

‘Second Opinion’ on Förvaltaren’s Green Bond framework

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Summary

Overall, Förvaltaren's green bond framework and environmental policies provide a progressive, clear and sound framework for climate-friendly investments in buildings. Förvaltaren takes a broad view of climate change impacts in its environmental policies, aims at being climate neutral by the year 2020 and is ISO 14001:2004 certified. The green bond framework lists eligible projects that are supportive of the objective of promoting a transition to low-carbon and climate-resilient growth. Förvaltaren's policies support regular and transparent updates to investors and the public.

1. Introduction and background

As an independent, not-for-profit, research institute, CICERO (Center for International Climate and Environmental Research - Oslo) provides second opinions on institutions' framework and guidance for assessing and selecting eligible projects for green bond investments, and assesses the framework's robustness in meeting the institutions' environmental objectives. The second opinion is based on documentation of rules and frameworks provided by the institutions themselves (the client) and information gathered during meetings, teleconferences and e-mail correspondence with the client.

CICERO's Second Opinions are normally restricted to an evaluation of the mechanisms or framework for selecting eligible projects at a general level. CICERO does not validate or certify the climate effects of single projects, and, thus, has no conflict of interest in regard to single projects. CICERO is neither responsible for how the framework or mechanisms are implemented and followed up by the institutions, nor for the outcome of investments in eligible projects.

This note provides a Second Opinion of Förvaltaren's Green Bond Framework and policies for considering the environmental impacts of their projects. The aim is to assess Förvaltaren's Green Bond Framework as to its ability to support Förvaltaren's stated objective of low-carbon and climate resilient growth.

Climate change will have a significant impact on economic development, both from the perspectives of sustainable future development pathways and from the perspective of adapting to changing circumstances. The recently released Intergovernmental Panel on Climate Change report (IPCC, 2013) on the physical science of climate change highlighted the seriousness of human-induced climate effects. The report can be viewed as an immediate call to action on the challenge of reducing greenhouse gas (GHG) emissions. The 195 countries that have ratified the United Nations Framework Convention on Climate Change (UNFCCC) have agreed to reduce GHG emissions to limit global temperature increase to below 2°C above pre-industrial level. Reaching this target requires shifting development pathways towards low- or zero-emitting economies without delay, and avoiding locking-in high-emitting capital.

CICERO takes a long-term view on activities that support a low-carbon climate resilient society. In some cases, activities or technologies that reduce near-term emissions result in net emissions or prolonged use of high-emitting infrastructure in the long-run. CICERO strives to avoid locking-in of emissions through careful infrastructure investments, and moving towards low- or zero-emitting infrastructure in the long run.

2. Brief description of Förvaltaren's Green Bond framework and environmental policies

Fastighets AB Förvaltaren (Förvaltaren for short) is a property company owned by the city of Sundbyberg in the county of Stockholm. Sundbyberg is the most densely populated municipality in Sweden with approximately 40,000 inhabitants in barely nine square kilometers. Sundbyberg has around 18,400 households and almost 17,000 apartments, the majority being rentals. Förvaltaren owns and manages approximately 7,900 flats and 130,000 square meter building properties in Sundbyberg.

The company has as a vision that it should be a role model when it comes to environmental concerns. The company was environmentally certified according to ISO 14001 already in 2002 and this was renewed in 2014. The company aims at being climate neutral by 2020. The company uses only certified 'green' electricity (hydro power). Furthermore, there is an aim to reduce both heat and electricity by 30 per cent by 2020 compared to 1995 levels. Energy use has been reduced by 11 per cent by 2013 (compared to 1995). CO₂ emissions were reduced by more than 70 per cent between 2010 and 2013. Förvaltaren includes environmental demands to its suppliers.

Förvaltaren has a strong program aimed at strengthening the dialogue and communication with all stakeholders.

Förvaltaren's investment framework includes a Green Bond framework lending to Eligible Projects that target mitigation of climate change, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy programs and projects ("Mitigation Projects").

Eligible Projects include certified new and refurbishment projects of residential and commercial properties with certification from:

- Miljöbyggnad (minimum certification level "silver), or
- LEED (minimum certification level "gold"), or
- BREEAM SE (minimum certification level "very good).

In addition there is an added constraint that new or refurbished projects should use 25 per cent less energy than required by applicable codes and regulations.

The projects are supported by the vision and strategy of the city of Sundbyberg who insist that climate and environmental perspectives should be integral to all decisions from planning to implementation in all daughter companies (including Förvaltaren). The aim is climate neutrality.

Table 1 Documents received from Förvaltaren

Ref. nr.	File name	Content
Policies and guidelines		
1.	Förvaltaren Green Bond Framework	A brief memo on the Green Bond framework and definition of eligible projects.
2.	Förvaltaren Arsredovisning 2013 (Vision och mål pp8-11) and Hållbarhetsrapport (pp35- 53)	Annual report from 2013 describing visions, targets and directives from the owner, as well as achievements with regard to sustainability targets.
3.	Miljöpolicy Förvaltaren	Environmental policy of Förvaltaren.
4.	Sundbyberg stads klimat- och hållbarhetspolicy	A short note describing overall targets and environmental indicators used in Sundbybergs stadshus AB (the owner of Förvaltaren).
5.	Förvaltaren Byggriktlinje	A detailed list of specifications for new buildings and rehabilitations.
6.	Energistrategi	The energy strategy of Förvaltaren
7.	Energibokslut	A report on energy use
Building and ISO certification systems		
8.	Miljöbyggnad certifierings process	A description of the certification process under Miljöbyggnad.
9.	Miljöbyggnad new buildings	A summary of specifications for Miljöbyggnad bronse, silver and gold level for new buildings.
10.	Miljöbyggnad existing buildings	A summary of specifications for Miljöbyggnad bronse, silver and gold level for existing buildings.
11.	ISO 14001 guidelines summary	A summary of ISO 14001 guidelines
12.	AuditSummary-SWE ISO 14001	A summary of an audit of ISO 14001:2004 compliance
13.	Certifikat av ISO 14001 sv	A certificate of ISO 14001:2004 compliance.

14.	LEED NC	An introduction to the LEED building rating system for new constructions.
15.	LEED CS	An introduction to the LEED building rating system for core shell constructions.
16.	LEED EBOM	An introduction to the LEED building rating system for existing buildings.
17.	BREEAM SE	The BREEAM SE manual for new constructions and refurbishments.

Selection of Eligible projects

Eligible Projects are selected by the Treasury department together with the Project department. Förvaltaren aims to achieve Miljöbyggnad “silver” or higher in all major refurbishment projects and new constructions. In addition, other environmental certifications may apply for instance if the Municipality of Sundbyberg or another party requires other or higher environmental standards. Decisions on which projects are to be certified are taken together by the Treasury, the Project department and the CEO. Proceeds from the Green bond will be used exclusively for projects that meet the certification criteria for Eligible Projects.

Transparency

To enable investors to follow the development and provide insight to prioritised areas, Förvaltaren will provide an annual investor letter to investors including:

- 1) a list of projects financed,
- 2) a selection of project examples, and
- 3) a summary of Förvaltaren’s Green Bond development.

The investor letter will be made publically available on Förvaltaren’s web page.

3. Assessment of Förvaltaren’s Green Bond framework and environmental policies

Overall, Förvaltaren’s green bond framework and environmental policies provide a progressive, clear and sound framework for climate-friendly investments. The framework and procedures for Förvaltaren’s environmental investments are assessed according to both the micro or project level impacts and the wider (macro-level) impacts in this section.

Municipal environmental policies

Förvaltaren takes a broad view of climate change impacts in its environmental policies. The company has as a vision that it should be a role model when it comes to environmental concerns. The company was environmentally certified according to ISO 14001 already in 2002 and this was renewed in 2014. The company aims at being climate neutral by year 2020.

Eligible projects under the Green Bond framework

The eligible projects listed in the Green Bond framework are new and refurbishment building projects in Sundbyberg. Several voluntary environmental certification systems provide some level of measurement of the environmental footprint of a building, including energy efficiency measures. One of the most widely used certification system is Leadership in Energy and Environmental Design (LEED), although many other country-specific systems exist. See LEED (2009a, b, c) for a description. Another similar system originating in the United Kingdom is the BREEAM ratings. BREEAM SE (BREEAM, 2013) is the Swedish adaptation of this system. BREEAM also includes a comprehensive consideration of environmental and energy issues associated with buildings, including a category on land use and site selection. A rating is issued based on points earned, similar to LEED, with minimum requirements for some environmental issues.

Finally, the Miljöbyggnad certification system is specific to Sweden. The system involves a preliminary rating which is then verified in the finished building. This system is more detailed than LEED or BREEAM SE in some aspects such as the calculation of energy efficiency. See Miljöbyggnad (2012a, b, c) for elaboration on this framework.

Förvaltaren is applying these standardized frameworks to its eligible projects with main emphasis on Miljöbyggnad, but has in addition a requirement for 25 per cent less energy usage than required by applicable codes and regulations. We find these targets to be good energy and climate wise.

Strengths

- Förvaltaren is ISO 14001:2004 certified and have been so continuously since 2002.
- Förvaltaren aims at being climate neutral by 2020, and is on route to fulfil this target.
- Förvaltaren only uses certified “green” electricity.
- The buildings sector consumes the most energy globally, accounting for over 40 per cent of primary energy consumption in most International Energy Agency (IEA) member countries (IEA/UNDP, 2011). Energy efficiency improvements in buildings are thus important building blocks towards reaching the 2°C goal. Förvaltaren will apply internationally acceptable categorization systems as criteria for both new buildings and in rehabilitation of existing buildings.

- Eligible projects will use 25 per cent less energy than required by applicable codes and regulations. Independent experts can objectively verify this as energy data is from suppliers to Förvaltaren.
- Reporting and transparency is at a high level.

Weaknesses

- We find no substantial weaknesses in the Green Bond Framework.

Pitfalls

Energy efficiency projects in the buildings sector refer to good standards and certification systems. BREEAM and other certifications include aspects important to long-term sustainable development, e.g. site selection and consideration of brownfields, urban density and planning, and access to public transportation. Still, the certification systems alone do not guarantee a low climate impact.

Impacts beyond project boundaries

Due to the complexity of how socio-economic activities impact the climate, a specific project is likely to have interactions with the broader community beyond the project borders. These interactions may or may not be climate-friendly, and thus need to be considered with regards to the net impact of climate-related investments. Impacts on demand for transport can be one such issue associated with Förvaltaren's projects. However, Sundbyberg is a small and very dense community with excellent access to many types of public transport.

A life cycle perspective is also useful when considering the full climate impact of building projects. Förvaltaren demands that suppliers document their use of material in buildings owned by Förvaltaren. As Förvaltaren is a long-term owner of buildings, a long-term horizon is employed in the management of the properties.

Rebound effects

Another macro-level concern is the potential for rebound effects. This can occur when GHG reductions result in a net increase in emitting activities. For example, energy efficiency improvements that lower energy costs, inducing more energy use and partially offsetting energy savings. This can have the end result of lower reduction in GHG emissions than anticipated. While these effects can never be entirely avoided, it is recommended to be aware of possible rebound effects and avoid investing in projects where the risk of such effects is particularly high. We cannot see that the risk for substantial rebound effects is high in the case of Förvaltaren's Green Bond framework.

Transparency and monitoring, reporting and verification

The reporting and validation procedures are well described in the Green Bond framework and other documents. Förvaltaren's policies support regular and transparent updates to investors and the public. Annual reports on green bond investments, a selection of project examples, and a summary of Förvaltaren's Green Bond development will be made public on their website.

References

BREEAM (2013). "BREAM SE English Manual for New Construction and Refurbishment", Version 1.0, Swedish Green Building Council.

IEA/UNDP (2011). Modernizing Building Energy Codes, International Energy Agency and United Nations Development Programme.

IPCC (2013). Climate Change 2013: The Physical Science Basis, Fifth Assessment Report, Intergovernmental Panel on Climate Change.

LEED (2009a). LEED 2009 for Core and Shell Development, US Green Building Council.

LEED (2009b). LEED 2009 for Existing Buildings Operation and Maintenance, US Green Building Council.

LEED (2009c). LEED 2009 for New Construction and Major Renovations, US Green Building Council.

Miljöbyggnad (2012a). Miljöbyggnad Certification Process, Swedish Green Building Council.

Miljöbyggnad (2012b). Miljöbyggnad Existing Buildings, Manual 2.1, Swedish Green Building Council.

Miljöbyggnad (2012c). Miljöbyggnad New Buildings, Manual 2.1, Swedish Green Building Council.