

EKN's and SEK's scientific climate council, 20 September 2023

About EKN's and SEK's scientific climate council

The Climate Council is an advisory expert body aimed at guiding the Swedish export credit system in its efforts to adapt its operations to align with the 1.5-degree goal of the Paris Agreement. The Climate Council serves as a support in terms of knowledge and a discussion partner for EKN and SEK regarding principle-based positions. The Climate Council's meetings are held under Chatham House Rule. Meeting minutes aim to convey and summarize the council's main messages to EKN and SEK

Participants 20 September 2023 (physical meeting at EKN's premises)

- Climate Council: Anna Krook-Riekkola, Max Åhman, Måns Nilsson, Tomas Kåberger.
- EKN: Anna-Karin Jatko, Peter Tuving, Karin Wessman, Victor Carstenius, Kjell Forsberg.
- SEK: Magnus Montan, Teresa Hamilton Burman, Maria Simonson, Helena Engner Aili, Marica Bixo.

Agenda for the Climate Council's sixth meeting

1. Capacity building: This is export finance. EKN and SEK presents.
2. Today's topic: Methodology for climate evaluation of projects and companies

Capacity building: This is export finance.

- The meeting started with a presentation by EKN and SEK on how export finance works and how the Swedish export finance system is constructed. EKN (guarantees) och SEK (financing) gave an overview of their respective guarantee- and financing portfolios, which countries and sectors that dominate and exposure on companies and specific projects in different countries.
- For more information: www.ekn.se or www.sek.se

Today's topic: Seeking feedback from the Climate Council regarding methodology for climate evaluation of projects and companies.

During 2023, EKN and SEK are developing a methodology to assess if transactions are aligned with the 1.5-degree target.

- EKN and SEK has an impact on the climate through its guarantee- and financial activities. EKN's guarantees and SEK's financing can be adapted to align with the Paris Agreement by ceasing the support to exports to extraction of fossil fuels, by providing incentives for transactions which contribute to climate transition and by considering lock-in effects and transition opportunities.
- Aiming to evaluate individual business transactions – both companies and specific projects world-wide – EKN and SEK are developing an analytical methodology during 2023. This is conducted together with an external consultancy firm, RINA.
- In addition to using the methodology for individual transactions, EKN and SEK aim to use the same methodology for analysis of the existing portfolio of guarantees/loans and moving

forward identify parts of the portfolio against decarbonisation scenarios to reach the 1.5-degree target.

- EKN and SEK has finalised part of the development and would like to receive feedback on a draft methodology from the Climate Council. The purpose is to catch any feedback and suggestions from the Climate Council regarding the scope and approach.

Overarching description of the methodology

- EKN and SEK is developing the methodology based on a few principles, intending to ensure that the methodology:
 - Assesses against the Paris Agreement 1.5°-target.
 - Is based on accessible "best practice" in the market, starting early 2023
 - Is partly based on the EU-taxonomy but be applicable to companies/projects world-wide.
 - Includes assessment of lock-in-effects.
 - Is focussed on the end-use of product/service which is guaranteed/financed.
 - Is "simple" to use.
- The methodology has two parts. Part 1 assesses a company's/project's contribution to mitigate climate change (climate change mitigation alignment). The analysis is built on criteria connected to the EU taxonomy, greenhouse gas intensity and assessment of transition plans and potential lock-in to fossil dependency. The second part assesses a company's/ project's ability to adapt to climate change (climate change adaptation alignment), considering factors such as climate risk assessments.

Discussion and feedback

- The purpose of the presentation and discussion was primarily to catch any feedback from the Climate Council regarding the methodology's scope and approach. The Climate Council was NOT asked to validate the methodology.
- Examples of what the Climate Council discussed was whether companies'/projects' ability for systemic transition is captured in the analysis. Does the methodology identify if the company/project is able to contribute to a transformative shift? Other discussion points included simplifications and assumptions, and which considerations need to be made when the method is maintained and updated.

Next steps

- The methodology will be introduced step-by-step in EKN's and SEK's operations during 2024. Once the methodology has been tested by EKN and SEK, the Climate Council will receive feedback on conclusions and lessons-learned regarding both methodology and results.

This document has been translated from Swedish. In the case of any discrepancies between the Swedish and English versions, the Swedish version is the original.