

15 December 2022

Note on Finnfund's Climate and Energy Statement

Finnfund's Climate and Energy Statement, approved by its Board of Directors, came into effect on 1 July 2021.¹ The Statement consists of various elements and builds on three main commitments: Finnfund will aim to keep its portfolio net carbon negative; it will make €1 billion worth of new investments in climate finance by 2030; and it will push for systematic, harmonised and transparent climate finance disclosures and reporting. Finnfund's Climate and Energy Statement should be read together with Finnfund's new strategy, approved by the Board in December 2021, setting operational guidelines until 2025.²

Finnfund's Climate and Energy Statement, approved by its Board of Directors, came into effect on 1 July 2021.³ The Statement consists of various elements and builds on three main commitments: Finnfund will aim to keep its portfolio net carbon negative; it will make €1 billion worth of new investments in climate finance by 2030; and it will push for systematic, harmonised and transparent climate finance disclosures and reporting. Finnfund's Climate and Energy Statement should be read together with Finnfund's new strategy, approved by the Board in December 2021, setting operational guidelines until 2025.⁴

One element of the Climate and Energy Statement is Finnfund's position on fossil fuels. This Note is intended to clarify that position with regard to gas-fired power plants and related infrastructure, underlining Finnfund's commitment to the Paris Agreement on Climate Change,⁵ as well as the Statement on International Public Support for the Clean Energy Transition,⁶ adopted on the occasion of COP-26 in Glasgow in November 2021.

While applying as a basis the EDFI Harmonised Fossil Fuel Exclusion List,⁷ Finnfund will in addition *a priori* not finance gas-fired power plants, gas pipelines, LNG terminals or gas storage. Finnfund may, however, under limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement, provide funding to gas-fired power plants. In such cases, any investment decision would be assessed to ensure alignment with the Paris Agreement. This would include using criteria to consider alignment from a (i) system level, (ii) asset level, and (iii) transition risk perspective, and an assessment of the principle of "do no harm" as applied to mitigation and adaptation goals. In practice, Finnfund follows guidance developed by British International Investment to assess alignment of natural gas power plants with the Paris Agreement, which includes indicators

¹ [Finnfund-Climate-and-Energy-Statement_FINAL_010721.pdf](#)

² [Finnfund's strategy 2022-2025](#)

³ [Finnfund-Climate-and-Energy-Statement_FINAL_010721.pdf](#)

⁴ [Finnfund's strategy 2022-2025](#)

⁵ [ADOPTION OF THE PARIS AGREEMENT - Paris Agreement text English \(unfccc.int\)](#)

⁶ [Statement on International Public Support for the Clean Energy Transition - UN Climate Change Conference \(COP26\) at the SEC – Glasgow 2021 \(ukcop26.org\)](#)

⁷ [Microsoft Word - 210122 Harmonised EDFI Fossil Fuel Exclusion List.docx \(edfi-website-v1.s3.fr-par.scw.cloud\)](#)

on the above criteria.⁸ The above exceptions related to gas-fired power plants will not apply after 2030.

In addition, it should be noted that Finnfund endeavours to integrate new analysis and research into its decision-making processes on a rolling basis. For example, Finnfund takes note of the IEA Net Zero by 2050 Roadmap.⁹

⁸ [CDC_GasGuidance_December2020.pdf \(bii.co.uk\)](#)

⁹ [Net Zero by 2050 - A Roadmap for the Global Energy Sector \(windows.net\)](#)