below.

- **Set out the climate vulnerability context** of the investment – geography/sector/customer base (as applicable) by leveraging reliable resources.²⁷
- **Make a statement of intent** for addressing identified risks and vulnerabilities in the investment documents.
- **Articulate the direct link** between the adaptation solution(s) offered by the target investee/borrower and the context of climate change vulnerability by determining whether a company's technology, product, service and/or practice enables to:
 - a) Directly reduce physical risk, or their associated adverse impacts on people, nature, assets, or other economic activities and/or
 - b) Address systemic barriers to adaptation by removing information, technological, capacity and/or financial barriers to adaptation by others.²⁸

As part of the investment due diligence process, we also investigate the target investees' intentionality and the risk of possible causes of maladaptation. To this end, we leverage the process in place for implementing our Policy on Responsible Investing and, evaluate whether the A&R solution may lead to possible increase in GHG emissions and/or unsustainable water withdrawal, as applicable.

Another key step of our investment process is to articulate quantitatively and/or qualitatively the **expected adaptation and resilience benefits** to measure, monitor and manage over the holding period. Enabling activities can entail investments in **providers of climate insurance services** would qualify as adaptation finance if demonstrating offering of non-life insurance underwriting climate-related hazards. This includes insurer and reinsurer.²⁹

Enabling activities can also entail investments in **infrastructure aimed at enabling systemic adaptation** by reducing the underlying causes of climate vulnerability and build resilience of a wider system. In the context of such type of investments, which can for instance encompass investments in water infrastructures, it is important to ensure they are 'adapted' as covered in section 4.1.2, and minimally GHG-emissions intensive as possible. In practice, this means screening the investment for physical climate risks as part of our transaction level physical risk assessment process, and addressing, where applicable, identified risks with our investment, including via the Environmental and Social Action Plan (ESAP).

Investments in **research, development, and innovation of adaptation solutions** would qualify as adaptation finance if demonstrably developed with the principal objective of enabling climate change adaptation and resilience as outlined above.³⁰

4.3 Defining dual benefits finance

Dual benefits finance is climate finance directed towards activities contributing to both climate change mitigation and climate change adaptation and meeting the respective criteria for each category. An afforestation project preventing slope erosion due to extreme precipitations is an example of a 'dual benefit' project because it brings significant adaptation benefits while also making a positive contribution to mitigation.

4.4 Defining nature-based solutions

Nature-based solutions are defined as “*actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits*”.

The relevance of nature-based solutions for climate adaptation and resilience has been highlighted in several contexts, and evidence is emerging on their effectiveness.³¹ Many nature-based solutions for adaptation are also beneficial for climate change mitigation because they can help increase carbon uptake and storage. They can also deliver other benefits such as better water quality, more productive natural resources, job creation, improved health, and biodiversity conservation.³² (See Annex B for further details).

As applicable, we will work on enhancing our climate finance approach as it pertains to nature-based solutions.



05

Climate finance via investment in funds

5.1 Climate investment via funds

For climate investment via funds, we consider the fund's investment strategy, processes and measurement procedures to deliver and demonstrate the climate mandate. We estimate ex-ante the proportion of finance targeting climate mitigation and/or climate adaptation.

Three criteria must be assessed to qualify a fund as climate finance:

1. The fund's investment strategy is focused on investing in activities delivering mitigation outcomes or contributing to climate adaptation and resilience, evidenced by the previous track record, investment strategy and indicative pipeline.
2. The fund manager has established, or contractually will commit to establishing, a process for identifying, evaluating, and selecting eligible activities as part of the investment process. This will be annexed/detailed in the financial agreement. Eligible activities can comprise:
 - **Mitigation finance eligible activities.** The fund manager commits to using an eligible list/taxonomy for mitigation finance, consistent with MDB methodology.

and/or

- **Adaptation finance eligible activities.** Where a fund manager targets investment in companies providing enabling activities or will commit investment capital to 'adapted' activities, it should integrate adaptation finance qualification in the investment processes.

The fund manager has agreed to annually report to us the capital invested towards eligible climate activities, and the qualification rationale.

When applicable

- Mitigation and adaptation outcomes are tracked as part of the fund as applicable, such as GHG emission reduction or emissions avoided, reduced, or sequestered, or other relevant KPIs (for example, renewable MW installed, MWH generated).

We strongly prefer that climate finance minimum investment targets are included in the legal documents at the time of financial commitment.

5.1.1 What does not count as climate finance

While very beneficial for delivering climate impact, having a net zero, Paris alignment or TCFD (ISSB S2 or related) commitment, does not per se qualify the whole fund as climate finance (which must be based on the eligibility of the projects/companies invested in).



06

Climate finance via financial intermediaries

Our financial commitment would count as climate finance only if the financial intermediary is dedicated to delivering climate finance or dedicated to investing in green sector(s), similar to a sector-focused fund. To estimate the proportion of our financial commitments qualifying as climate finance, we consider the proportion of the credit line committed to eligible activities based on the share that the borrower contractually commits to:

- Allocate to the eligible mitigation activities using the MDB methodology for mitigation finance. The list of activities and related applicable guidance conditions must be included in the financing agreement.

and/or

- Allocate based on agreed criteria and guidance on adaptation and resilience included in the financing agreement. This could refer to (i) list of eligible adaptation interventions/criteria determined through context-specific analysis undertaken as part of a dedicated technical assistance or studies; (ii) adaptation interventions identified through a context-specific process-based approach as part of a financial institutions' physical climate risk identification, assessment, and management processes.

The financial institution's capabilities to identify, evaluate, manage and report on climate finance eligible activities as well as manage climate-related risks will be evaluated during the due diligence in alignment with the Green Loan/Bonds Principles and our approach to climate risk integration. Actions to strengthen the financial institution's capabilities are to be included in the ESAP and considered for the offering of technical assistance and advisory services.

The financial institution must regularly report its climate finance commitments to us, along with agreed Development Impact climate metrics.

Climate finance in trade finance

The following table outlines activities eligible as climate trades:

Category	Sub-category	Activities
1. Renewable energy	1.1 Solar photovoltaic (PV) , solar heat: photovoltaic power and thermal solar for buildings/residential systems, standalone power system (on- and off grid), water heaters, water purification.	Solar panels
		Solar cells
		Solar glass tubes
		Inverters
		Solar hot water heaters
	1.2 Wind power : wind farms, standalone power system (on-and off grid), individual turbines for residential and small-scale use, water-pumping wind turbines.	Blades and poles
		Construction bases
		Control systems
		Power transformers
		Transmission
	1.3 Hydropower : run of river generation projects or shaft power at industrial sites, small-scale (maximum 10MW), standalone power systems, (on-and off grid).	Turbines
		Control systems
		Power generators
		Power transformers
		Transmission
	1.4 Geothermal : geothermal energy for direct use and district heating systems, geothermal power plants, geothermal heat pumps.	Heat pumps
		Compressors
		Heat exchangers
	1.5 Biomass and biogas : organic matter used to generate electricity (wood and agricultural residues, plants, trees, municipal waste, landfill gas, animal waste), standalone power system (on-and off grid).	Biodigesters
		Biomass heating systems
Combustion boilers		
Co-generation units		
Dryers		
1.6 Ocean power : technologies utilising wave and tidal power, ocean current for electricity generation.	Turbines	
	Barrages	
	Power generators	
	Hydraulic pumps	
	Oscillating water columns	
2. Energy efficiency	2.1 Equipment and goods	Appliances and electronics (with US Energy Star label or EU Energy label A and above)

3. Climate-smart agriculture	3.1 Certifications and relevant products	Aquaculture Stewardship Council: farmed seafood, shrimp
		Roundtable on Responsible Soy: soybean
		Bonsucro: sugar
		Roundtable on Sustainable Biomaterials: biomaterials, biofuels, and biomass (including perennial grasses, annual crops, algae, oilseeds, etc.)
		Fairtrade Small-Scale Producer: perennial and annual crops (sugar cane, cereals, cocoa, coffee nuts, tea, fruit and vegetables, oilseeds, etc.)
		Rainforest Alliance (perennial crops, coffee, cocoa, tea, banana)
	3.2 Agri inputs	Improved seed varieties that are more resilient to climate-related shocks and stressors e.g., drought or heat
		Organic / biological fertilisers
		Bio-pesticides; integrated pest management
		High precision laser land levelling to reduce runoff.
Water efficient irrigation equipment: water tanks; sprinklers, drip irrigation systems; solar-powered water pumps		
3.3 Post-harvest equipment	Solar dryers	
	Post harvest storage facilities	
4 Water efficiency	4.1 Water efficiency technologies	Smart Water Metering Systems
		Wastewater treatment, recycling and reuse technologies
		Air water capture technology
		Rainwater harvesting/ stormwater harvesting systems
5 Information and communications technology (ICT)	5.1 Climate data-related equipment and services	Equipment for weather observation (e.g., weather observation stations, weather radar).
		Digital technologies to provide climate information services
6. Low-carbon transport	6.1 Electric vehicles	Electric vehicles and components
7. Material efficiency / circularity	7.1 Recycled materials	Steel (scrap) and glass for recycling

Note: the list of activities in this table is not exhaustive. Where there is confidence that equipment will be used for purposes outlined in the Category and Sub-category columns and/or support climate adaptation resilience, it can be qualified. For example: metal pipes that will be explicitly and exclusively used for a qualifying run-of-river project could qualify. Another example are internationally accepted sustainability certifications that promote improved agricultural practices with climate mitigation and/or adaptation co-benefits, other than those listed above.

Climate trades in high risk countries or categories for environmental and social (E&S) risks, such as solar panels or steel, will be subject to additional risk checks as per our Responsible Investment Policy.



08

Annex A: Mitigation finance criteria tables

- A list of eligible activities is provided in 11 tables³³ with screening criteria (indicated by ‘shall’) and guidance for each activity. Every activity is required to meet all the criteria specified unless indicated otherwise. In some cases, not all criteria need to be satisfied and the document indicates which criteria need to be met and under what conditions. ‘Guidance’ provides recommendations that should be followed as much as possible where relevant or highlights issues to consider but is not intended as a universal requirement. Illustrative examples may also be included under ‘guidance.’
- In addition, the following should be considered in reading and interpreting tables 2–12:
 - With the exception of the column for category, all other columns in the tables use inclusive “or”—equivalent to “and/or” for the series of options presented—unless stated otherwise. For example, if A, B or C are listed as eligible activities, carrying out any one of these activities and meeting the corresponding criteria would be sufficient for eligibility.
 - The phrase “low carbon” is used to denote projects or materials that have low levels of CO₂e emissions associated with them.
 - Where an activity proposed is replacement of a chemical compound with another with much lower global warming potential, the phrase “a reduction in CO₂e emissions” is used.
 - The word “resource” is used to denote materials or water as opposed to energy, such as materials of construction. Resource efficiency improvement refers to reducing the amount of materials or water consumed.
 - The word “energy” comprises electricity, heat and fuels, and should not be considered to be synonymous with electricity. Therefore, fuel economy standards represent a type of energy efficiency standards.
 - Some tables have opening text to explain how to interpret the table entries and any departure from the general approach in the Common Principles.
 - The phrase “potentially eligible activities include” is used to provide examples. The examples that follow should not be taken as an exclusive or exhaustive list of eligible activities.

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8.1 Table 2: Energy

Category	Eligible activity	Screening criteria and guidance
Renewable energy generation	Generation of renewable energy with low lifecycle GHG emissions to supply electricity, heating, mechanical energy or cooling.	<p>Criteria:</p> <ul style="list-style-type: none"> – GHG emissions of the renewable energy shall be substantially lower than corresponding GHG emissions from fossil fuel generation without carbon capture and storage or utilisation. – First-generation liquid biofuels shall be excluded unless they are sourced from waste or from biomass meeting certain criteria. The eligible biomass shall be supplied from sustainable and socially acceptable sources, as demonstrated through compliance with internationally accepted sustainability certifications, and the activity shall not interfere with food security. – All expenditures through the life of assets generating renewable energy that meets the above criteria shall be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – Analysis of GHG emissions should take account of material lifecycle sources, such as where Scope 3 emissions or Scope 1 emissions during construction are expected to be material. – Examination of material lifecycle sources is typically relevant for hydropower involving construction of a new reservoir or expanding the capacity of an existing reservoir, geothermal energy, and bioenergy (such as solid biomass and liquid biofuels). – Examination of GHG emissions is not necessary for forms of energy that are widely recognised to have very low lifecycle emissions, such as solar, wind, and tidal energy. – For carbon capture and storage or utilisation, see activity 12.5. – Lifecycle expenditures are eligible, from site preparation and installation of equipment to maintenance, operation, repairs, upgrading, rehabilitation, and decommissioning. – Examples of internationally recognised sustainability certification schemes for first-generation biofuels include those developed by the Round Table on Responsible Soy Association (RTRS), Bonsucro, and the Roundtable on Sustainable Palm Oil (RSPO). For more information on the eligibility of biomass, see activity 5.10. – For bioenergy involving solid biomass as a fuel (to be burned) or feedstock (such as sugarcane to produce bioethanol), GHG emissions during transport should be included, as well as emissions from feedstock production (tilling, fertiliser use) and energy used during processing, where any one of them is material. – Direct land-use changes should be included in the lifecycle GHG emissions analysis if they are deemed to make a material difference, and indirect land-use changes should also be considered where they are feasible to assess and expected to be material.
Renewable energy generation	Joint use of renewable energy and fossil fuel to supply electricity, heat, mechanical energy or cooling.	<p>Criteria:</p> <ul style="list-style-type: none"> – The criteria for renewable energy with low lifecycle GHG emissions in activity 2.1 shall apply. – GHG emissions from such joint use shall be substantially lower than corresponding GHG emissions from fossil fuel generation without carbon capture and storage or utilisation meeting the same demand. – Where separate sources of generation are financed together (such as solar energy backed up by diesel generation), only that for renewable energy shall be eligible. – Where equipment is shared by both renewable and non-renewable energy sources (such as co-firing of renewable and non-renewable fuels) and separation of project components is not possible, financing should be apportioned according to the share of energy input or output, as appropriate, that is renewable. <p>Guidance:</p> <ul style="list-style-type: none"> – Where fossil fuel combustion is an integral part of renewable energy production, fossil fuel consumption should be minimised. – Two examples of renewable energy production potentially requiring integrated fossil fuel consumption are concentrated solar power and energy production from biomass. For the latter, cash flows and other analyses should be used to ensure that biomass is the main fuel, supplemented by fossil fuels only when necessary (such as during a cold start or in highly oscillating operation).

<p>Lower-carbon hydrogen and derivatives</p>	<p>Production, transport, or storage of low-carbon hydrogen or low-carbon products made from it.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> - Hydrogen produced by electrolysis of water using very-low-carbon electricity shall be eligible. - Hydrogen produced by steam reforming of natural gas with carbon capture followed by storage or utilisation of captured CO₂ in a manner consistent with the criteria for activity 12.5 shall be eligible. - Hydrogen manufactured by electrolysis of water using grid electricity or by any other technology shall be eligible, provided the entity applying the Common Principles demonstrates a substantial reduction in relative GHG emissions compared to efficient steam reforming of natural gas, taking Scope 3 emissions into account where they are expected to be material. - The production of materials from low-carbon hydrogen shall have low absolute GHG emissions. - Where the end-use is as a transport fuel, transport and storage of all such hydrogen shall be eligible irrespective of carbon intensity. - In all other cases, where transport or storage is shared between low-carbon hydrogen and non-low-carbon gases, financing shall be apportioned according to the share of transported or stored gases that are low in carbon intensity. <p>Guidance:</p> <ul style="list-style-type: none"> - See activities 4.9 for use. - As stated in the last bullet in activity 8.6, use of hydrogen as a fuel in transporting passengers or freight and associated infrastructure are eligible irrespective of the hydrogen's carbon intensity. Production of hydrogen, however, is eligible only if it satisfies one of the first three criteria above. - Apportioning of financing for storage of low-carbon hydrogen should use the expected average share of low-carbon hydrogen over the economic life of the storage facility. One exception is storage of any form of hydrogen as part of the refuelling infrastructure for transport in activity 8.6, which is fully eligible. - Potentially eligible activities include electrolysis of water using renewable energy meeting the criteria in activity 2.1 to produce hydrogen, production of ammonia or methanol from such hydrogen in a manner that is not carbon-intensive, and production of a synthetic liquid fuel by reacting low-carbon hydrogen and captured CO₂.
<p>Lower-carbon energy generation</p>	<p>Brownfield displacement of a carbon-intensive fuel with a different, lower-carbon fuel to supply electricity, heat, mechanical energy or cooling.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> - The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, taking into account material lifecycle sources, such as where Scope 3 emissions are expected to be material. - Where the lower-carbon fuel is a fossil fuel in electricity generation, the activity shall not be eligible. - Where the lower-carbon fuel is a fossil fuel, the entity applying the Common Principles shall demonstrate that there will be no life extension of the equipment generating energy to supply heat, mechanical energy or cooling. - Where the lower-carbon fuel is a fossil fuel and there is no life extension but there is capacity expansion and there are reasonable grounds to suspect that the proposed activity may deter the expansion of renewable energy with low lifecycle GHG emissions as defined in activities 2.1 and 2.2, the activity shall not be eligible. <p>Guidance:</p> <p>There is no specific guidance.</p>
<p>Lower-carbon energy generation</p>	<p>Use of waste gas as a feedstock or fuel to supply electricity, heat, mechanical energy or cooling energy.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> - Utilisation of abandoned coal mine methane, or associated gas shall decrease relative GHG emissions substantially. - Utilisation of coalbed methane, associated gas from greenfield oil production, and methane from mines currently producing coal shall all be ineligible. - The entity applying the Common Principles shall demonstrate that utilisation of associated gas from brownfield oil production will not extend the life of oil production by making it more financially attractive. - With the exception of biogas, if there are reasonable grounds to suspect that the proposed activity may deter expansion of renewable energy with low lifecycle GHG emissions as defined in activities 2.1 and 2.2, the activity shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> - Examples of waste gas include landfill methane, abandoned mine methane, associated gas currently being flared or vented, and biogas from municipal sewage, wastewater, or agricultural activities. - Associated gas is the gas that is produced with oil and requires separation from oil. It is different from the natural gas that may be found within the same operation in a brownfield oil reservoir but not associated with oil production, the use of which is not eligible. - See biogas and landfill gas in Table 7: Solid waste management for additional information and guidance. - Financing needed to construct or modify the infrastructure to transport or utilise eligible waste gas is eligible after apportioning the financing to reflect the share of infrastructure utilisation associated with the waste gas over the life of the infrastructure. If such apportioning cannot be carried out with a reasonable degree of certainty, such financing is not eligible. - For examples of sources and uses of waste biogas in other sectors, see activities 6.4, 6.5, 7.6, 7.9, and 8.9.

Efficient energy generation	Brownfield conversion from production of electricity, or from desalination only, to joint generation or delivery for use of electricity, heat, mechanical energy, cooling, or desalination.	<p>Criteria:</p> <ul style="list-style-type: none"> – The efficiency of combined processes shall be substantially higher than those of individual processes carried out separately. – Electricity generation shall not be eligible if it is one of the new activities in the joint generation. Where one or more of the production processes involve combustion of a fossil fuel without carbon capture or utilisation, the entity applying the Common Principles shall demonstrate that no viable lower-carbon alternatives are available. <p>Guidance:</p> <p>For carbon capture and storage or utilisation, see activity 12.5.</p>
Energy efficiency	Brownfield energy-efficiency improvement in energy production to supply electricity, heat, mechanical energy or cooling.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial improvement in energy efficiency or a substantial reduction in relative GHG emissions. – Where the production process involves combustion of a fossil fuel without carbon capture or utilisation, the entity applying the Common Principles shall demonstrate that no viable lower-carbon alternatives are available. <p>Guidance:</p> <p>For carbon capture and storage or utilisation, see activity 12.5.</p>
Energy storage and network stability	Energy storage or measures to improve network stability or flexibility that increase consumption of very-low-carbon energy	<p>Criteria:</p> <ul style="list-style-type: none"> – In case of direct connection to renewable energy plants, renewable energy so enabled shall meet the same criteria for low lifecycle GHG emissions as in activity 2.1. – Storage of fossil fuels shall not be eligible. – Where energy being stored is not entirely very low in carbon intensity but the storage is dedicated to increasing renewable energy capacity, the entity applying the Common Principles shall demonstrate how the objective will be achieved. – Where storage is shared between very-low-carbon energy and other energy sources, financing shall be apportioned according to the share of stored energy that is very low in carbon intensity. – Storage of previously wasted heat shall not extend the life of assets generating heat by combusting fossil fuels. – The entity applying the Common Principles shall demonstrate that storage will not significantly increase GHG emissions over the short or medium term. – Measures, such as smart grid technologies, that increase network stability or flexibility but have only marginal effects on integration or uptake of renewable energy shall not be eligible. – Where storage is pumped storage requiring construction of a new reservoir or capacity expansion of an existing reservoir, the entity applying the Common Principles shall demonstrate that lifecycle emissions of the new reservoir are low, as defined in activity 2.1. <p>Guidance:</p> <ul style="list-style-type: none"> – Energy storage should increase the use of very-low-carbon energy by enabling capacity expansion of renewable energy generation, reduction in the curtailment of very-low-carbon energy, or increasing the utilisation rate of very-low-carbon energy generation. – With respect to the third criterion, the share of climate financing may be apportioned on the basis of increased renewable capacity compared to the capacity of the storage facility. For storage considered to be an integrated part of the transmission and distribution system, the guidance for determining the share in activity 2.9 should be used. – With respect to the sixth criterion, storage investments with a very long economic life, such as pumped storage plants, may support renewable development over decades while still supporting the optimisation of highly emitting energy sources in the short term. If such activity results in delaying the development of additional renewable generation in the short or medium term, the criterion is not met. – The activities that are deemed eligible on account of their increasing grid stability or flexibility should significantly enhance stability or flexibility. – Potentially eligible activities include the following: <ul style="list-style-type: none"> – for energy storage, behind-the-meter battery storage and electric vehicles; and – for increasing network stability, installation of equipment such as power system stabilisers, series compensation, static reactive power compensators and synchronous condensers.

Transport of electricity	Greenfield transmission or distribution of electricity that supports delivery of non-nuclear, very-low-carbon electricity.	<p>Criteria:</p> <ul style="list-style-type: none"> – Non-nuclear, very-low-carbon electricity shall be either renewable electricity meeting the criteria for lifecycle GHG emissions in activity 2.1, or fossil-fuel-based generation with carbon capture and storage or utilisation as described in activity 12.5. – Apportionment of financing eligible for climate mitigation finance shall differ by type of investment: <p>1 If the transmission or distribution system is dedicated to or is required for the evacuation of non-nuclear, very-low-carbon electricity or reducing its curtailment, the financing of such investment shall be fully eligible. Where such investment is a part of a larger investment programme, eligible financing shall be apportioned according to the capacity required for the evacuation of the non-nuclear, very-low-carbon electricity.</p> <p>Any additional capacity beyond the above shall be apportioned as described below depending on the nature of the investment.</p> <ul style="list-style-type: none"> 2 Financing of general transmission or distribution investments within an existing grid shall be apportioned according to the share of additional electricity delivered that can be characterised as non-nuclear, very-low-carbon electricity during a ten-year period comprising five years before and five years after the start of the operation of the new infrastructure. 3 Financing of a new grid system not connected to an existing system shall be apportioned according to the share of non-nuclear, very-low-carbon electricity delivered at the start of the operation of the grid and in the five following years. 4 Financing of interconnections between grid systems, including transborder transmission of electricity, shall be apportioned according to the weighted average of the share of new non-nuclear, very-low-carbon electricity in the respective grids during the ten-year period described in (2), weighted according to the expected flows of electricity (in both directions where applicable). <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate that the grid in which transmission or distribution infrastructure is being built will either maintain or increase the share of non-nuclear, very-low-carbon electricity delivered. The only exception is a new grid system for which historical comparison is not possible. <p>Guidance:</p> <ul style="list-style-type: none"> – An electricity grid may be an interconnected transmission or distribution network with common market or dispatch rules that regulate electricity flows, an isolated grid, a mini-grid, or a micro-grid. A country may have several grids; conversely a single grid may cover several countries. – The share of additional electricity delivered that meets the definition of non-nuclear, very-low-carbon electricity in the five years after the start of the operation may be calculated from gigawatt-hours planned to be dispatched in the most recent power system expansion plan; or alternatively using data on generation plants under construction, committed projects, and other plants likely to come online and assuming appropriate load factors. The share from the past five years may be calculated using available dispatch data from ministries or utilities. If such data are not available, capacity data and representative load factors suitable for the location and technology of each relevant plant may be used. – New meters and other pieces of equipment installed at the retail end in a greenfield distribution system may be considered part of the system even if they are handled by retail rather than distribution companies. They may be eligible under this activity with appropriate apportionment of financing if they do not meet the criteria in activity 2.12. – Potentially eligible activities include: <ul style="list-style-type: none"> – extending access to unelectrified areas by connecting them to a power system that is following a decarbonisation plan (case 2 in the second bullet in the criteria) or by using locally produced renewable electricity in a new mini-grid (case 3); and – strengthening the grid backbone infrastructure aimed at enabling the flow of additional renewable electricity (case 1).
Transport of heating and cooling energy	Greenfield high-efficiency transmission or distribution of heat or cooling energy.	<p>Criteria:</p> <ul style="list-style-type: none"> – The financing ear-marked for installation of advanced pilot systems (control and energy management systems) shall be eligible. – Apart from the above, energy transport systems to carry energy largely from greenfield energy generation facilities fuelled by fossil fuels shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – The project should use the best available technology or, if the best available technology is commonly used, emerging technology with even higher efficiency. – Metering infrastructure considered to be part of an eligible distribution network is eligible. For other types of metering infrastructure, see activity 2.12.

Energy transport	Brownfield efficiency improvement or reduction of CO ₂ e emissions in transmission or distribution of electricity, heat, cold, low-carbon gases, or CO ₂ .	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial improvement in energy efficiency or a substantial reduction in relative CO₂e emissions in the supply chain itself.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – A substantial improvement in energy efficiency in the case of technical loss reduction in transmission or distribution of electricity, heat, cold, low-carbon gases, or CO₂ is demonstrated by comparing the reduction in technical losses before and after the project intervention. – Metering infrastructure considered to be part of a distribution network is eligible only if it meets the requirements of activity 2.12. Metering infrastructure that does not meet these requirements is not eligible. – Where this activity transports electricity, heat, or cold from fossil fuel combustion, special attention should be paid to avoiding a carbon lock-in to ensure alignment with the Paris Agreement. An example of a procedure to examine the potential for a carbon lock-in of a district heating or cooling system can be found in Annex 4 of the Methodology to determine the Paris Agreement alignment of EBRD investments. – Potentially eligible activities include technical loss reduction in transmission or distribution of electricity, which may comprise reactive power compensation plans and upgrading of transmission or distribution facilities to higher voltage levels or transformation to direct current; reduction of sulphur hexafluoride (SF₆) emissions in electricity transmission and distribution; 2.10 and reducing gas shrinkage in pipeline transport.
Energy transport and sale	Activities targeting customers of energy systems that support a reduction in consumption or enhanced uptake of renewable energy.	<p>Criteria: No specific criteria</p> <p>Guidance:</p> <ul style="list-style-type: none"> – The reduction of collection losses involves reducing accounts payable over and above those due to the standard time lag between billing and payment. – See activity 12.12 for treatment of activities that increase energy tariffs. – Activities that connect new customers in a greenfield distribution system without measures that support a reduction in consumption or enhanced uptake of renewable energy may be eligible under activity 2.9 or 2.10. – Potentially eligible activities include: <ul style="list-style-type: none"> – activities that reduce commercial or collection losses; – installation of calibrated meters in households which currently do not have meters or have tampered meters; – installation of pre-paid meters; – installation of individual household meters for consumers who are currently sharing meters; – installation of smart meters with two-way communication, or other energy monitoring or control devices that enable consumers to actively manage their energy consumption; – measures that enable management of consumer demand at short time intervals and increase the flexibility of the electricity grid and its ability to accommodate an increasing share of variable renewable energy generation, such as through time-of-use pricing, load shifting, or through electricity market operators that provide ‘virtual power plant’ services; – installation of smart grid devices that permit the implementation of the above measures, such as control devices that respond to remote signals or time-of-use pricing; and – installation of two-way metering devices or other consumer connection infrastructure that enable the installation of decentralised renewable energy systems, such as solar rooftop units on consumer premises.
Fugitive emissions	Reduction of fugitive GHG emissions in existing energy transport or storage infrastructure, or flaring of fugitive emissions from a closed coal mine where methane utilisation is not commercially viable.	<p>Criteria: In the case of flaring, the entity applying the Common Principles shall demonstrate that economic utilisation of gas in activity 2.5 is not viable.</p> <p>Guidance: There is no specific guidance.</p>

8.2 Table 3: Mining and metal production for climate action

Category	Eligible activity	Screening criteria and guidance
Mining for climate action	Projects that support mining of minerals or metal ores prevalently used in or critical for renewable energy, technologies that increase energy efficiency, other low-carbon technologies, or materials and products with low embedded GHG emissions	<p>Criteria:</p> <ul style="list-style-type: none"> - Minerals classified by the International Energy Agency (IEA) as being critical for “clean energy transitions” shall be eligible, subject to apportionment rules in the next criterion. - Financing shall be apportioned according to rules that differ depending on whether end-users have been identified: <ul style="list-style-type: none"> - Where end-users are known, financing shall be apportioned according to the share of production that will be used in clean energy transition activities in the end-use markets. - Where end-users are not known, financing shall be apportioned according to the share of new global production that will be needed for clean energy transition activities in the IEA’s net-zero-emissions-by-2050 scenario over the expected life of the mine or from the start of the project operation to 2050, whichever period is shorter. - The supported mining activities shall adhere to a long-term strategy for reducing GHG emissions through: <ul style="list-style-type: none"> - long-term decarbonisation of electricity generated or purchased from the grid, including integration of renewable energy; and - efficient use of energy and resources, including, where economically viable and technically feasible, treatment and recycling of mining waste. <p>Guidance:</p> <ul style="list-style-type: none"> - A list of minerals identified as critical minerals for clean energy transitions by the IEA is available at The role of critical minerals in clean energy transitions. - End-users are known if there are contracts with buyers who are end-users, or who in turn have contracts with end-users (of processed minerals or metal ores). - Materials that can be recycled include tailings and wastewater. - Greenfield mining and processing should use best available technologies that are economically viable to maximise recycling and treatment of mining waste and minimise GHG emissions.
Metal production for climate action	Projects that support production of metals or alloys prevalently used in or critical for renewable energy, technologies that increase energy efficiency, other low-carbon technologies, or materials and products with low embedded GHG emissions.	<p>Criteria:</p> <ul style="list-style-type: none"> - Production of metals or alloys from the minerals classified by the IEA as being critical for “clean energy transitions” shall be eligible, subject to apportionment rules in the next criterion. - Financing shall be apportioned according to rules that differ depending on whether end-users have been identified: <ul style="list-style-type: none"> - Where end-users are known, financing shall be apportioned according to the share of production that will be needed for clean energy transition activities in the end-use markets. - Where end-users are not known, financing shall be apportioned according to the share of new global production that will be used in clean energy transition activities in the IEA’s net-zero-emissions-by-2050 scenario over the expected life of the smelter or the refinery or from the start of the project operation to 2050, whichever period is shorter. - The supported processes for production of metals or alloys shall adhere to a long-term strategy for reducing GHG emissions through: <ul style="list-style-type: none"> - long-term decarbonisation of electricity generated or purchased from the grid, including integration of renewable energy; and - efficient use of energy and resources, including, where economically viable and technically feasible, treatment and recycling of residues for re-use. - Activities devoted to recycling of used metals or alloys shall be eligible, provided that the entity applying the Common Principles demonstrates a substantial reduction in lifecycle GHG emissions. <p>Guidance:</p> <ul style="list-style-type: none"> - A list of minerals identified as critical minerals for clean energy transitions by the IEA is available at The role of critical minerals in clean energy transitions. - Production processes falling under this activity are smelting and refining of minerals. - End-users are known if there are contracts with buyers who are end-users of metals or alloys, or who in turn have contracts with end-users. - Materials that can be recycled and treated in the third criterion include slag. - Greenfield refining and smelting should use best-available technologies that are economically viable to maximise recycling and treatment of residues and minimise GHG emissions. - Eligible recycling activities in the last criterion range from collection and separation of materials containing metals or alloys to be recycled to final finishing for use by manufacturers using metals or alloys. See also activity 12.1 on circular economy systems. - Demonstration of a substantial reduction in relative GHG emissions in the last criterion includes consideration of the sourcing of scrap metals. As an example of potentially ineligible activities, importing scrap metals involving long-distance shipping may not materially reduce lifecycle emissions.

8.3 Table 4: Manufacturing

Category	Eligible activity	Screening criteria and guidance
Energy efficiency	Brownfield industrial energy or resource-use efficiency improvement.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, carbon intensity (e.g., tCO₂e/unit of output), or energy intensity (e.g., gigajoules/unit of output).</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Relative GHG emissions are reduced through energy savings, decreased carbon intensity, decreased use of virgin materials, or decreased waste generation. – Potentially eligible activities include installation of more efficient equipment, changes in processes resulting in energy savings, resource-use efficiency measures, and implementation of energy-efficiency plans.
Efficient energy generation	Brownfield conversion from production of one type of energy to joint generation, or delivery for use of electricity, heat, mechanical energy, cooling, or desalination.	See activity 2.6.
Energy and resource efficiency	Highly efficient or low-carbon greenfield manufacturing facilities or greenfield supplementary equipment or production lines at an existing manufacturing facility.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantially lower carbon intensity or energy intensity of the greenfield manufacturing facility or greenfield supplementary equipment or production lines at an existing manufacturing facility against a selected benchmark. – The financing provided for a greenfield facility shall be apportioned according to the share of the total finance devoted to enabling high efficiency in a manner consistent with the principles of conservativeness and granularity. – Components of activities that use fossil fuels shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – The benchmark for defining low carbon or low energy intensity should be based on available documents for the global or regional top tier of efficient production as applicable. Benchmarks should allow activities involving a fossil fuel as a source of heat for the sector in question only where renewable energy resources on the scale required are not available. Benchmarks should allow activities involving a fossil fuel as a feedstock for the sector in question only where the use of a non-fossil-fuel feedstock is relatively rare. – Where a project includes fossil fuels, their continued use for the lifetime of the project should be consistent with a credible decarbonisation pathway for that sector.
Electrification	Brownfield replacement of equipment or processes based on fossil fuels with electrical equipment or process components.	<p>Criteria:</p> <ul style="list-style-type: none"> – Eligible projects shall be for industrial equipment, processes, or components where electrification is relatively rare and enables structural changes required for long-term decarbonisation. – The entity applying the Common Principles shall demonstrate that electrification of the process is a widely recognised pathway to decarbonisation. <p>Guidance: An example is switching an industrial fossil-fuel-based furnace or boiler to equipment that runs on electricity.</p>
CO₂e-emission reduction	Retrofit of existing industrial infrastructure resulting in avoidance of industrial GHGs, a switch to industrial GHGs with lower global warming potential, or implementation of technologies or practices that minimise leakages.	<p>Criteria: Where the activity involves a switch to a new industrial GHG, the entity applying the Common Principles shall demonstrate that the replacing industrial GHG has lower global warming potential and the resulting reduction in relative GHG emissions is substantial.</p> <p>Guidance: Potentially eligible industrial GHGs with lower global warming potential include natural refrigerants, hydrofluorocarbons (HFCs) with lower global warming potential, hydrofluoroolefins (HFOs), or HFC-HFO blends.</p>

Resource demand management	Improvements to existing industrial processes, new processes, or advanced manufacturing technology solutions, leading to a reduction in consumption or a reduction in waste of non-energy resources through changes in processes or process inputs.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, taking account of material lifecycle sources, such as where Scope 3 emissions are expected to be material.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – The boundaries for GHG assessment can be limited by excluding certain stages or activities in the supply chain based on, for example, the materiality of the emissions from the emission sources or the ability of the project to influence the sources of emissions. – When a project replaces primary resources with secondary or alternative resources without increasing energy consumption, demonstration of a substantial reduction in the resource use may substitute demonstration of a substantial reduction in relative GHG emissions.
Energy storage	Energy storage or smart industrial-scale solutions to increase integration of very-low-carbon energy or use of previously waste energy.	<p>Criteria: For energy storage, see activity 2.8 for criteria.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – For energy storage, see activity 2.8 for guidance. – An example of storage of previously wasted energy in manufacturing is use of molten salt in thermal storage.
Support for low-carbon development	Projects that support production of components, equipment or infrastructure dedicated exclusively to utilisation in the renewable energy, energy efficiency improvement, or other low-carbon technologies.	<p>Criteria: The entity applying the Common Principles shall demonstrate support to manufacturing eligible products, product components, equipment or appliances that are needed for eligible climate change mitigation activities.</p> <p>Guidance: There is no specific guidance.</p>
Lower-carbon hydrogen and derivatives	Use of low-carbon hydrogen or low-carbon products made from it, or use of any hydrogen in processes previously using a fossil fuel.	<p>Criteria:</p> <ul style="list-style-type: none"> – Low-carbon hydrogen or low-carbon products made from it shall satisfy the criteria in activity 2.3. – Where a combination of low-carbon hydrogen or products derived from such hydrogen meeting the criteria in activity 2.3 and their non-low-carbon equivalents are used, financing shall be apportioned according to the share of low-carbon chemicals. – The use of non-low-carbon hydrogen shall be eligible only if used in hydrogen-fuelled vehicles or when the application is in a process in which hydrogen replaces a fossil fuel (see activity 8.6). <p>Guidance: With respect to the last criterion, with the exception of hydrogen-fuelled vehicles, processes currently using hydrogen would be eligible only if they use low-carbon hydrogen meeting the criteria in activity 2.3.</p>
Lower-carbon energy generation	Use of waste gas as a feedstock or as a fuel to supply electricity, heat, mechanical energy or cooling.	<p>Criteria: See activity 2.5 for criteria.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Non-energy uses include use of waste gas as a feedstock for production of fertilisers or petrochemicals. – See activity 2.5 for additional guidance.

8.4 Table 5: Agriculture, forestry, land use and fisheries

In this table, the distinction between greenfield and brownfield applies only to equipment and machinery used. Otherwise, given the complex interplay of natural systems and management practices in various land- and water-based activities, distinguishing between greenfield and brownfield activities is not considered appropriate.

To demonstrate GHG emission reductions or sequestration in agriculture, forestry or livestock projects, methodologies approved by the IPCC should be used, such as those included in the Ex-ante Carbon-balance Tool (EX-ACT). For specific sectoral projects or programmes specialised assessment tools such as the Global Livestock Environmental Assessment Model (GLEAM) or those of other reputed institutions, may be applied. There may be instances where GHG assessment is not feasible, due to factors such as the complex interplay of GHG emissions and diversity of management practices in the agriculture sector. In such cases, proxy approaches may be used in a manner that upholds the principle of conservativeness in line with best international practices. Potential impacts due to leakage should be considered in GHG assessments where feasible to assess.

Category	Eligible activity	Screening criteria and guidance
Agriculture: energy efficiency	Reduction in energy consumption in operations.	<p>Criteria:</p> <ul style="list-style-type: none"> For brownfield activities, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, carbon intensity (e.g., tCO₂e/unit of output), or energy intensity (e.g., gigajoules/unit of output). For greenfield activities, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, carbon intensity, or energy intensity against a selected benchmark. <p>Guidance:</p> <ul style="list-style-type: none"> Potentially eligible activities include increasing energy efficiency of crop production and increasing use of energy-efficient equipment for agricultural processing and storage. Examples of operations are traction, irrigation, pumping, pest management, harvesting, post-harvest crop processing, crop drying, crop cooling, storage, and transport. For transport, see activities related to goods transport in Table 8: Transport.
Agriculture: carbon sequestration	Agricultural projects that contribute to increasing the carbon stock in the soil or avoiding loss of soil carbon through erosion control measures.	<p>Criteria:</p> <ul style="list-style-type: none"> The entity applying the Common Principles shall demonstrate a substantial increase in the above- or below-ground carbon stock. <p>Guidance:</p> <ul style="list-style-type: none"> Where appropriate, trade-offs between higher carbon and nitrogen levels in the soil on the one hand and higher emissions of nitrous oxide on the other should be addressed through appropriate management practices.³⁴ In peatland restoration, trade-offs between avoided carbon loss and increased methane emissions should be addressed through appropriate management practices.³⁵ For activities or policy interventions that enable peatland conservation (e.g., activities preventing mining of peat and drainage of peatlands), evidence of contribution to peatland conservation should be provided. Potentially eligible activities include degraded land rehabilitation, erosion control measures, reduced tillage intensity and cover crops, crop rotation, higher inputs of organic matter to soil, processing and application of manure/digestate preferably with biogas capture for energy, perennial cropping systems, cultivation of deep rooting species, circular/integrated activities that enhance carbon stock, fire management, and peatland restoration and conservation.
Agriculture: GHG-emission reduction	Reduction of GHG emissions from agricultural practices or technologies.	<p>Criteria:</p> <ul style="list-style-type: none"> If data are available to enable calculations, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or carbon intensity (e.g., tCO₂e/unit of output). If the foregoing calculations are not feasible for a lack of data or the number of farms is large, the entity applying the Common Principles shall use other relevant proxies (see examples in the guidance below) to demonstrate eligibility. <p>Guidance:</p> <ul style="list-style-type: none"> Potentially eligible activities include more efficient nitrogen fertiliser use (by improving the rate, type, timing, placement, or precision of application), manure management including anaerobic digestion, drainage management, improved crop breeds and biotechnology that reduce emissions, water management in paddy rice, and soil conservation practices. Examples of proxies in the second criterion include a substantial reduction in synthetic fertiliser usage per unit of output and internationally accepted sustainability certifications that promote improved agricultural practices with climate mitigation co-benefits.

Livestock: GHG-emission reduction	Projects that reduce methane or other GHG emissions from livestock.	<p>Criteria:</p> <ul style="list-style-type: none"> – If data are available to enable calculations, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or carbon intensity (e.g., tCO₂e/unit of output). – If the foregoing calculations are not feasible for a lack of data or the number of farms is large, the entity applying the Common Principles shall use other relevant proxies (see examples in the guidance below) to demonstrate eligibility. – Introduced species shall not contribute to intact ecosystem degradation. <p>Guidance:</p> <ul style="list-style-type: none"> – Potentially eligible activities include manure management with biodigesters, wastewater management, improved feeding practices, feed production with reduced GHG emissions or improved quality, local feed production including use of agricultural residues, investments in reducing feed losses along the value chain, improved animal welfare (such as reduced mortality and morbidity), improved animal husbandry (genetics, breeding, and herd population management), sourcing low-emission feeds or forage, and using feed additives (improved feed conversion efficiency, enteric methane inhibitor, improving nutrient efficiency). – Examples of proxies in the second criterion include improvement in the feed conversion ratio and internationally accepted sustainability certifications that promote improved agricultural practices with climate mitigation co-benefits. – Activities that improve the feed conversion ratio by converting grazing systems to intensive systems with off-farm feed inputs are excluded.
Livestock: carbon sequestration	Livestock projects that improve carbon sequestration through rangeland management.	<p>Criteria:</p> <p>The entity applying the Common Principles shall demonstrate a substantial increase in the above- or below-ground carbon stock.</p> <p>Guidance:</p> <p>Potentially eligible activities include improved pasture management to increase soil carbon stocks and reduce erosion, improved grazing management, circular or integrated activities that enhance carbon stock, promotion of silvopastoralism, and nitrification-inhibiting practices in pastures.</p>
Forestry: GHG-emission reduction and carbon sequestration	Forestry or agroforestry projects that sequester carbon through sustainable forest management, avoided deforestation or avoided land degradation.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial increase in the above- or below-ground carbon stock, or a substantial reduction in relative GHG emissions or carbon intensity (e.g., tCO₂e/unit of output). – Activities that drain intact ecosystems or degrade hydrological systems shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – Evidence of human-assisted natural regeneration should be provided. – Potentially eligible activities include afforestation (plantations) and reforestation on previously deforested land (applying international best practices), and circular or integrated activities that enhance carbon stock, supply chains that promote sustainable agroforestry, restoration of degraded natural land-based habitats, biosphere conservation, policy interventions that explicitly protect carbon stocks (e.g., through land-use zoning, enforcement of sanctions on deforestation, or sustainable intensification of land use), maintaining healthy forests, switching from conventional logging to reduced-impact logging, selective logging, land degradation prevention measures and fire risk mitigation.
Marine and other water habitats: GHG-emission reduction	Projects that reduce GHG emissions from the degradation of marine ecosystems or other water-based ecosystems.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or carbon intensity (e.g., tCO₂e/unit of output). – Activities that drain intact ecosystems or degrade hydrological systems shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – Evidence for human-assisted natural regeneration should be provided. – Potentially eligible activities include restoration and protection of healthy marine habitats or mangroves, reforestation of seaweeds or kelp and habitat protection programmes.

Fisheries and aquaculture: GHG-emission reduction	Projects that reduce CO ₂ e intensity in fisheries or aquaculture.	<p>Criteria:</p> <ul style="list-style-type: none"> – For brownfield activities, if data are available to enable calculations, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, carbon intensity (e.g., tCO₂e/unit of output), or energy intensity (e.g., gigajoules/unit of output) compared to a business-as-usual baseline. – For greenfield activities, if data are available to enable calculations, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, carbon intensity, or energy intensity against a selected benchmark. – If the foregoing calculations are not feasible for a lack of data, or the number of farms is large, the entity applying the Common Principles shall use other relevant proxies (see examples in the guidance below) to demonstrate eligibility. – Introduced species or technologies shall not contribute to degradation or destruction of intact ecosystem or native fisheries. <p>Guidance:</p> <ul style="list-style-type: none"> – Potentially eligible activities include improved energy efficiency in the fisheries or aquaculture value chain, e.g., through more efficient fishing fleets, equipment and machinery; and activities that reduce emissions by using sustainable feeds. – Examples of proxies include improvement in the feed conversion ratio and internationally accepted sustainability certifications that promote improved aquacultural practices with climate mitigation co-benefits.
Food and diets: resource use efficiency	Projects that reduce food losses or waste or promote lower-carbon diets.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or carbon intensity (tCO₂e/unit of output). <p>Guidance:</p> <ul style="list-style-type: none"> – Potentially eligible activities include: <ul style="list-style-type: none"> – food waste utilisation (circular-economy systems; see also activity 5.4); – policy interventions resulting in reduced food waste; – investments in avoided food losses along the value chain (e.g., improved handling and storage infrastructure, more efficient logistics, and better-managed cold-chain infrastructure to reduce crop or food spoilage); and – activities supporting the value chain of low-GHG products—for example, plant-based proteins (such as pulse production and trading and pulse protein extraction) and other alternative proteins (such as insect-based proteins), reformulation of products with lower-GHG ingredients, and products applying sustainability certifications with mitigation benefits.
GHG reduction through biomaterial production	Projects that contribute to reduction of GHG emissions through production of biomaterials/bioenergy from biomass.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or carbon intensity (tCO₂e/unit of output). – Biomass shall be supplied from sustainable and socially acceptable sources, as demonstrated through compliance with internationally accepted sustainability certifications, and the activity shall not interfere with food security. <p>Guidance:</p> <ul style="list-style-type: none"> – In demonstrating GHG emissions reductions for forest-sourced biomass used in biomaterials production, the biomass should be accounted as carbon that has been removed from the forest—per agriculture, forestry and other land use (AFOLU) as defined and covered by the IPCC guidelines for national GHG inventories—and consequently the biomaterials produced shall be considered carbon sinks that substitute for fossil-based or energy-intensive materials. – Baseline emissions should consider Scope 3 emissions where they are expected to be material or adversely affect relative GHG emissions, which may also require setting the assessment boundary outside the physical limits of the project to adequately represent the baseline. – Two examples of internationally accepted sustainability certifications for forest-sourced biomass are the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC). – Activities that fall under activity 5.10 involve the production of biomaterials or bioenergy with lower GHG emissions and substitution of more carbon-intensive materials or energy sources downstream with such biomaterials or bioenergy. For other examples of bioenergy, see activities 2.1 and 7.6. – Potentially eligible activities include production of bioenergy from biomass residues otherwise burned on site or not used as an energy source; production of bio-plastics from cereals by-products; production of asphalt from lignine; production of durable fibrous biomass products replacing plastics or other petroleum-based products (e.g., clothing); and other biomass materials (e.g., wood based products) replacing energy-intensive materials (e.g., concrete, steel, or synthetic fibres); and manufacturing of biomaterial-based products (e.g., biochar, furniture) that are long-lasting and store carbon during their useful lifetime. – Direct land-use changes should be included in the lifecycle GHG emissions analysis if they are deemed to make a material difference, and indirect land-use changes should also be considered where they are feasible to assess and expected to be material.

8.5 Table 6: Water supply and wastewater

For the purposes of Table 6, 'water supply' refers to potable water.

Category	Eligible activity	Screening criteria and guidance
Energy and resource efficiency and demand management in water supply	Brownfield energy efficiency improvement in water supply systems through deployment of low-energy-consumption technologies or equipment, promotion of better auditing practices, or reduction of water losses.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial increase in energy efficiency or a substantial reduction in relative GHG emissions.</p> <p>Guidance: For water supply activities involving infrastructure that is well within its original economic lifetime, energy efficiency improvements, including non-revenue water (NRW) reduction, will be assessed as a brownfield activity. Projects that include components for both NRW reduction and water-supply-system expansion will be disaggregated into brownfield and greenfield components whereby the one corresponding to the water supply system expansion (i.e., an increase in the actual volume of water supplied) should be considered as a greenfield development under activities 6.2, 6.3, or 6.4 below.</p>
Lower-carbon water supply	Lower-carbon greenfield water supply projects that replace tanker use or local coping mechanisms with a piped utility water supply system.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – For projects that replace water boiling with treatment by a utility at a water treatment plant, the treatment technology will need to be the best locally available technology to prevent the continued lock-in of highly emissive behaviours or technologies. – Potentially eligible activities include: <ul style="list-style-type: none"> – replacement of tanker use for water service delivery to end users with a piped network; – reduction in household- or neighbourhood-level pumping (groundwater or surface water extraction, or pumping for distribution) powered by diesel fuel with a piped network that uses energy more efficiently; and – reduction in household boiling or other emissive household treatment options with access to treated water.
Energy efficiency and demand management in water supply	Greenfield water supply projects meeting high energy efficiency standard or making use of demand management.	<ul style="list-style-type: none"> – Criteria: – The entity applying the Common Principles shall demonstrate that the relevant equipment meet at least one of the following three criteria: i) it substantially exceeds applicable energy efficiency requirements where such a legal framework is enforced; ii) it employs the best technology available in the country in the absence of such a legal framework, or iii) it is a zero-emission system, such as gravity-fed pipelines. <p>Guidance:</p> <ul style="list-style-type: none"> – Potentially eligible activities include: <ul style="list-style-type: none"> – requiring the most energy efficient technologies available locally for treatment, pipes, or pumping (groundwater or surface water extraction, or pumping for distribution); – using gravity-based systems instead of pumping; – employing rainwater harvesting and utilisation; – locating water treatment plants, desalination plants, storage equipment, or other infrastructure where the need for pumping or additional treatment is reduced; – using the best available technology in water supply sector (such as installing smart pumps and variable-frequency drives); and – making use of load or demand management.

Energy and resource efficiency and GHG-emission reduction in water supply and wastewater management	Greenfield and brownfield projects that promote improved operation and maintenance to reduce water losses, promote energy savings, or meet or exceed wastewater treatment targets.	<p>Criteria: The entity applying the Common Principles shall demonstrate the specific focus of the operation and maintenance programme targeting substantial energy efficiency improvement, water savings, or reduced emissions from improved wastewater treatment.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – The improved operation and maintenance programme can be either a dedicated energy efficiency, water savings, or wastewater treatment target programme, or a part of an overall programme to improve operation and maintenance across all metrics for the utility. For the latter, only the portion of the operation and maintenance programme dedicated to energy efficiency or water savings is eligible. – For use of biogas from anaerobic digestion of wastewater or sludge, see activity 2.5. – Potentially eligible activities include: <ul style="list-style-type: none"> – training programmes that emphasise leak detection and prevention, improved maintenance, or energy efficiency improvements; – programmes implementing supervisory control and data acquisition (SCADA) systems expected to reduce water losses or reduce energy use; and – programmes ensuring that the levels of removal of biochemical oxygen demand (BOD) or five-day biochemical oxygen demand (BOD5), chemical oxygen demand (COD), or nitrogen³⁶ reach or exceed their targets.
GHG-emission reduction in wastewater management	Greenfield projects that reduce methane or nitrous oxide emissions through wastewater, fecal sludge or septage collection and treatment.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions. – The treatment system shall remove BOD. If there is no treatment of the collected wastewater, fecal sludge or septage—that is, no BOD is removed—as part of the project, the activity shall not be eligible. – For projects using anaerobic treatment technologies only, anaerobic treatment projects that would otherwise generate an appreciable amount of methane shall use it in energy generation or production processes, or, if use of methane is not economically viable, flare methane to release carbon dioxide. Appropriate mitigation measures shall be put in place to minimise and control methane leakage. <p>Guidance:</p> <ul style="list-style-type: none"> – In the GHG assessment, the project scenario should account for both direct emissions from treatment and emissions from energy use for collection and treatment. – Collected wastewater, fecal sludge or septage should be treated soon after collection. – For use of biogas from anaerobic digestion of wastewater or sludge, see activity 2.5.
Energy efficiency and GHG-emission reduction in wastewater management	Brownfield projects for wastewater that reduce emissions through energy efficiency improvements or improved treatment targets.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Less energy-intensive wastewater treatment technologies may have different rates of BOD/BOD5, COD, or nitrogen removal from the existing baseline technology. When switching from a more energy-intensive to a less energy-intensive treatment technology, the GHG analysis should reflect both changes in emissions due to energy demand for treatment and changes in direct emissions from treated wastewater for different levels of treatment. When comparing a baseline with project scenarios, the rate of removal and the effluent quality should be the same or higher in the project. – Projects that aim to improve treatment standards of BOD, BOD5, COD or nitrogen should result in relative emission reductions of methane or nitrous oxide. The GHG analysis should reflect both changes in direct emissions due to improved treatment standards and changes in emissions from different energy demand for treatment. When comparing a baseline with project scenarios, the rate of removal and the effluent quality should be the same or higher in the project.

GHG-emission reduction in wastewater collection	Greenfield or brownfield projects that improve latrines or collection of wastewater, fecal sludge, or septage.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions once treatment of the collected material is taken into account.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – The project will be investing only in a collection (and not treatment) system, which in isolation would likely increase relative GHG emissions due to electricity or fuel usage. If the project is linked to an existing wastewater treatment plant or a treatment plant that will be built through a separate project implemented by a different entity, then the direct and indirect emissions from treatment should also be accounted for in assessing whether the activity would qualify for mitigation finance, because a reduction in relative GHG emissions due to treatment at the treatment plant level would only be possible due to the investment in the collection system. – Gravity-based collection systems as part of a wastewater treatment system in greenfield projects are eligible if they result in near-zero energy-related GHG emissions due to a lack of energy use. – Increased collection rates from existing latrines and septic tanks in isolation may lead to an increase in relative GHG emissions from increased electricity use (from sewers) or fuel use (from vacuum trucks), although the increased treatment rate may lead to an overall reduction in relative GHG emissions for the project or activity. A reduction in time wastewater, fecal sludge, or septage spends in anaerobic conditions, such as septic tanks or latrines, can in isolation lead to a reduction in relative GHG emissions. Both of these factors should be included in the overall GHG analysis for brownfield projects targeting a higher collection rate. – These types of activities are often combined with building or improving latrines with reduced anaerobic conditions compared to the baseline scenario. Investments in latrine improvement are eligible for mitigation finance when they result in a substantial reduction in relative GHG emissions and are combined with investments in wastewater, fecal sludge, or septage collection that lead to a substantial reduction in relative GHG emissions through collection and treatment.
Efficient use of wastewater	Wastewater reuse.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions between the wastewater reuse activity and the expected activity to be replaced or prevented.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Some wastewater reuse technologies, such as tertiary treatment for aquifer recharge, can be highly energy-intensive. The analysis of GHG emissions should capture the high level of energy intensity where applicable. – Potentially eligible activities include: <ul style="list-style-type: none"> – greywater reuse and blackwater reuse after treatment at the building or local level; – treated wastewater reuse for irrigation; – treated sludge as a fertiliser replacement; and – nature-based solutions using retention ponds or constructed wetlands as part of integrated flood risk management.

8.6 Table 7: Solid waste management

For all eligible activities in this table, the entity applying the Common Principles should demonstrate the following to the extent possible and applicable:

- For investments in new waste infrastructure or expansion or replacement of the existing infrastructure, in particular for residual waste treatment and disposal (activities 7.9, 7.10, and 7.12), the entity has appropriately considered the waste hierarchy principle through national legislation (e.g., prevention and recycling objectives and targets, waste disposal objectives and targets) and waste management plans (e.g., plans and measures to increase waste prevention, recycling and material recovery while developing residual waste management infrastructure), and can demonstrate that the activity will not result in long-term lock-in of overcapacities, which would in return deter or reduce the impact of current or future waste prevention and recycling or material-recovery measures. For this purpose, the entity has adopted good practice, which bases the design capacity of waste management facilities on long-term waste generation forecasts for the relevant catchment area as well as on relevant waste management objectives and targets as defined in national legislation and waste management plans. The eligible activities apply to municipal solid waste or similar waste, which includes household, garden, park, commercial, and institutional waste.
- The entity has applied the proximity principle to the waste sourcing and transport system. The proximity principle is about treating and disposing of waste in reasonable proximity to where it had been generated to reduce CO₂e emissions from waste transport.

Category	Eligible activity	Screening criteria and guidance
Waste collection and transport	Separate collection and transport of source-segregated waste fractions.	<p>Criteria:</p> <ul style="list-style-type: none"> – The activity shall support recovery of eligible materials aimed at preparing them for reuse or recycling, including recovery and valorisation of bio-waste. – Separately collected waste fractions shall not be subsequently mixed where doing so may affect their potential for subsequent reuse, recycling, or material recovery. – Where the activity does not use specialised equipment and facilities, financing shall be apportioned as described in the guidance below. <p>Guidance:</p> <ul style="list-style-type: none"> – Specific examples of eligible materials for recovery and associated processes and infrastructure can be found in activities 7.3–7.8. – Source segregation and separate collection of recyclable waste may be in single or co-mingled material fractions. – Potentially eligible activities include the deployment or operation of (i) waste collection equipment, e.g., bins and containers (including underground systems); (ii) waste collection and transport vehicles; (iii) technological equipment and applications of information and communications technologies, e.g., for collection route optimisation, pay-as-you-throw schemes, product tracking and take-back systems; and (iv) construction or operation of infrastructure for separate waste collection, e.g., civic amenity centres, vehicle depots, and vehicle washing, maintenance and repair facilities. – Only the portion of the investment associated with eligible material recovery activities is eligible. If there is no specialised equipment (e.g., if waste collection vehicles or vehicle depots are used for both residual waste collection and separate waste collection), the financing is apportioned according to the proportion of the waste that is separately collected for eligible material recovery activities.
Waste storage and transfer	Temporary storage, bulking, or transfer of separately collected, source-segregated waste fractions.	<p>Criteria:</p> <ul style="list-style-type: none"> – The activity shall support recovery of eligible materials aimed at preparing them for reuse or recycling, including material recovery and valorisation of bio-waste. – Separately collected waste fractions shall not be subsequently mixed where doing so may affect their potential for subsequent material recovery, reuse or recycling. – Where the activity does not use specialised equipment and facilities, financing shall be apportioned as described in the guidance below. <p>Guidance:</p> <ul style="list-style-type: none"> – Specific examples of eligible materials for recovery and associated processes and infrastructure can be found in activities 7.3–7.8. – Source segregation and separate collection of recyclable waste may be in single or co-mingled material fractions. – Potentially eligible activities include construction or operation of temporary storage, bulking, or transfer facilities and ancillary equipment and vehicles. – Only the portion of the investment associated with eligible material recovery activities is eligible. If there is no specialised equipment (e.g., balers specific to recycling), the financing is apportioned according to the proportion of the waste destined to eligible material recovery activities.

Product reuse	Repair and reconditioning of products or product components to enable their reuse.	<p>Criteria:</p> <ul style="list-style-type: none"> - The entity applying the Common Principles shall demonstrate that the activity satisfies all the conditions below: <ul style="list-style-type: none"> - Products would otherwise be discarded. - Products shall be put back to their original use. - Products shall not be intended for reuse in any activity contrary to the Common Principles. - The activity shall not compromise the ability to recover and recycle the products or their associated materials at the end of their useful life. - If the activity involves the repair of products at the end of their design life meeting obsolete energy efficiency standards, the entity applying the Common Principles shall additionally demonstrate a reduction in relative GHG emissions over the products' extended life compared to a new replacement product that meets current international or national energy efficient product standards. <p>Guidance:</p> <ul style="list-style-type: none"> - 'Repair' and 'reconditioning' are activities that aim to restore a product to a usable state by fixing or replacing faulty parts. - Potentially eligible activities include financing of construction or operation of facilities, workshops, or equipment to check, clean, recondition or repair recovered products or components in preparation for re-use.
Material recovery from solid waste	Material recovery from separately collected waste involving mechanical processes.	<p>Criteria:</p> <ul style="list-style-type: none"> - The activity shall be principally aimed at recovering secondary materials from waste in preparation for reuse or recycling. - Recovered materials shall be suitable for reuse or recycling. - The feedstock shall be segregated at source and collected separately (in single or co-mingled material fractions) and shall not be subsequently mixed where doing so may affect their potential for recovery and subsequent reuse or recycling. <p>Guidance:</p> <ul style="list-style-type: none"> - Examples of materials recovered through this activity include metals, glass, plastics, paper and cardboard, wood, textiles and textile fibres, bricks, and other inert construction materials. - Potentially eligible activities include: <ul style="list-style-type: none"> - greenfield projects: construction or operation of new material recovery facilities applying mainly mechanical processes (such as dismantling, separation, sorting, crushing, shredding, and cutting) or organised processes to process waste into secondary materials in preparation for recycling; and - brownfield projects: modification, replacement or upgrading of existing facilities that enable higher rates of material recovery or improved output quality, such as through the installation of equipment for optical, ballistic, or magnetic separation.
Material recovery from solid waste	Material recovery from separately collected or pre-sorted waste involving processes other than mechanical processes.	<p>Criteria:</p> <ul style="list-style-type: none"> - The activity shall be aimed at recovering secondary materials from waste in preparation for reuse or recycling. - Recovered materials shall be suitable for reuse or recycling. - Where the material recovery process or connected upstream and downstream processes require a significant amount of energy input (e.g., thermochemical processes such as pyrolysis and gasification), the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions compared to a relevant baseline scenario, taking account of Scope 3 emissions that are expected to be material. On how to assess Scope 3 emissions, see the guidance below. - The feedstock used shall be separately collected or pre-sorted waste and shall not be mixed where doing so may affect their potential for recovery and subsequent reuse or recycling. <p>Guidance:</p> <ul style="list-style-type: none"> - Examples of typical feedstock used in this activity are plastic and rubber waste, spent oils, lubricants, solvents and other chemicals produced by households and businesses. - Potentially eligible activities include: <ul style="list-style-type: none"> - greenfield projects: construction or operation of new facilities applying physico-chemical, chemical or thermochemical processes (e.g., re-refining and chemical recycling plants including solvent-based purification, chemical depolymerisation or thermal depolymerisation through pyrolysis or gasification); and - brownfield projects: modification, replacement or upgrading of existing facilities that enable higher rates of material recovery or improved output quality. - Where technically and economically viable, mechanical recycling should be given preference to chemical recycling. - While the main objective of the activity is the recovery of materials and substances, the use of process outputs for meeting own energy needs is allowed as long as all other criteria are fully met. For the sake of clarity, activities where the main objective is the recovery of fuels or energy from fossil feedstock are not eligible. - In demonstrating a substantial reduction in relative GHG emissions, Scope 3 emissions should be quantified to the extent possible and on a best-effort basis, particularly where the activity's Scope 1, Scope 2, and consequential emissions result in relative GHG emissions that are (i) positive (that is, GHG emissions in the project scenario are higher than in the baseline scenario) or close to zero, or (ii) negative but with material Scope 3 emissions that can result in relative positive GHG emissions. By contrast, if the relative GHG emissions are already substantially negative even without accounting for Scope 3 emissions and inclusion of the latter is expected to decrease relative GHG emissions further, quantification of Scope 3 emissions may be omitted and replaced with a qualitative analysis.

Recovery and valorisation of bio-waste	Anaerobic digestion of separately collected bio-waste.	<p>Criteria:</p> <ul style="list-style-type: none"> – The bio-waste shall be segregated at source and collected separately. – The produced biogas shall be used productively (see examples below in the guidance). – The digestate produced shall be used as a natural fertiliser or soil conditioner (directly or after composting) or, where it can be demonstrated that there is no market for such use, it shall be used for other purposes (e.g., as backfilling or cover material) but shall not be incinerated. – Appropriate mitigation measures including a monitoring plan put in place to control methane leakages from relevant processes in industrial-scale facilities. For small-scale anaerobic digestion units (e.g., in small farms), appropriate mitigation measures shall be applied that are technically and economically feasible. <p>Guidance:</p> <ul style="list-style-type: none"> – Bio-waste means biodegradable garden and park waste; food and kitchen waste from households, offices, restaurants, wholesale, canteens, caterers and retail premises; and comparable waste from food processing plants. – Co-processing with other types of biodegradable waste and residues (e.g., from agriculture) is allowed where doing so does not negatively affect methane yields or the quality and potential use of the digestate. – Examples of productive use of biogas are as a fuel for electricity generation, heat generation, cooling, and cooking; a vehicular fuel; a fuel after being upgraded to bio-methane for injection in the natural gas grid; and an industrial feedstock. – Potentially eligible activities include: <ul style="list-style-type: none"> – greenfield projects: construction or operation of new plants and small-scale units for anaerobic digestion of bio-waste, for biogas treatment or utilisation, or for the treatment of digestates for use as fertilisers or soil conditioners; and – brownfield projects: modification, replacement or upgrading of existing facilities resulting in <ul style="list-style-type: none"> – improved methane yields from the anaerobic digestion process (e.g., by enabling co-digestion of bio-waste with other biodegradable feedstock such as agricultural residues and manure); – reduced methane leakages (e.g., sealed digestate storage tanks); – enhanced biogas utilisation (e.g., through biogas conversion to bio-methane and its compression for use as a fuel or injection in a natural gas grid); or – enhanced digestate utilisation (e.g., through additional composting and storage). – Specific guidance and examples of methods for monitoring methane emissions from anaerobic digestion plants can be found in <i>Methane emissions from biogas plants: Methods for measurement, results and effect on greenhouse gas balance of electricity produced</i>, available at https://www.ieabioenergy.com/wp-content/uploads/2018/01/Methane-Emission_web_end_small.pdf, and <i>Best Available Techniques (BAT) Reference Document for Waste Treatment</i> (section 6.6.2), available at https://eippcb.jrc.ec.europa.eu/sites/default/files/2019-11/JRC113018_WT_Bref.pdf.
Recovery and valorisation of bio-waste	Composting of separately collected bio-waste.	<p>Criteria:</p> <ul style="list-style-type: none"> – The bio-waste shall be segregated at source and collected separately. – Where national legislation requirements on fertilising products are met, the compost produced shall be used as a natural fertiliser or soil conditioner or, where it is not meeting the environment, health and safety standards or it can be demonstrated that there is no market for such use, it shall be used for other purposes (e.g., as backfilling or cover material) but shall not be incinerated. – Appropriate mitigation measures including a monitoring plan shall be in place to control methane emissions from relevant processes in industrial-scale facilities. For small-scale composting schemes, appropriate mitigation measures shall be applied that are technically and economically feasible. <p>Guidance:</p> <ul style="list-style-type: none"> – Bio-waste means biodegradable garden and park waste; food and kitchen waste from households, offices, restaurants, wholesale, canteens, caterers or retail premises; and comparable waste from food processing plants. – Co-processing with other types of biodegradable waste and residues (e.g., from agriculture) is allowed where doing so does not negatively affect the quality or potential use of the compost. – Potentially eligible activities include: <ul style="list-style-type: none"> – greenfield projects: (a) construction or operation of new composting plants, including equipment for the conditioning of composts for use as fertilisers or soil conditioners; and (b) deployment of household and community-based composting schemes; and – brownfield projects: modification, replacement or upgrading of existing facilities resulting in a reduction of methane emissions from composting plants (e.g., equipment for active aeration of windrows) or improvements in compost quality (e.g., equipment for compost conditioning and valorisation). – Where technically and economically viable, anaerobic digestion should be given preference to composting. – Specific guidance and examples of methods for monitoring methane emissions from large-scale biological waste treatment plants can be found in <i>Best Available Techniques (BAT) Reference Document for Waste Treatment</i>, available at https://eippcb.jrc.ec.europa.eu/sites/default/files/2019-11/JRC113018_WT_Bref.pdf.

Recovery and valorisation of bio-waste	Other types of recovery and valorisation of bio-waste.	<p>Criteria:</p> <ul style="list-style-type: none"> – The bio-waste shall be segregated at source and collected separately, and not subsequently mixed in a way that would negatively affect the recovery processes or the quality of the products. – Recovered materials or biofuels shall meet relevant international or national industry-specific legislation, regulations, standards, or user specifications for the intended use. – Where the material recovery or valorisation process or connected upstream or downstream processes require a significant amount of energy input in the project or the baseline scenario, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions compared to a relevant baseline scenario, taking account of Scope 3 emissions that are expected to be material. On how to assess Scope 3 emissions, see the guidance below. <p>Guidance:</p> <ul style="list-style-type: none"> – Bio-waste means biodegradable garden and park waste; food and kitchen waste from households, markets, offices, restaurants, wholesale, canteens, caterers or retail premises; and comparable waste from food processing plants. – Co-processing with other types of biodegradable waste and residues (e.g., from agriculture) is allowed where doing so does not negatively affect the potential use of the process outputs and residues. – Examples of recovery and valorisation activities include the production or extraction of bio-based materials, biofuels, nutrients, or chemicals from bio-waste. – Potentially eligible activities include implementation or operation of greenfield and brownfield projects that adopt technologies and processes for the recovery and valorisation of bio-waste other than those included in activities 7.6 and 7.7, such as production of biodiesel from vegetable oils, production of food and feed ingredients (protein, fats, peptides), and fertiliser manufacture (struvite and ammonium sulphate) from urban biowaste. – In demonstrating a substantial reduction in relative GHG emissions, Scope 3 emissions should be quantified to the extent possible and on a best-effort basis, particularly where the activity’s Scope 1, Scope 2, and consequential emissions result in relative GHG emissions that are (i) positive (that is, GHG emissions in the project scenario are higher than in the baseline scenario) or close to zero, or (ii) negative but with material Scope 3 emissions that can result in relative positive GHG emissions. By contrast, if the relative GHG emissions are already substantially negative even without accounting for Scope 3 emissions and inclusion of the latter is expected to decrease relative GHG emissions further, quantification of Scope 3 emissions may be omitted and replaced with a qualitative analysis.
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<p>Treatment of mixed residual waste</p>	<p>Mechanical or biological treatment of mixed residual waste.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> - The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions compared to the alternative waste management and disposal method, taking account of Scope 3 emissions that are expected to be material. On how to assess Scope 3 emissions, see the guidance below. - Materials recovered in the mechanical separation stage shall be suitable for recycling. - Where the feedstock contains a material amount of biowaste fractions and where the treatment outputs are to be landfilled, biological treatment shall be compulsory to stabilise organic components and thus minimise methane emissions from landfills. - In addition, where the activity concerns anaerobic digestion of the organic waste fraction or production of refuse-derived fuel (RDF) or solid-recovered fuel (SRF), the following criteria shall apply: - For anaerobic digestion of the organic waste fraction, the produced biogas shall be used productively. Further, appropriate mitigation measures and a monitoring plan shall be in place to minimise and control methane leakages from relevant facilities. - For production of RDF or SRF, the fuel so produced shall be suitable for use as an alternative fuel. <p>Guidance:</p> <ul style="list-style-type: none"> - Mechanical-biological treatment plants (MBT) are designed to treat mixed municipal waste and similar residual waste streams and can have many different design configurations. Plant configurations always combine mechanical sorting (upstream or downstream in the process) with biological treatment of the bio-waste fraction (e.g., anaerobic treatment with biogas recovery, aerobic treatment or composting or bio-drying). - Where the mixed waste feedstock treated contains no or only insignificant amounts of bio-waste (as in mixed construction and demolition waste or mixed industrial waste) plants perform solely a material recovery function, similar to facilities under activity 7.4. - Bio-waste means biodegradable garden and park waste; food and kitchen waste from households, markets, offices, restaurants, wholesale, canteens, caterers or retail premises; and comparable waste from food processing plants. - Examples of materials recovered by mechanical separation include metals, plastics, paper and cardboard. - Examples of productive use of biogas are as a fuel for electricity generation, heat generation, cooling, and cooking; a vehicular fuel; a fuel after being upgraded to bio-methane for injection in the natural gas grid; and an industrial feedstock. - Potentially eligible activities include: <ul style="list-style-type: none"> - greenfield projects: construction or operation of facilities including mechanical processes for sorting and separating waste and biological treatment processes for the bio-waste fraction; and - brownfield projects: modification, replacement or upgrading of existing facilities that result in <ul style="list-style-type: none"> - higher material recovery rates or improved output quality; - reduced methane leakages; - enhanced biogas utilisation (e.g., through biogas conversion to bio-methane, its compression and injection in a natural gas grid); or - enhanced digestate utilisation (e.g., through additional lines for treatment of separately collected bio-waste). - Eligible financing is limited only to plant components and processes with a climate mitigation impact, which include: (i) mechanical separation of recyclable materials, (ii) mechanical separation of RDF or SRF, (iii) mechanical separation and biological treatment of the biodegradable fraction, and (iv) renewable energy production. Where separation of financing is possible, the entire investment cost of the relevant plant components (e.g., biological treatment and energy recovery facilities) shall count towards eligible financing. Where separation of financing is not possible (e.g., mechanical sorting plant) financing shall be apportioned according to the waste throughput capacity and the eligible financing shall be the percent share of the sum of relevant process output fractions (see points i–iii above). In the case of RDF/SRF, the eligible financing shall be limited to the percent share of its renewable (biogenic) fraction (organics, paper, cardboard). - In demonstrating a substantial reduction in relative GHG emissions, Scope 3 emissions should be quantified to the extent possible and on a best-effort basis, particularly where the activity’s Scope 1, Scope 2, and consequential emissions result in relative GHG emissions that are (i) positive (that is, GHG emissions in the project scenario are higher than in the baseline scenario) or close to zero, or (ii) negative but with material Scope 3 emissions that can result in relative positive GHG emissions. By contrast, if the relative GHG emissions are already substantially negative even without accounting for Scope 3 emissions and inclusion of the latter is expected to decrease relative GHG emissions further, quantification of Scope 3 emissions may be omitted and replaced with a qualitative analysis. - Specific guidance and examples of methods for monitoring methane emissions from anaerobic digestion plants can be found in <i>Methane emissions from biogas plants: Methods for measurement, results and effect on greenhouse gas balance of electricity produced</i>, available at https://www.ieabioenergy.com/wp-content/uploads/2018/01/Methane-Emission_web_end_small.pdf, and <i>Best Available Techniques (BAT) Reference Document for Waste Treatment</i>, available at https://eippcb.jrc.ec.europa.eu/sites/default/files/2019-11/JRC113018_WT_Bref.pdf.
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Treatment of mixed residual waste	Waste incineration with energy recovery (waste-to-energy) from mixed residual waste, RDF or SRF.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions compared to the alternative of waste management and disposal, taking account Scope 3 emissions that are expected to be material. On how to assess Scope 3 emissions, see the guidance below. – In greenfield projects, the entity applying the Common Principles shall use an appropriate combination of best available techniques for the energy recovery components of the incineration plant, and in particular implement combined heat and power where this is economically viable under local conditions. <p>Guidance:</p> <ul style="list-style-type: none"> – Potentially eligible activities include: <ul style="list-style-type: none"> – greenfield projects: construction or operation of waste incineration plants with highly-efficient energy recovery in the form of electricity or heat or cooling and material recovery from incineration bottom ash; and – brownfield projects: modification, addition or upgrading of a process technology that results in enhanced energy recovery or material recovery. – Waste incinerators recover energy from mixed waste streams including renewable and fossil fractions. Eligible financing refers only to the renewable energy component. Given that a separation of financing is not possible, financing shall be apportioned according to the plant’s renewable and fossil energy generation capacities. – In demonstrating a substantial reduction in relative GHG emissions, Scope 3 emissions should be quantified to the extent possible and on a best-effort basis, particularly where the activity’s Scope 1, Scope 2, and consequential emissions result in relative GHG emissions that are (i) positive (that is, GHG emissions in the project scenario are higher than in the baseline scenario) or close to zero, or (ii) negative but with material Scope 3 emissions that can result in relative positive GHG emissions. By contrast, if the relative GHG emissions are already substantially negative even without accounting for Scope 3 emissions and inclusion of the latter is expected to decrease relative GHG emissions further, quantification of Scope 3 emissions may be omitted and replaced with a qualitative analysis. – Specific guidance and examples of best available techniques for improving energy efficiency in waste incinerators in the European Union can be found in <i>Best Available Techniques (BAT) Reference Document for Waste Incineration</i>, available at https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/best-available-techniques-bat-reference-document-waste-incineration-industrial-emissions.
Landfill gas capture, abatement and utilisation	Landfill gas capture, abatement or utilisation as part of closure of old landfills, landfill cells or dumpsites.	<p>Criteria:</p> <ul style="list-style-type: none"> – The captured landfill gas shall be used productively, or where doing so is not economically viable, flared. – Appropriate mitigation measures including a monitoring plan shall be in place to control methane emissions from the landfill body and possible leakages from relevant landfill gas management facilities. <p>Guidance:</p> <ul style="list-style-type: none"> – Examples of productive use of landfill gas are as a fuel for electricity generation, heat generation, cooling, and cooking; a vehicular fuel; a fuel after being upgraded to bio-methane for injection in the natural gas grid; and an industrial feedstock. – Potentially eligible activities are limited to: (i) installation or operation of landfill gas capture and abatement systems (e.g., extraction wells and piping systems, blower-flare systems, containment and capsulation measures, including permanent landfill cover layers and bio-filters with a landfill-gas-emission abatement function), and (ii) landfill gas treatment and utilisation systems (e.g., facilities for energy production, or to upgrade to bio-methane, compress for use as a vehicle fuel or injection in a natural gas grid). – Guidance on best practice concerning landfill gas emission control and utilisation is available from various international and national organisations, including <i>Landfill Operational Guidelines 3rd Edition</i>, available at iswa - landfill operational guidelines 3rd edition.pdf (wehrle-werk.de), and <i>Landfill gas control - Guidance on the landfill gas control requirements of the Landfill Directive</i>, and links contained therein to further guidance documents recommended by EU member states, available at https://ec.europa.eu/environment/waste/landfill/pdf/guidance%20on%20landfill%20gas.pdf.

<p>Landfill gas capture, abatement and utilisation</p>	<p>Landfill gas capture, abatement or utilisation in new sanitary landfills or landfill cells.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> - The entity applying the Common Principles shall demonstrate that the new sanitary landfill will result in a substantial reduction in relative GHG emissions compared to the relevant baseline scenario for waste management and disposal. - The captured landfill gas shall be used productively, or where utilisation is not economically viable, flared. - Appropriate mitigation measures including a monitoring plan shall be in place to control methane emissions from the landfill body and possible leakages from relevant landfill gas management facilities. <p>Guidance:</p> <ul style="list-style-type: none"> - Examples of productive use of landfill gas are as a fuel for electricity generation, heat generation, cooling, and cooking; a vehicular fuel; a fuel after being upgraded to bio-methane for injection in the natural gas grid; and an industrial feedstock. - Potentially eligible activities are limited to the installation or operation of landfill gas capture, treatment and utilisation systems, and the containment and capsulation measures required for the collection and management of landfill gas if the baseline has no GHG emission control measures in the jurisdiction. <ul style="list-style-type: none"> - Examples of landfill gas capture systems are extraction wells and piping systems, blower-flare systems, and where the activity includes the closure of previously filled cells, also permanent landfill cover layers or bio-filters with landfill-gas-emission abatement functions. - Examples of landfill gas treatment and utilisation systems are facilities to produce energy or to upgrade the captured landfill gas to bio-methane and compress it for use as a vehicular fuel or for injection in a natural gas grid. - Examples of the containment and capsulation measures are the landfill cells that contain and capture the waste from which the landfill gas is extracted. - Guidance on best practice concerning landfill gas emission control and utilisation is available from various international and national organisations, including <i>Landfill Operational Guidelines 3rd Edition</i>, available at iswa - landfill operational guidelines 3rd edition.pdf (wehrle-werk.de), and “Landfill gas control - Guidance on the landfill gas control requirements of the Landfill Directive” and links contained therein to further guidance documents recommended by EU member states, available at https://ec.europa.eu/environment/waste/landfill/pdf/guidance%20on%20landfill%20gas.pdf.
<p>Energy efficiency</p>	<p>Brownfield projects aimed at improving energy efficiency in waste management facilities.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> - Energy efficiency interventions shall be eligible only for waste management plants that are eligible under the Common Principles (activities 7.1–7.12). - The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions from the energy efficiency improvement. <p>Guidance:</p> <ul style="list-style-type: none"> - Potentially eligible activities include the modification, retrofitting or upgrading of existing plant equipment aimed at increasing energy efficiency. - The entity applying the Common Principles should demonstrate that the activity will not result in long-term lock-in effects in cases where energy efficiency improvement is part of a larger replacement, modernisation or capacity extension project for an existing residual waste treatment facility, because such effects would deter waste prevention or more efficient resource management in accordance with the waste hierarchy principle. <ul style="list-style-type: none"> - Examples of best available techniques for increasing energy efficiency in various types of waste management installations in the European Union can be found in <i>Best Available Techniques (BAT) Reference Document for Waste Treatment</i>, available at https://eippcb.jrc.ec.europa.eu/sites/default/files/2019-11/JRC113018_WT_Bref.pdf, and <i>Best Available Techniques (BAT) Reference Document for Waste Incineration</i>, available at https://publications.jrc.ec.europa.eu/repository/handle/JRC118637.

8.7 Table 8: Transport

Category	Eligible activity	Screening criteria and guidance
Urban and rural transport	Urban and rural public transport projects.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a modal shift from a higher-carbon mode, except where the activity improves the performance of an eligible existing public transport system. – Road infrastructure shall be eligible for the case of dedicated public transport infrastructure. <p>Guidance:</p> <ul style="list-style-type: none"> – Modal shift includes prevention of future shifts to higher-carbon modes. – Both fleets and infrastructure that are fundamental to the operation of public transport services are eligible. – For road infrastructure projects where the cost of the dedicated infrastructure is not well defined or disaggregated cost information is not available, financing is proportional to the share of infrastructure dedicated to public transport. – Activities that improve the performance of an existing public transport system are eligible. These activities are exempt from demonstrating a modal shift. – Potentially eligible activities include buses, bus rapid transit, tram, metro, cable car, monorail, rail transit, and ferry used in public transport. – Technology-substitution projects (without a modal shift) are addressed in activity 8.6.
Urban and rural transport	Non-motorised transport (NMT) or electric personal mobility.	<p>Criteria:</p> <p>Road infrastructure shall be eligible for the case of dedicated NMT infrastructure.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Both fleets and infrastructure that are fundamental to the operation are eligible. – For road infrastructure projects where the cost of the dedicated infrastructure is not well defined or disaggregated cost information is not available, financing is proportional to the share of infrastructure dedicated to NMT schemes. – Two examples of NMT are bicycles and pedestrian mobility.
Low-carbon inter-urban transport	Inter-urban railway projects for freight or passengers.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a modal shift from a higher-carbon mode, except when the activity improves the performance of an eligible existing railway system. – Activities dedicated to transport of fossil fuels or blended fossil fuels (where a high proportion of the blended fuel is a fossil fuel) shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – Modal shift includes prevention of future shifts to higher-carbon modes. – Both fleets and infrastructure that are fundamental to the operation of transport services are eligible. – Activities that improve the performance of an eligible existing railway system are eligible and are exempt from demonstrating a modal shift. – For the criterion excluding the eligibility of activities “dedicated to the transport of fossil fuels or blended fossil fuels,” dedication refers to fleets or infrastructure being acquired or built with the explicit intention of transporting or storing fossil fuels, even if the actual use additionally serves other purposes. – Blended fossil fuels refer to mixtures of fossil fuels and biofuels, such as a mixture of gasoline and bioethanol or petroleum diesel and biodiesel. – Technology-substitution projects (without a modal shift) are addressed in activity 8.6.
Low-carbon inter-urban transport	Bus or coach public passenger transport.	<p>Criteria:</p> <p>The entity applying the Common Principles shall demonstrate a modal shift from a higher-carbon mode.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Modal shift includes prevention of future shifts to higher-carbon modes. – Both fleets and infrastructure that are fundamental to the operation of transport services are eligible. – Technology-substitution projects (without a modal shift) are addressed in activity 8.6.

<p>Low-carbon mode and efficiency improvement in maritime and inland waterway transport</p>	<p>Water transport projects for freight or passengers, or efficiency improvement.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate: <ul style="list-style-type: none"> – a shift from a higher-carbon to a lower-carbon mode, or – a substantial reduction in GHG emissions, – except where the activity improves the efficiency of an eligible existing inland waterway or short-sea shipping system. – In all cases, activities dedicated to transport of fossil fuels or blended fossil fuels (where a high proportion of the blended fuel is a fossil fuel) shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – Modal shift includes prevention of future shifts to higher-carbon modes. – Both fleets and infrastructure that are fundamental to the operation of transport services are eligible. – For the criterion excluding the eligibility of activities “dedicated to the transport of fossil fuels or blended fossil fuels,” dedication refers to fleets or infrastructure being acquired or built with the explicit intention of transporting or storing fossil fuels, even if the actual use additionally serves other purposes. – Potentially eligible activities include inland waterway, short-sea-and deep sea shipping infrastructure and fleets. – Potentially eligible efficiency improvements include technical efficiency measures (such as improvements in design, propulsion, machinery and operation), route optimisation services, ship-to-ship route exchanges, enhanced monitoring systems, introduction of digitisation, and port-call synchronisation. – Activities that improve the efficiency of an eligible existing inland waterway or short-sea shipping system are exempt from demonstrating either a modal shift or a substantial reduction in emissions.
<p>Low-carbon vehicles and associated infrastructure</p>	<p>Land-based, airborne, or waterborne vehicles transporting passengers or freight with zero or low direct emissions, or associated infrastructure.</p>	<p>Criteria:</p> <p>Activities dedicated to transport of fossil fuels or blended fossil fuels (where a high proportion of the blended fuel is a fossil fuel) shall not be eligible.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Direct emissions refer to tailpipe emissions. – Vehicles and associated infrastructure cover all modes. Innovative low-carbon aviation activities are covered in Table 11: Research, development and innovation. – Vehicles, trains, or waterborne vessels or infrastructure that is fundamental to the operation of transport services are eligible. – For the criterion excluding the eligibility of activities “dedicated to the transport of fossil fuels or blended fossil fuels,” dedication refers to any otherwise eligible vehicles or associated infrastructure being acquired or built with the explicit intention of transporting or storing fossil fuels, even if the actual use additionally serves other purposes. – Potentially eligible activities include electric, hydrogen, hybrid, and plug-in hybrid vehicles and associated infrastructure.
<p>Low-carbon fuels for transport</p>	<p>Transport operations using biofuels or synthetic fuels with low lifecycle GHG emissions.</p>	<p>Criteria:</p> <ul style="list-style-type: none"> – Lifecycle GHG emissions shall not exceed the level of GHG emissions from the current fuel mix. – GHG emissions shall be substantially lower than corresponding GHG emissions of transport relying on fossil fuels. – For eligibility of biofuels, see activity 2.1. – Projects involving biofuel vehicles shall target fuel blends with significant shares of biofuels. When blended, only the portion of non-first-generation biofuel shall be eligible as climate finance. – Both fleets and infrastructure that are fundamental to the transport operation are eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – For guidance on biofuels, see activity 2.1. – Synthetic fuels with low lifecycle GHG emissions (or e-fuels) are those that use low-carbon feedstocks of hydrogen and CO₂. Examples are hydrogen in activity 4.9, captured CO₂ in activity 12.5, and CO₂ from direct air capture.
<p>Transport demand management policy and systems</p>	<p>Transport demand management policy or associated intelligent transport systems (ITS).</p>	<p>Criteria:</p> <p>Investments related to policy actions or ITS that are expected to lead to substantially decreased overall travel demand or modal shifts to more efficient modes shall be eligible.</p> <p>Guidance:</p> <p>Potentially eligible activities include policy or systems leading to reduction in use of personal or freight transport and shifting from private car use to mass transit NMT, e.g., transit-oriented development (TOD), low- or zero-emission zone, mobile sharing application providing access to alternative modes such as bicycles and scooters, and investments in ICT to increase traffic operational efficiency or enable shared mobility.</p>
<p>Low-carbon fuels for transport</p>	<p>Use of waste gas as a transport fuel.</p>	<p>Criteria:</p> <p>For eligible waste gas, see activities 2.5, 6.4, 6.5, 7.6, and 7.9.</p> <p>Guidance:</p> <p>For guidance on eligible waste gas, see activities 2.5, 5.10, 7.6, and 7.9.</p>

Air Traffic management	Efficient air traffic management.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions to ensure that an increase in air traffic that may result from the activity does not negate the GHG-emission-intensity benefits.</p> <p>Guidance: There is no specific guidance.</p>
Efficiency and renewable energy in aviation	Efficient airport system operations or on-site renewable energy generation.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions from energy efficiency or other GHG reduction measures. – For eligibility of on-site renewable energy generation, see activity 2.1. <p>Guidance:</p> <ul style="list-style-type: none"> – Potentially eligible activities include: <ul style="list-style-type: none"> – higher operational efficiency of aircraft movements in the airfield and in the landing and take-off cycle; and – energy efficiency improvements in equipment. – Criteria for ground transport activities (such as bus fleets, car fleets and people-movers) are covered in activities 8.6 and 8.7 above. – Criteria for airport buildings are covered in activities 10.1 and 10.2.

8.8 Table 9: Buildings, public installations and end-use energy efficiency

Category	Eligible activity	Screening criteria and guidance
Energy efficiency, on-site renewable energy, CO₂e-emission reduction, and carbon sinks in buildings	Measures that reduce net energy consumption, resource consumption or CO ₂ e-emissions, or increase plant-based carbon sinks in greenfield and brownfield buildings and associated grounds.	<p>Criteria:</p> <ul style="list-style-type: none"> – The party executing the activity shall commit to adopting measures that substantially reduce net energy consumption, resource consumption, or CO₂e emissions, or increase carbon sinks in the project design. – Where the eligible activity produces renewable energy, it shall meet the same criteria for low lifecycle GHG emissions as in eligible activity 2.1 or 2.2. <p>Guidance:</p> <ul style="list-style-type: none"> – The portion of the financing estimated to be dedicated to the above measures is eligible. – Potentially eligible activities include the following: <ul style="list-style-type: none"> – Building design for lower energy consumption or GHG emissions. – Use of building materials with low embedded GHG emissions (including low-carbon cement, and sustainable timber, bamboo, and wood). – Construction of building structures for high energy efficiency, such as advanced thermal protection of the building envelope, windows with low thermal conductivity/low-emissivity façade glazing, passive energy design, green roofs and green walls partially or completely covered with vegetation, thermal mass storage systems, and active or passive façade shading elements. – Energy efficiency improvement in assets in existing buildings, such as mechanical and electrical systems; heating, ventilation and air-conditioning (HVAC); induction stoves; indoor and exterior lighting; and pumping and heat exchanger stations. – Installation of high-efficiency vertical (elevators, escalators) and horizontal (travellator) transport systems; on-site high-efficiency transformers and systems for compensation of reactive power; passive or active filters of harmonics; high-efficiency appliances and equipment; and high-efficiency motors, pumps, fans, and drives with variable speed drives. – Adoption of energy-management systems. – Substitution or retrofit of existing heating, cooling or distributed power generation sources for higher efficiency, such as replacement of existing heating or cooling with higher-efficiency boilers or chillers, recovery and use of waste heat, and conversion to cogeneration or tri-generation. – Digital or other smart solutions and electrification infrastructure (e.g., charging stations for electric vehicles; see also activity 8.6) and smart electric meters. – Addition of on-site renewable energy sources (e.g., solar photovoltaic, solar thermal collector). – Installation of heat pumps. – Prevention or reduction of use of cooling agents, or replacement of cooling agents with those with lower global warming potential, or adoption of technologies and practices that minimise hydrofluorocarbon (HFC) leakages. – Measures to minimise methane leakages.

Energy efficiency, renewable energy, CO₂e-emission reduction, and carbon sinks in green buildings	Measures that reduce net energy consumption, resource consumption or CO ₂ e-emissions, or measures that increase plant-based carbon sinks in new or retrofitted buildings and associated grounds, enabling certification standards to be met.	<p>Criteria:</p> <ul style="list-style-type: none"> – The party executing the greenfield activity shall commit to meeting green building certification criteria, as established by a certification agency recognised by the financial institutions involved in financing. – The certification standards eligible for climate finance shall be characterised by the following: <ul style="list-style-type: none"> – statement of clear, comprehensive and stringent climate performance requirements, – quality control by at least two independent experts from certifying entities at each stage of certification, and – final certification post-construction. <p>Guidance:</p> <ul style="list-style-type: none"> – A local benchmark may serve as the baseline for energy, resource, or GHG emissions intensity. – Examples of internationally recognised certifications are the Excellence in Design for Greater Efficiencies (EDGE), Building Research Establishment Environmental Assessment Method (BREEAM), certificate issued by the German Sustainable Building Council (DGNB), Haute Qualité Environnementale (HQE), GREEN STAR, and the Leadership in Energy and Environmental Design (LEED). – National or international certification programmes (such as EU Energy Efficiency Directive, the EU Energy Performance Directive, and the EU Energy Performance Certificates) can be used as appropriate. – If the activity comprises a large number of small buildings, certification of every building may be substituted by certification of a representative sample of buildings in the activity in combination with legally binding covenants—to follow equivalent technical specifications and design that ensure a comparable climate mitigation impact required for certification—for the remaining buildings not subject to certification.
Energy efficiency, on-site renewable energy, CO₂e-emission reduction, and carbon sinks in public areas and installations	Measures that reduce net energy consumption, resource consumption or CO ₂ e emissions, or increase plant-based carbon sinks in public areas or installations.	<p>Criteria:</p> <ul style="list-style-type: none"> – The party executing the activity shall commit to adopting measures that substantially reduce net energy, resource consumption or CO₂e emissions, or increase carbon sinks as part of the project design. – Where the eligible activity uses renewable energy, it shall meet the same criteria for low lifecycle GHG emissions as in eligible activity 2.1 or 2.2. <p>Guidance:</p> <ul style="list-style-type: none"> – The portion of the financing estimated to be dedicated to the above measures is eligible. – Potentially eligible activities include efficient lighting in streets and public areas, establishment of public parks with trees serving as carbon sinks, and efficient irrigation of local vegetation.
End-use energy efficiency	Brownfield standalone end-use energy efficiency improvement or CO ₂ e-emission reduction in existing appliances or equipment.	<p>Criteria:</p> <p>The entity applying the Common Principles shall demonstrate a substantial reduction in net energy consumption, resource consumption, or CO₂e emissions.</p> <p>Guidance:</p> <p>This activity covers end-use efficiency improvement not covered in activity 9.1 or other sector tables.</p>
End-use energy efficiency	New or replacement standalone energy efficient appliances or equipment.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in net energy consumption, resource consumption, or CO₂e emissions. – The activity shall use the best available technology or match or surpass country-appropriate technology benchmarks in performance. – Where highly efficient new appliances or equipment use a fossil fuel as the source of energy, the entity applying the Common Principles shall demonstrate that the activity represents the development solution with the least GHG emissions, does not create carbon lock-in (e.g., lifetime is short) and documents that neither electric nor lower-carbon alternatives are feasible. – Electrification of appliances or equipment previously combusting a fossil fuel shall be eligible without the need for a demonstration of a substantial reduction in net energy consumption, resource consumption, or CO₂e emissions where electrification is relatively rare for that type of appliance or equipment. <p>Guidance:</p> <ul style="list-style-type: none"> – This activity covers end-use efficiency improvement not covered in activity 9.1 or 9.2 or other sector tables. – Potentially eligible activities include installation of highly-efficient refrigerators with refrigerants with low global warming potential.

8.9 Table 10: ICT and digital technologies

Category	Eligible activity	Screening criteria and guidance
Energy efficiency, renewable energy and CO₂e-emission reduction	Energy efficiency improvement, renewable energy deployment, or CO ₂ e-emission reduction in existing data centres.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate a substantial reduction in net CO₂e emissions or carbon intensity. – Where the eligible activity involves renewable energy, it shall meet the same criteria for low lifecycle GHG emissions as in eligible activity 2.1. <p>Guidance:</p> <p>Potentially eligible activities include installing efficient information technology (IT) equipment, improving the efficiency of cooling systems, enhancing the data centre insulation, and switching to cooling agents with lower global warming potential.</p>
Energy efficiency and renewable energy	Greenfield data centres that meet best international practices for energy efficiency or that are supplied largely by on-site renewable energy generation.	<p>Criteria:</p> <ul style="list-style-type: none"> – The eligible activity shall meet at least one of the following criteria: <ul style="list-style-type: none"> – Energy efficiency performance of the data centre complies with internationally recognised best practice guidelines or is substantially better than market standards or benchmarks. – Data centre buildings meet the criteria provided for greenfield buildings in activity 9.2. – The activity does not meet the first criterion above but energy consumed is largely or entirely from on-site renewable energy generation that meets the same criteria for low lifecycle GHG emissions as in activity 2.1 or 2.2. <p>Guidance:</p> <ul style="list-style-type: none"> – If the greenfield data centre meets both criteria 1 and 2, the entire financing for the greenfield data centre is eligible. – If the greenfield data centre meets criterion 1 only, the financing should be apportioned to reflect the share associated with costs of the IT equipment and auxiliary equipment, e.g., cooling and power equipment. – If the greenfield data centre meets criterion 2 only, the criteria and guidance for activity 9.2 are applicable and the financing for the building itself, but not IT equipment and auxiliary equipment, is eligible. – If the greenfield data centre meets criterion 3 only, the financing should be apportioned to reflect the share associated with costs of the on-site renewable energy. <ul style="list-style-type: none"> – An example of internationally recognised best practice guidelines is <i>2019 Best Practice Guidelines for the EU Code of Conduct on Data Centre Energy Efficiency</i> (JRC), available at https://e3p.jrc.ec.europa.eu/publications/2023-best-practice-guidelines-eu-code-conduct-data-centre-energy-efficiency.
Energy efficiency	Telecommunications networks with energy efficiency levels that meet best international practices.	<p>Criteria:</p> <p>The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or that energy efficiency performance is substantially better than best market standards or benchmarks.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Where feasible, analysis of GHG emissions should take account of material lifecycle sources, including where Scope 3 emissions are expected to be material, such as additional energy consumption in data centres to deal with increased data traffic. – Potentially eligible activities include the adoption of emerging telecommunications technologies, changes in processes resulting in energy savings, resource-use efficiency measures, and implementation of energy-efficiency plans leading to a reduction in relative GHG emissions. – Two examples of standards that can be used to assess energy efficiency improvement are: <ul style="list-style-type: none"> – <i>Operational energy Efficiency for Users (OEU); Technical Global KPIs for Fixed Access Networks (ETSI)</i>, available at https://www.etsi.org/deliver/etsi_gs/OEU/001_099/012/01.01.01_60/gs_OEU012v010101p.pdf; and – <i>ETSI ES 203 228 V1.2.1 (2017-04); Environmental Engineering (EE); Assessment of mobile network energy efficiency</i> (ETSI), available at https://www.etsi.org/deliver/etsi_es/203200_203299/203228/01.02.01_60/es_203228v010201p.pdf.
Electronic service delivery	Digitisation of service delivery or internal operations, leading to a substantial reduction in travel or material use.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate either of the following: – The activity supports a large-scale transformation of service delivery or operations, leading to a substantial reduction in relative GHG emissions in the long term, taking into account material lifecycle sources such as where Scope 3 emissions are expected to be material. – The activity is the first of its kind, i.e., no similar activity has been implemented previously in a certain geographical area or for a targeted sub-group and has the potential to enable a substantial reduction in relative GHG emissions in the long term, taking into account material lifecycle sources such as where Scope 3 emissions are expected to be material. <p>Guidance:</p> <ul style="list-style-type: none"> – If the old service delivery model is not terminated, the continued use of non-electronic service delivery should be accounted for in the determination of relative GHG emissions. – Potentially eligible activities include application of e-government, telemedicine, mobile money, and teleworking.

8.10 Table 11: Research, development and innovation

Category	Eligible activity	Screening criteria and guidance
Research, development and innovation	Research on or development of renewable energy, energy efficiency improvement, low-carbon technologies, or other technologies instrumental to achieving full decarbonisation.	<p>Criteria:</p> <ul style="list-style-type: none"> – Research, development and innovation activities shall carry out at least one of the following: <ul style="list-style-type: none"> – Directly support other activities identified in the Common Principles for climate change mitigation. – Support activities with the principal objective of mitigating climate change but are not on the current eligibility list because they are new, innovative technologies or practices that are still far from commercialisation. – In all cases, activities shall aim to promote substantially lower GHG emissions compared with current practices, except where the current practice is already low in carbon and activities focus on development of equally low- or lower-emission technologies with new advantages, such as lower cost. – Activities that support low-carbon technologies but also directly support exploration, extraction, processing or transport of fossil fuels, or fossil fuel power generation (with the exception of technologies for carbon capture and storage), shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – For carbon capture and storage or utilisation, see activity 12.5.

8.11 Table 12: Cross-sectoral activities

Category	Eligible activity	Screening criteria and guidance
Energy and resource-use efficiency	An activity that enables a reduction in energy or material use across a supply chain (upstream or downstream) through energy efficiency or resource-use efficiency improvements in the existing supply chain, through a shift to a less carbon-intensive supply chain, or by implementing circular economy systems.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, taking account of material lifecycle sources such as where Scope 3 emissions are expected to be material.</p> <p>Guidance: The boundaries for GHG assessment can be limited by excluding stages or activities in the supply chain where emissions are expected to remain unchanged by the activity. Any exclusion should be justified.</p>
Waste heat recovery	Recovery for use or utilisation of process waste heat.	<p>Criteria: The entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions, carbon intensity (e.g., tCO₂e/unit of output), or energy intensity (e.g., gigajoules/unit of output).</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Waste heat utilised is a by-product of another activity, the primary output of which is not heat. Examples of activities from which waste heat is recovered include industrial processes, metro systems, wastewater treatment plants, and data centres. – The recovered waste heat may be used by the entity generating such heat; may be combined across more than one entity, such as through urban planning or district energy networks; or may be used by a third party. – Potentially eligible activities include installing new equipment or improving processes to recover or use waste heat.
Demand reduction	An activity aimed at demand-side management.	<p>Criteria: The entity applying the Common Principles shall demonstrate a link between the activity and a reduction in demand for energy or resources.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – The activity may be an investment project, policy, programme, or technical assistance. – The activity is for demand-side management measures not already covered in the first ten tables. – Potentially eligible activities include: <ul style="list-style-type: none"> – restraints on vehicle movements through parking policies or location- or time-specific charges, or bans on certain categories of vehicles, and – attachment of remote devices by utilities to air conditioning units to turn them off and cycle during peak demand.

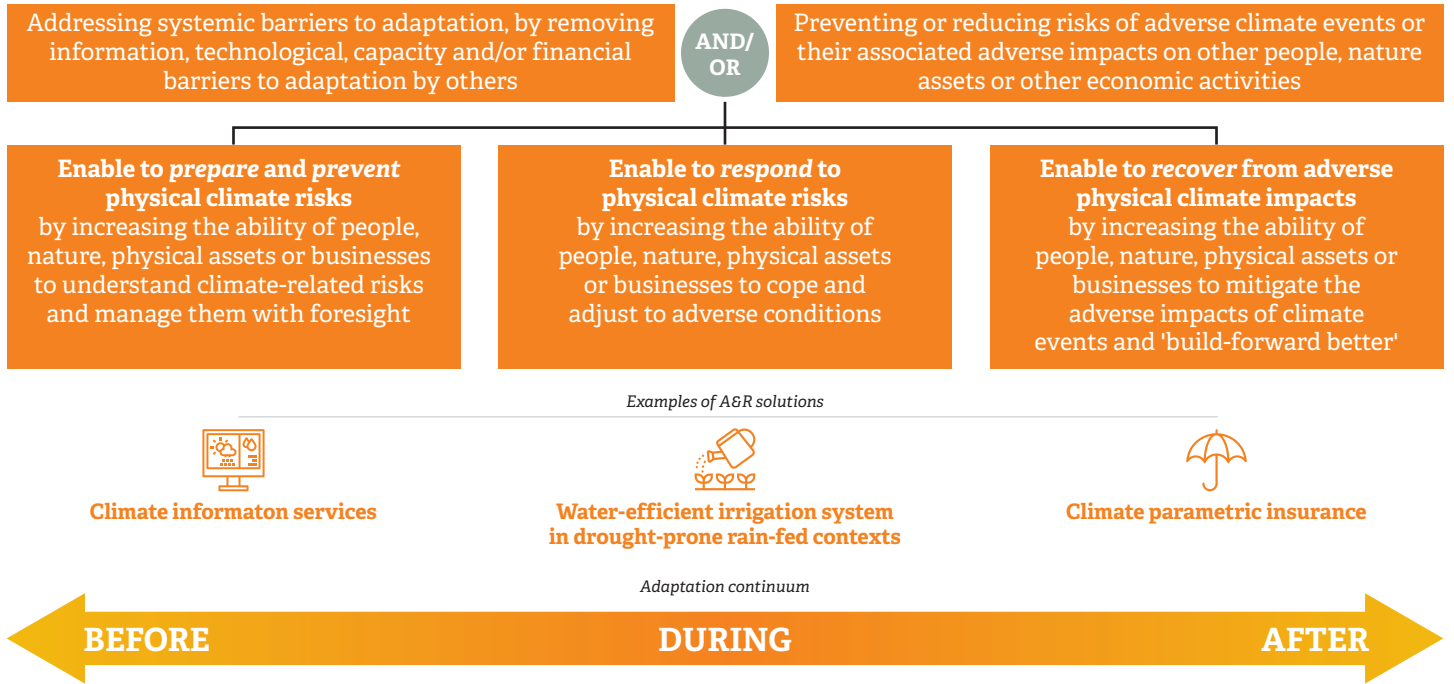
Energy transition	Direct financing, policy actions, programmes, or technical assistance to support closure of fossil fuel plants or other activities involving fossil fuel extraction, processing or transport, including support to workers or communities affected by such closure.	<p>Criteria:</p> <ul style="list-style-type: none"> – Decommissioning of a fossil fuel plant shall take place well before the end of its economic life. – Where financing is provided to decommission a fossil fuel plant and demand for the services or goods provided by the plant is not falling, the entity applying the Common Principles shall demonstrate that the system that includes the replacement for the decommissioned fossil fuel plant is on a path to declining fossil fuel intensity. – Where financing is provided to terminate fossil fuel extraction, the entity applying the Common Principles shall demonstrate that the relevant entity (country, state, province, or company) will be producing less of the fossil fuel in question overall. – For activities in support of workers or communities affected by closures the activity shall be explicitly linked to the closure of a fossil fuel plant or termination of activities devoted to extraction, transport, or combustion of fossil fuels. – Retraining of workers for comparable jobs in fossil fuel plants or activities involving fossil fuel extraction, processing or transport shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – The second criterion is intended to ensure that a decommissioned fossil fuel plant will not be replaced by another plant with a comparable or higher GHG-emissions intensity. For example, financing provided to help decommission a grid-connected coal-fired power plant well before the end of its economic life would be eligible if the fossil fuel intensity of electricity generation in the grid is declining. – The third criterion is similarly intended to ensure that the overall extraction of a given fossil fuel decline. For example, the state government of a major coal-producing state may commit to reducing coal production despite having plentiful remaining reserves, resulting in many retrenched workers. Support provided to such workers would potentially be eligible. – Two examples of emissive activities being terminated are coal mining and railway dedicated to transporting fossil fuels.
GHG-emission reduction	Carbon capture, transport, storage, or utilisation.	<p>Criteria:</p> <ul style="list-style-type: none"> – Carbon capture of emissions from combustion of fossil fuels to generate electricity shall be eligible only if there is permanent storage of CO₂ or utilisation that enables long-term storage. – Where the activity involves utilisation, the project's output shall replace raw materials. Further, the entity applying the Common Principles shall demonstrate a substantial reduction in relative GHG emissions or carbon intensity (e.g., tCO₂e/unit of output), taking account of material lifecycle sources such as where Scope 3 emissions or Scope 1 emissions during construction are expected to be material. – Where transport or storage is shared between captured CO₂ and other gases, financing shall be apportioned according to the share of stored or transported gases that is captured CO₂, provided that if its end-use is known, it is also eligible for climate mitigation finance. – Single-use utilisation of captured CO₂ without further conversion shall not be eligible. <p>Guidance:</p> <ul style="list-style-type: none"> – The last bullet refers to such uses of CO₂ as in greenhouses and carbonated drinks. – Potentially eligible activities include financing provided specifically to enable separation of oxygen from air for oxyfuel with post-combustion capture and storage or eligible utilisation; and pre-combustion capture.
Policy support and technical assistance for climate change mitigation	National, subnational or territorial cross-sectoral policy actions that aim to lead to climate change mitigation actions or technical support for such actions.	<p>Criteria:</p> <p>Policy actions or technical support shall be for activities that will lead to an increase in carbon sinks or a substantial reduction in relative GHG emissions, or if the sector concerned is already low in CO₂e emissions, at a minimum not increase the current level of emissions.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Policies that largely support activities not eligible in the Common Principles are not eligible. – Policy actions should be excluded if, even if they refer to mitigation of global warming, they are unlikely to have mitigation effects in practice. – Potentially eligible policy actions include those supporting the Nationally Determined Contributions (NDCs), long-term emission-reduction strategies, climate action plans, Nationally Appropriate Mitigation Actions (NAMAs), and plans for scaling up zero- or low-emission technologies and measures.
Policy support and technical assistance for energy or resource-use efficiency	Policy actions, programmes, or technical assistance for establishing more stringent energy or resource-use efficiency standards or more stringent enforcement of efficiency standards.	<p>Criteria:</p> <p>No specific criteria apply.</p> <p>Guidance:</p> <p>Potentially eligible activities include setting new or tighter energy efficiency standards, certification schemes, and procurement schemes.</p>

Monitoring	Systems or transparency tools for monitoring GHG emissions.	<p>Criteria: Systems or transparency tools shall be expected to lead to an improvement in gathering data and information on GHG emissions.</p> <p>Guidance: Systems or transparency tools for monitoring GHG emissions can be implemented at the national, subnational, sector or entity level.</p>
Energy efficiency and renewable energy	Energy audits aimed at identifying scope for increasing energy efficiency or on-site renewable energy generation.	<p>Criteria:</p> <ul style="list-style-type: none"> – The project document shall show that the audit will have a specific focus on reducing energy consumption or GHG emissions. – Where the audit identifies renewable energy, it shall meet the same criteria for low lifecycle GHG emissions as in activity 2.1 or 2.2. <p>Guidance:</p> <ul style="list-style-type: none"> – The energy audit can be either a dedicated energy audit or part of an overall entity audit. For the latter, only the portion of the audit dedicated to the energy audit will be eligible. This would also apply to auditing potential sources of direct GHG emissions with the objective of reducing them. – Potentially eligible audits include identification of: <ul style="list-style-type: none"> – Potential sources of energy savings and implementation of measures for such savings; – Potential sources of reductions in direct GHG emissions and implementation of measures for such reductions; – Potential sources of energy savings or reductions in direct GHG emissions with a view to implementing measures to achieve such savings or reductions in follow-up or future activities; and – Potential use of renewable energy (beyond what is currently dispatched to the local grid).
Policy support and technical assistance for low-carbon development	Policy actions, programmes, or technical assistance for establishing fiscal incentives for scaling up investments in or deployment of low-carbon technologies and measures.	<p>Criteria: Fiscal incentives for promotion of natural gas to replace coal or oil shall not be eligible.</p> <p>Guidance: Fiscal incentives can be provided at the national, subnational or sector level.</p>
Policy support and technical assistance for carbon pricing	Policy actions, programmes, or technical assistance that target carbon prices or other payments that have the equivalent effects.	<p>Criteria: The activity shall increase the effective prices paid by end-users for or the costs of producing goods and services with high lifecycle GHG emissions.</p> <p>Guidance: Potentially eligible activities include carbon taxes, cap-and-trade systems, fossil fuel subsidy reforms, raising excise taxes on fossil fuels, and shadow carbon prices used for sector planning purposes.</p>
Policy support and technical assistance for lower-carbon urban development	Policy actions, programmes, or technical assistance for reducing unplanned low-density urban development or promoting densification, leading to avoidance of a long-term lock-in of a higher-carbon built environment.	<p>Criteria:</p> <ul style="list-style-type: none"> – The entity applying the Common Principles shall demonstrate that the activity is undertaken specifically to reduce unplanned low-density urban development compared to a business-as-usual scenario. – The entity applying the Common Principles shall demonstrate that the activity will reduce energy needs or increase carbon pools through more efficient urban systems, limit the expansion of urban land compared to the baseline, or do both. <p>Guidance:</p> <ul style="list-style-type: none"> – Compared to the urban development scenario without the policy, the eligible activity should be expected to: <ul style="list-style-type: none"> – reduce overall direct and indirect energy demand through more efficient urban systems and land use; or – increase carbon pools in surrounding undeveloped natural or agricultural land. – Potentially eligible activities include: <ul style="list-style-type: none"> – promotion of mixed use and high-rise compact development, e.g., permitting higher floor area ratios, removing existing development restrictions in core urban areas to allow higher density and mixed use, and redevelopment or retrofit of underused urban districts using compact growth strategies; and – containment of urban expansion, e.g., integrated urban spatial or zoning plans identifying higher development potential for core urban areas, low or no development potential for peripheral areas, and demarcated green zones.

Capacity building and information dissemination	Education, training, capacity building or awareness-raising focused on climate change mitigation.	<p>Criteria: No specific criteria apply.</p> <p>Guidance:</p> <ul style="list-style-type: none"> – Capacity building and awareness-raising activities can be provided at the national, subnational, community, sector or customer level. – Potentially eligible activities include consumer awareness campaigns about food waste, energy efficiency, recycling, and fossil fuel subsidies.
CO₂e-emission reduction	Programmes or systems that provide incentives or tools to units or teams within entities to manage and minimise GHG emissions and contribute to the entity's decarbonisation goals.	<p>Criteria: Programme goals shall aim at minimising CO₂e emissions and contributing to the goal of achieving full decarbonisation.</p> <p>Guidance: Potentially eligible activities include green procurement, payment of a premium for products with low-carbon footprints, energy performance contracting, internal carbon budgets or prices, and targets for reducing CO₂e emissions at the entity or unit level.</p>
Information dissemination	Articulation of entity-level climate action or decarbonisation plans.	<p>Criteria: Plans shall pursue the goal of reducing relative CO₂e emissions substantially and ultimately achieving full decarbonisation.</p> <p>Guidance: There is no specific guidance.</p>
Support for climate change mitigation	Technical services required to develop or implement climate change mitigation finance projects.	<p>Criteria: Technical services shall directly support other eligible activities in the Common Principles.</p> <p>Guidance: There is no specific guidance.</p>
	Carbon trading or financial services or instruments.	<p>Criteria:</p> <ul style="list-style-type: none"> – Carbon trading services shall directly support other eligible activities in the Common Principles. – Carbon trading or financing instruments shall directly support carbon assets from eligible activities in the Common Principles. <p>Guidance:</p> <ul style="list-style-type: none"> – Carbon trading services concern establishment of services required to develop or implement climate change mitigation finance projects. – Carbon trading or financing instruments include carbon funds and are for purchase, sale, trade, finance, guarantees or technical assistance for activities related to carbon assets. – Carbon assets may be defined under international regulatory framework and standards under Article 6 of the Paris Agreement. These may also be defined by mechanisms such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) of the ICAO or by international independent standards (such as Climate Action Reserve, Gold Standard, and Verra) eligible under CORSIA or the voluntary carbon markets.

Annex B: Adaptation finance

9.1 Overview of activities enabling A&R before, during and after and adverse climate-related event strikes³⁷



9.2 Investments enabling adaptation: examples

Table 2. Examples of adaptation and climate resilience-enabling solutions³⁸

Sector	Climate-related impacts	Examples of A&R solutions
Agriculture	<ul style="list-style-type: none"> – Reduced crop yields and quality resulting as a result of higher temperatures and/or changes in precipitation – Crop losses due to droughts or floods 	<ul style="list-style-type: none"> – Climate monitoring and forecasting – Crop data and analytics platform with mapping interface – Temperature regulation technologies for livestock – Remote sensing-based drought monitoring tool – Drought-tolerant crops – High precision laser land levelling to reduce runoff – Water efficient irrigation - pressurised irrigation technologies using sprinkler, drip, mini-sprinkler, or high efficiency drip systems – Parametric insurance – Resource efficient vertical farming – Resource efficient cold storage
Construction and real estate	<ul style="list-style-type: none"> – Damage to assets from more intense and frequent flooding events – Heat stress of the building/occupants 	<ul style="list-style-type: none"> – Flood risk screening and flood zoning – Cooling technologies for buildings to reduce heat stress – Heat-resistant building materials – Green roofs – Rooftop rainwater harvest
Water, sanitation and hygiene (WASH)	<ul style="list-style-type: none"> – Damages to infrastructures from flooding; loss of water sources due to declining rainfall – Damages and loss of services from extreme flood events and reduced carrying capacity of waters receiving wastewater – Water pollution 	<ul style="list-style-type: none"> – Water monitoring and modelling to inform water management (such as water resource mapping) – Early warning climate systems – Hydrological forecasting systems – Water storage and harvesting – Water saving technologies and water loss reduction technologies (such as smart water meters, pressure control equipment) and wastewater treatment, recycling and reuse – Increasing access to quality water supply including desalination
Healthcare	<ul style="list-style-type: none"> – Changes in the distribution of some waterborne illnesses and disease vectors – Increased risks from food- and water-borne disease 	<ul style="list-style-type: none"> – Disease surveillance systems – Early warning systems

Endnotes

- 1 [Climate Resilience Investment Solutions Principles](#).
- 2 IDFC (2023), [Common Principles for Climate Change Adaptation Finance Tracking](#).
- 3 EIB, et al. (2022), Joint Report on Multilateral Development Banks' Climate Finance: [Joint methodology for tracking climate change adaptation finance](#).
- 4 See ARIC (2024), Adaptation & Resilience Impact: A measurement framework for investors. For more information on our approach to measuring impact, please see <https://www.bii.co.uk/en/our-impact/what-impact-means-to-us/>.
- 5 We do not count advisory services as part of our Climate Finance commitments, but track it separately.
- 6 [UK Climate Finance Results: International Climate Finance results indicator methodologies and previous publications](#).
- 7 [OECD \(2018\), Measuring Mobilisation](#).
- 8 [Impact Score 2022-2026](#).
- 9 Include compliance with relevant national laws and international standards such as the IFC Performance Standards.
- 10 See [Fossil Fuel Policy](#).
- 11 See [Natural Gas Power Plants Note](#).
- 12 See [Food and Agriculture Note](#).
- 13 Equity cannot be contractually ringfenced, hence this approach is relevant for equity.
- 14 See [Common Principles for Climate Mitigation Finance Tracking](#) December 2023 (which updates the October 2021 version).
- 15 IFI: Framework for a Harmonised Approach to Greenhouse Gas Accounting (2015).
- 16 IFI Technical Working Group: List of methodologies.
- 17 IDFC (2023), [Common Principles for Climate Change Adaptation Finance Tracking](#); EIB, et al. (2022), Joint Report on Multilateral Development Banks' Climate Finance – [Joint methodology for tracking climate change adaptation finance](#).
- 18 The OECD, which designed and applies the OECD-DAC Rio Markers, recommends the three-step principles to tracking climate adaptation finance as a best practice. See [OECD DAC Rio Markers for Climate Handbook](#).
- 19 The 2023 MDBs and IDFC methodology features for the first-time different types of adaptation activities: adapted activities, enabling activities and activities that have shared objectives of adaptation and development. In alignment with relevant international climate-related regulation relevant for and known by private investors and financiers, such as the EU Taxonomy for Sustainable Activities or the South African Taxonomy, we refer to both activities as enabling activities.
- 20 These include the EU Taxonomy for Sustainable Activities industry practice as presented e.g., in the [Adaptation Solutions \(ASAP\) Taxonomy](#) (2020), the [CBI's Resilience Taxonomy White Paper](#) (2023), and the [Climate Resilience Investments in Solutions Principles](#) (CRISP, 2024).
- 21 For details, please refer to the TCFD disclosures featured in our Annual Accounts.
- 22 Bespoke analysis can also be performed and provided by a counterparty/third-party as appropriate. There are in fact various avenues for identifying opportunities for reducing climate risks and vulnerabilities through investments in adaptation measures.
- 23 We know that the assessment of maladaptation is a complex and nascent matter on which further collaboration with peers and beyond is required.
- 24 See [Policy on Responsible Investing](#).
- 25 See ARIC (2024), Adaptation & Resilience Impact: A measurement framework for investors. For more information on our approach to measuring impact, please see <https://www.bii.co.uk/en/our-impact/what-impact-means-to-us/>.
- 26 See [Climate Investment Playbook](#).
- 27 These could include (i) bespoke assessments of climate change vulnerability carried out by the counterparty; findings from the use of physical climate risk tools; existing analyses or reports citing authoritative, preferably peer-reviewed sources, such as academic journals, NDCs, Nationally Adaptation Plans, National Adaptation Program for Action, or reports of the IPCC.
- 28 See the [Climate Investment Playbook](#) released in 2024 for examples.
- 29 See the [EU Taxonomy for Sustainable Activities](#) for further details and guidance given that the MDBs and IDFC Common Principles do not provide specific details on climate insurance.
- 30 The qualification of this activity is consistent with the '9.1. Research, Development and Innovation' category outlined in the mitigation finance section, and the EU Taxonomy for Sustainable Activities.
- 31 See Chausson A., et al. (2020), [Mapping the effectiveness of nature based solutions for climate change adaptation](#).
- 32 Global Commission on Adaptation (2019), [Adapt Now: A Global Call for Leadership on Climate Resilience](#).
- 33 The tables have a direct reference from MDBs and IDFC Common Principles for [Climate Change Mitigation Finance Tracking](#).
- 34 Higher levels of carbon and nitrogen can lead to higher emissions of nitrous oxide from soil, potentially offsetting mitigation benefits of higher soil-carbon content, because the soil organic carbon and nitrogen cycles are closely linked. It is therefore important to manage these trade-offs through optimised practices specific to the soil composition in each situation.
- 35 Draining peatland increases peat oxidation and hence emissions of CO₂ and nitrous oxide. Any management practices that lower the water table lead to losses of carbon and nitrogen from peatlands. Responsible management of peatlands, including rewetting, can help maintain peatland ecosystem services while supporting the improvement of local livelihoods and their adaptation to the changing conditions. However, drained peat soils do not typically emit methane while rewetted peatlands may emit more methane. It is therefore important to manage these trade-offs through optimised practices specific to the peat composition in each situation.
- 36 For wastewater, fecal sludge or septage systems that are ex-ante expected to result in relative GHG emissions reductions through collection and treatment, reaching or exceeding their targeted levels of BOD, BOD₅, COD or nitrogen removal are necessary for ensuring net emission reductions of methane or nitrous oxide.
- 37 [Climate Resilience Investments in Solutions Principles](#) (CRISP, 2024).
- 38 See [ASAP Taxonomy](#) (2020) and related references; [IPCC](#) (2014); See also [Global Centre on Adaptation website](#); UNFCC (2014), "Background Paper for the UNFCCC Technology Executive Committee (TEC) Workshop on Technologies for Adaptation, [Climate Investment Playbook](#).



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