Green Enabling Projects Guidance document

June 2024
Introduction

A great number of Green Enabling Projects, key to the value chain of Green Projects, are not themselves explicitly considered green but remain critical to these eligible Green Projects. This document seeks to provide guidance for such Green Enabling Projects encompassing both the induced and avoided emissions dimensions, as well as the management of related environmental and social (E&S) risks. This includes identifying the role that Green Enabling Projects play in catalysing and scaling the transition to a low-carbon economy in line with the goals of the Paris Agreement while recognising the complexities of value chains and challenges of multiple end-uses.

This guidance was formulated by the Executive Committee of the Principles based on the recommendations of a dedicated taskforce of the Principles to guide market practice based on existing definitions, promote issuer transparency and protect market integrity. It takes into account official and market guidance on Enabling activities, which include:

- Art 16 of the EU Taxonomy Regulation
- The IDFC Common Principles for Climate Mitigation Finance Tracking (version 4, December 2023)
- The GFANZ Review Note on Scaling Transition Finance and Real-economy Decarbonization (December 2023)

As detailed below, the eligibility of Green Enabling Projects is based on specific criteria (I), as well as transparency on end-use (II). Both attributes (I and II) are necessary to qualify a Green Enabling Project. Additional guidance is also provided (III).

I. Specific criteria for eligible Green Enabling Projects

Green Enabling Projects are subject to all the criteria described below:

<table>
<thead>
<tr>
<th>Summary</th>
<th>Specific Criteria</th>
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<tbody>
<tr>
<td>Necessary for an enabled Green Project’s value chain</td>
<td>A Green Enabling Project is necessary for an enabled Green Project’s value chain to be developed and/or implemented. The enabled Green Project, which covers both investments and activities, is one that delivers a clear environmental benefit, as described in the Green Bond Principles. A Green Enabling Project is a necessary component of an enabled Green Project’s value chain, but it is not necessarily a conveyor of a direct positive environmental impact on its own. A Green Enabling Project’s positioning in an enabled Green Project’s value chain, should be clearly identified and/or contextualised. In all cases, a Green Enabling Project should remain a necessary component of enabled Green Projects in net-zero scenarios and medium to long-term transition plans. Therefore, as net zero scenarios are frequently updated, Green Enabling Projects and/or enabled Green Projects may change over time.</td>
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<tr>
<td>No carbon lock-in</td>
<td>Green Enabling Projects should not lead to locking-in high GHG emitting activities relative to other technologically feasible and/or commercially viable solutions, including at the level of an enabled Green Project. Carbon lock-in typically occurs when high-emission infrastructure or assets continue to be used, despite the possibility of substituting them with low-emission/low-carbon alternatives. However, there is no single definition of carbon lock-in, as it can depend on the local context. Therefore, transition to net-zero scenarios, and in particular transitioning away from fossil fuels should be considered in light of national, regional and/or sectoral transition plans (e.g. Nationally Determined Contributions and related guidelines, taxonomies, sectoral decarbonisation approaches, etc).</td>
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<td><strong>Clear, quantifiable and attributable environmental benefit</strong></td>
<td>The Green Enabling Project must <strong>provide a clear, quantifiable, and attributable environmental benefit</strong>, either based on actual impacts or estimates of the potential outcome of enabled Green Project(s) and assessed on the basis of a life cycle analysis type approach clearly outlining assumptions (e.g. on GHG emissions, water use, waste, etc.) of the enabled Green Project(s) compared to a non-green alternative or baseline scenario. Transparency is of particular value in communicating the expected and/or achieved impact of projects. In addition to qualitative performance indicators, where feasible, the use of quantitative performance indicators demonstrating the positive environmental impact on the enabled Green Project, such as avoided emissions, is also recommended with disclosure of the key underlying methodology and/or assumptions used in the quantitative determination, including the attribution factors. It is recommended that the Green Enabling Project is mapped to one or more eligible Green Project categories as listed in the GBP, noting these categories are not exhaustive (see III).</td>
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<tr>
<td><strong>Mitigated adverse social or environmental impacts</strong></td>
<td>Green Enabling Projects should demonstrate that they are appropriately <strong>managing identified environmental and social impacts and risks</strong>. Issuers should ensure that there are no material adverse social impacts as a result of the Green Enabling Projects themselves, in line with official or market-based taxonomies and standards. Similarly, issuers should ensure that Green Enabling Projects are not significantly detrimental to other environmental objectives. Issuers should transparently outline the processes by which they identify and manage perceived environmental and social risks, as well as the minimum standards and governance structures that are in place to mitigate negative impacts. Issuers should also <strong>transparently outline the material impacts</strong> related to their underlying Green Enabling Projects. This includes at least one of the following elements: - Alignment with relevant taxonomies - Alignment with sectoral decarbonization technology roadmaps - Benchmarking against best available techniques and technologies - Benchmarking against industry standards - Relative performance versus comparable peers - Improvement against own historical performance This will be an integral component of the eligibility criteria that will allow investors to make an informed decision on the overall merits of the activity.</td>
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1. Such as - when applicable - the EU taxonomy minimum social safeguards, the Ten principles of the UN Global Compact, and/or the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals.
2. Such as climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.
II. Transparency on end-use

Typically, a Green Enabling Project has multiple potential end-uses that are not limited to enabled Green Projects only. Regardless of the level of the traceability to an intended specific end-user in an enabled Green Project, the environmental benefits should be demonstrated. This demonstration can be based on either how the Green Enabling Project is currently used or how it can lead to a ramp up in developing enabled Green Projects over time with clear reference to timelines.

Where relevant, the issuer may decide to count the Green Enabling Project in full towards a Green Bond, or to use a pro-rata approach dependent on end-use (either known or estimated). In any case, the chosen approach must be clearly outlined to investors.

The following scenarios can be considered:

1. Where the end-user is known and largely traceable, then the share of the activity servicing the enabled Green Project end-use, should be disclosed.

2. Where the end-user is not known robust and quantifiable external assumptions (including proxies) can be utilised to demonstrate its role in the development of enabled Green Projects or their market segment. For example, based on an activity’s technical specificities, current and future global uses, and/or market share (as supported by reputable third-party market data), a link can be made to the likely uptake in enabled Green Projects. External assumptions should also be monitored and adjusted for integrity and robustness during the life of the bond. Under these conditions, a project can be deemed Green Enabling, based on further disclosure and contextualisation from issuers in the issuance documents and as part of their green bond annual report. This information should continue to be updated and reported during the life of the bond.

III. Additional guidance

Alignment with the Green Bond Principles (GBP)

Issuers of Green Bonds incorporating Green Enabling Projects shall align with the GBP and are especially reminded of the recommendation under section 2 Process for Project Evaluation and Selection of the GBP to position the information communicated “within the context of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability”.

Indicative sectors

Green Enabling Projects applies primarily to the following sectors when necessary for an enabled Green Project’s value chain to be developed and/or implemented. This list is indicative, non-exhaustive, and in no specific order:

- Mining and metals (mapped for example to the clean transportation Green Project category when used in electric vehicles)
- Building and construction supplies and equipment (mapped for example to the pollution prevention and control Green Project category when used to limit air emissions)
- Chemicals and speciality chemicals (mapped for example to the green buildings Green Project category when used for the manufacturing of building insulation materials)
- ICT and telecommunication networks (mapped for example to the energy efficiency Green Project category when used for smart grids)
- Manufacturing of industrial parts and components (mapped for example to the renewable energy Green Project category when used for the development of electricity grids)

Impact Reporting

Issuers of Green Bonds incorporating Green Enabling Projects should carefully consider the risk of double counting of impact that arises from such reporting for Green Enabling projects. They can refer to general guidance on avoiding double counting available in the Guidance Handbook of the Principles.

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3 Coming from external scenarios such as the IEA scenarios.
4 For example in the case of metals the current demand by end-use may be documented by local public entities such as the USGS Mineral Commodity Summaries, the EU SCRREEN factsheets. Future demand estimates could be provided by global market short and long term outlooks developed by external providers databooks such as Wood Mackenzie and CRU.
5 These sectors were identified by the 2024 Green Enabling task force as the most relevant, and of primary importance in the context of this definition.
6 The GBP explicitly recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.
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