

## CLIMATE CHANGE POLICY

### **Scope of application**

This policy is applicable from its approval on 19 December 2022. It will affect all covered items managed by the State's account, with the exception of the confirmation of Documentary Credit cover modes<sup>1</sup>.

### **Commitment**

The adoption of this policy implies the adoption by Cesce's State account of the commitment acquired by the Kingdom of Spain in the conference between the Parties held in Glasgow (COP26) in 2021, through which our country undertook to cease support for projects of the fossil fuel sector that did not include emission reduction technology before the end of the year 2022, except in exceptional cases, which must be clearly defined and consistent with the goal of avoiding global warming of more than 1.5°C and with the rest of the goals of the Paris Agreement.

Thus, **from 1 January 2023, no official support may be granted to projects aimed at the activities of exploration, production, transport, storage, refining, processing and distribution of thermal coal, oil or natural gas, as well as the generation of energy** using said fuels.

The granting of support for one of these activities shall only be considered in the following circumstances understood as exceptional circumstances:

#### ***In general and regardless of the target sector:***

- When the investment to be made or the goods and services to be exported have the essential goal of dismantling the plant or improving its environmental performance<sup>2</sup> without extending its useful life.
- Support for said smaller operations, being those that do not exceed €30MM in terms of the insured amount, will be assessed on a case by case basis. This exception will not apply to operations aimed at oil exploration and extraction projects or projects for oil transportation, storage or refining, nor to the activities forming part of the thermal coal value chain.
- Support for operations linked to the supply or storage of fuel necessary for long-distance air or sea transport, for which there is currently no commercially-viable alternative technology, will be assessed on a case by case basis.

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<sup>1</sup> It relates to operations, generally for reduced amounts, that are processed very quickly with scarce information on the destination projects. Said operations also have an almost imperceptible representation in the State account portfolio, lower than 0.7% (2021).

<sup>2</sup> This category includes supplies aimed at concepts such as the improvement of the air quality, reduction of emissions or disposal of waste, reduction or improvement of waste management and other activities for similar purposes.

***Operations aimed at the electricity generation sector:***

- Support for operations aimed at the construction or expansion of generation plants that, despite being powered by fossil fuels, have carbon capture and storage technology (CCS) according to the terms stipulated in the Industry Agreement of the OECD Consensus for Climate Change Mitigation projects will be assessed on a case by case basis.
- Support for operations aimed at projects located in high income countries that meet the requirements of the EU Taxonomy will be assessed on a case by case basis.
- Support for operations aimed at gas-fired power plants not located in high income countries will be assessed on a case by case basis<sup>3</sup>. The construction of these plants must be compatible with the decarbonisation commitments acquired by the destination country, in particular the Nationally Determined Contribution (NDC).
- Additionally, when the plants are located in countries with an electrification rate below 90%<sup>4</sup>, support for operations aimed at the construction or expansion of plants or the installation of generation equipment powered by fuel other than coal due to a lack of economically viable alternatives for the installation of technology with lower carbon intensity shall be assessed on a case by case basis.
- Support for operations aimed at the supply and installation of stand-alone generators or similar linked to projects with a substantially positive social impact, such as hospitals or education centres, where in addition, either there are no economically viable alternatives or they are to be used as a power source in emergencies when there is a break in the supply from the main source shall be assessed on a case by case basis.

***Operations aimed at the natural gas production chain and of a transitory nature:***

- Support for operations aimed at the natural gas liquefaction, transportation or processing and subsequent distribution sectors, shall be assessed on a case by case basis. If applicable, support for these activities shall include an additional assessment for the purpose of ensuring that the assuming of the risk does not endanger the goal of reducing Cesce's exposure to the Hydrocarbon Industry by 75% compared to the 2020 levels.

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<sup>3</sup>The classification system published by the World Bank and which can be found on its website <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups> will be used as a reference.

<sup>4</sup> In order to determine their eligibility, the statistics published by the International Energy Agency regarding the proportion of the population with access to electricity published on its website, <https://www.iea.org/reports/sdg7-data-and-projections/access-to-electricity>, will be used.

***Operations aimed at the petrochemical industry:***

- Despite the fact that it is generally accepted that the petrochemical industry falls outside of the activities considered to be energy-related in the fossil fuel production chain, this sector therefore falling outside the restrictions, Cesce will analyse if its operations aimed at the construction of petrochemical plants include the financing of processes typically associated with refining, as these are necessary for the obtaining of essential raw materials for the petrochemical process. In these cases, the granting of support shall be assessed on a case by case basis and provided the financing covered aimed at refining processes is a small amount of the total investment of the petrochemical project. Other aspects, such as the positive aspects of the technology used, the nature and destination of the national goods and services and the relative weight of the different activities, would also be analysed.

The measures that affect the activities linked to natural gas under this policy will be reviewed in 2026 at the latest.

It is important to point out that the fact that a project complies with the circumstances described herein does not automatically mean the acceptance of the operation, only that it will be possible to proceed to assess the possibility of support therefor.

Cesce has also made an **additional commitment** to that directly arising from the signing of the COP26 declaration. This is its goal to **reduce the exposure of its portfolio to the Hydrocarbons Industry by 75% by 2035 compared to the 2020 levels.**