

CLIMATE CHANGE POLICY

Scope of application

This policy is applicable from its approval on the 19th of December 2022.

On January 1st 2025, an amendment will come into force that will eliminate the exception originally foreseen for projects directed at the liquefaction, transportation, processing and distribution of natural gas. Applications received before the aforementioned date will be considered on a case-by-case basis.

This policy will affect all transactions covered by the State's account, with the exception of the confirmation of Documentary Credit¹.

Commitment

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

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

Support for any of these activities shall only be considered in the following cases, which are understood as exceptional circumstances:

In general, regardless of the target sector:

- When the investment to be made or the goods and services to be exported have as a main objective the dismantling of the plant or the improvement of its environmental performance² without extending its useful life.
- Support for small amount transactions that do not exceed €30MM in terms of insured amount will be assessed on a case by case basis. This exception does not apply to transactions aimed at the exploration, extraction, transportation, storage or refining of oil, nor to activities that are part of the thermal coal value chain.

¹ These generally relate to transactions for reduced amounts, that are processed very quickly and with scarce information about the destination projects. Said transactions also have an extremely reduced representation in the State account portfolio, below 0.5% (2023).

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

- Support for transactions linked to the supply or storage of fuel 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.

Transactions aimed at the electricity generation sector:

- Support will be assessed on a case by case basis for transactions 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 Sector Understanding of the OECD Arrangement for Climate Change Mitigation projects.
- Support for transactions 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 transactions aimed at the construction or expansion of gas-fired power plants not located in high income countries³ will be assessed on a case by case basis. The construction of these plants must be compatible with the decarbonisation commitments acquired by the destination country, in particular with the Nationally Determined Contributions (NDC).
- Support will be assessed on a case by case basis for transactions aimed at the construction or expansion of plants and 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, when the project is located in a country with an electrification rate below 90%⁴.
- Support will be assessed on a case by case basis for transactions aimed at the supply and installation of standalone generators, or similar units, linked to projects with a substantially positive social impact, such as hospitals or education centres, where there are no economically viable alternatives or where the equipment will be used as an emergency power source in case of power outage from the main source.

Transactions aimed at the petrochemical industry:

- It is generally accepted that the petrochemical industry falls outside of energy-related activities in the fossil fuel production chain, therefore, this sector falls outside of the above restrictions. Despite this consideration, Cesce will analyse if transactions aimed at the construction of petrochemical plants include the financing of processes typically associated with refining, as these are necessary for obtaining essential raw materials for the petrochemical process. In these cases, provided that the covered financing directed at refining processes is minor within the total investment of the petrochemical project, support will be assessed on a case by case basis. Other aspects, such as the merit of the

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

⁴ Eligibility will be determined using the statistics published by the International Energy Agency regarding the proportion of the population with access to electricity. This data is published on its website <https://www.iea.org/reports/sdg7-data-and-projections/access-to-electricity>.

selected technology, the nature and destination of the national goods and services or the relative weight of the different activities, will also be analysed.

The measures affecting natural gas activities under this policy will be reviewed by 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 imply the acceptance of the transaction, only that it is possible to proceed with the assessment of the transaction.

Cesce has also made an **additional commitment** to the one directly arising from the signing of the COP26 declaration, namely to **reduce the exposure of our portfolio to the Hydrocarbons Industry by 75% in 2035 compared to the 2020 levels**.