

FAQs about CBI’s Transport Criteria

Table of Contents

<u>QUESTIONS ON SCOPE</u>	2
HOW DOES BUS RAPID TRANSIT (BRT) FIT INTO THESE CRITERIA?	2
ARE THERE CRITERIA FOR AVIATION OR SHIPPING?	2
WHY ARE BIOFUEL VEHICLES EXCLUDED IN THE TRANSPORT CRITERIA?	2
CAN BIOFUEL VEHICLES STILL BE ELIGIBLE IF PROVEN TO MEET THE OVERARCHING THRESHOLDS?	2
IS THE FINANCING OF RETROFITS TO PUBLIC TRANSPORT ELIGIBLE?	2
<u>QUESTIONS ON MARKET AND FINANCE</u>	2
DO YOU SEE THESE CRITERIA BEING USED BY THE BOND MARKET?	2
DOES CBI VIEW SECURITISATION AS GREEN IF THE BACKED ASSETS ARE GREEN AND/OR THE PROCEEDS FROM THE SECURITISATION ARE USED FOR GREEN PURPOSES?	3
THERE ARE OTHER INVESTMENTS THAT CAN MAKE LAND TRANSPORT MORE SUSTAINABLE IN OTHER AREAS (BEYOND CLIMATE CHANGE). WHY ARE THESE NOT RECOGNISED BY THE CRITERIA?	3
WHAT ABOUT LEASING OF VEHICLES OR COMPONENTS?	3
CAN ISSUERS USE THE WEIGHTED AVERAGE OF A PORTFOLIO TO MEET THE CERTIFICATION CRITERIA?	3
CAN COVERED BONDS BE CERTIFIED?	3
<u>QUESTIONS ON CRITERIA REQUIREMENTS</u>	4
HOW SHOULD ISSUERS DEMONSTRATE THAT NO MORE THAN 25% OF FREIGHT CARGO IS COMPRISED OF FOSSIL FUELS?	4
IS AN INDEPENDENT PROJECT APPRAISAL NEEDED FOR ALL INTERURBAN RAIL PROJECTS?	4
WHAT KIND OF ACTIVITIES CAN BE CERTIFIED IN THE CATEGORY ‘MISCELLANEOUS VEHICLES’?	4
<u>QUESTIONS ON THE THRESHOLDS</u>	4
WHAT REFERENCE DATA ARE THE EMISSIONS INTENSITY THRESHOLDS BASED ON?	4
WHY DO PASSENGER THRESHOLDS GO TO ZERO IN 2025 WHILE FREIGHT THRESHOLDS DO NOT?	4
IF A TRANSPORT PROJECT OR ACTIVITY HAS BEEN CERTIFIED PREVIOUSLY UNDER VERSION 1 OF THE TRANSPORT CRITERIA, WHAT DOES THIS MEAN NOW VERSION 2 IS OUT?	5
CAN VEHICLE FLEET AVERAGES BE USED TO DEMONSTRATE COMPLIANCE WITH THE EMISSIONS THRESHOLDS?	5
<u>QUESTIONS ON THE METRICS</u>	5
HOW SHOULD LOADING FACTOR BE ACCOUNTED FOR IN PASSENGER CARS AND COMMERCIAL VEHICLES?	5
WHY ARE YOU USING TANK-TO-WHEEL METRICS INSTEAD OF WELL-TO-WHEEL METRICS?	5

Questions on Scope

[How does Bus Rapid Transit \(BRT\) fit into these criteria?](#)

If the project is taking place in a developing country (as defined by the OECD), BRT systems should be certified under the separate BRT Criteria. However, if the project is taking place in a developed country, the project needs to meet the requirements of the Transport Criteria as normal bus systems would.

[Are there criteria for aviation or shipping?](#)

Climate Bonds Criteria for Shipping are available to be used for certification. For Aviation, however, criteria do not yet exist. None the less, it is being looked at closely as a potential sector to tackle in the future as decarbonisation needs become more pronounced.

[Why are biofuel vehicles excluded in the Transport Criteria?](#)

The rationale for excluding biofuel vehicles (that is, vehicles explicitly identified for using biofuels) is principally practical in nature. Biofuel-powered vehicles can also use normal fossil fuel (for example, biodiesel trucks can also use normal diesel). Verifying for the purpose of certification that such vehicles were always using biofuels rather than fossil fuels would thus be extremely difficult.

This, combined with the fact that various viable alternatives exist for all transport modes, meant that exclusion of biofuel vehicles was the ultimate TWG decision. Note, however, that many national petrol mixes contain small amounts of biofuels. Vehicles using such fuel but meeting the relevant criteria here (in other words, not explicitly claiming to use biofuels) would not be excluded.

[Can biofuel vehicles still be eligible if proven to meet the overarching thresholds?](#)

Yes. The main problem is in verifying that a vehicle or fleet of vehicles claiming to be using biofuels is indeed using biofuel and not diesel instead. However, if it can be proven that the vehicles (for example a small urban bus fleet) would meet the overarching thresholds with the assumption that they use only fossil fuels, they would be eligible in the same way a non-biofuel bus would be.

[Is the financing of retrofits to public transport eligible?](#)

Yes. Public transport retrofits are automatically eligible for certification.

Questions on Market and Finance

[Do you see these criteria being used by the bond market?](#)

Land Transport already represents a significant chunk of Climate Bonds certifications in the market (around 26% of certified issuance in USD). New York MTA and Société du Grand Paris are the two largest, programmatic issuers of Climate Bonds certified green bonds, both financing public transport activities. Remember, the CBI Standard and Certification scheme is an additional layer of information which gives investors an

indication of whether this bond's Use of Proceeds are aligned with the Paris Agreement.

The criteria are ambitious, and only the most ambitious assets will be eligible for certification. But this is precisely the point, we need to be more ambitious if we are to tackle climate change. As the technology and market develops, we hope that more assets will be eligible for certification.

[Does CBI view securitisation as green if the backed assets are green and/or the proceeds from the securitisation are used for green purposes?](#)

It is our view that the actual use of proceeds should be green, not necessarily the securitised assets. In other words, it is the projects and assets which the proceeds are allocated to that have to pass the requirements of the Standard. While we encourage the use of green receivables for securitised bonds, it is not a prerequisite.

[There are other investments that can make land transport more sustainable in other areas \(beyond climate change\). Why are these not recognised by the criteria?](#)

We are primarily concerned with climate change mitigation and adaptation. While recognising other environmental objectives (such as water, biodiversity, ozone depletion, etc) these are not within the remit of the CBI Standard and Certification scheme.

These criteria are applicable to other debt instruments, provided they meet the Climate Bonds Standard.

[What about leasing of vehicles or components?](#)

Yes, there is no reason that these criteria could not be applied to certify debt instruments used to cover leasing of vehicles or dedicated components, provided that the vehicle or component meets the criteria.

Unfortunately, given the structure of these criteria, we do not certify debt issued by the lessor of the technology. This will be reviewed as we expand the scope of the CBI taxonomy.

[Can issuers use the weighted average of a portfolio to meet the certification criteria?](#)

No, we do not see there being a need to allow for emissions to be averaged across a pool of assets. Issuers would have to collect the emissions intensity performance of each individual asset in any case so there is no data constraint. Allowing for an averaging implies that at a certain point in time, there will be a vehicle operating at an emissions intensity level that is not aligned with the Paris Agreement.

[Can covered bonds be certified?](#)

Yes, covered bonds can be certified. Provided that the assets to which the proceeds will be used are compliant with their respective emissions intensity thresholds. However, we do not require that the pool of assets used as collateral in the covered bond are compliant with the respective threshold.

Questions on Criteria requirements

How should issuers demonstrate that no more than 25% of freight cargo is comprised of fossil fuels?

There are three ways an issuer can do this: a) by tonnage: 25% or less of the tonnage transported is fossil fuels; b) by rolling stock vehicles: 25% or less of the rolling stock being financed is used to transport fossil fuels; or c) the issuer has authoritative government sources that state the purpose of the line or rail project is not to transport fossil fuels.

Is an independent project appraisal needed for all interurban rail projects?

No. This is only needed for new interurban rail projects. If the project being financed is existing, then this requirement does not need to be met. If new, however, the independent project appraisal must demonstrate a 25% emissions reduction in the transport corridor.

What kind of activities can be certified in the category 'miscellaneous vehicles'?

The manufacture of any miscellaneous vehicle, so long that it is zero direct emissions, is eligible. However, the operation and leasing of miscellaneous vehicles is not in scope, due to difficulties for issuers in accessing such levels of detail in projects.

One exception to this, however, is zero emission waste collection vehicles. The manufacture, operation and leasing are all eligible activities.

Questions on the Thresholds

What reference data are the emissions intensity thresholds based on?

Passenger thresholds are based on thresholds in the EU taxonomy on Sustainable Finance determined from EU emissions data analysis and policy objectives. These thresholds were more ambitious than the V1 of the Transport Criteria and thus the TWG decided to align with this best practice.

However, in the absence of new freight thresholds, the Transport Criteria freight thresholds are based on projections and targets set by the Global Fuel Economy Initiative (GFEI). The GFEI promotes and supports government action to improve the energy efficiency and reduce the fuel consumption of the road vehicle fleet. At the time of publication of V1, these GFEI targets were heavily based on and developed using the IEA 2 Degrees Scenario (2DS).

Why do passenger thresholds go to zero in 2025 while freight thresholds do not?

As explained for the previous question, more up-to-date analysis on freight thresholds does not exist. The existing freight thresholds thus remain as the most robust option available. For extra discussion, it could be said that zero emissions transport for passenger transport (e.g. rail or electric cars) are much closer viable options than zero emissions freight (electric trucks, for example).

[If a transport project or activity has been certified previously under version 1 of the Transport Criteria, what does this mean now version 2 is out?](#)

If you have issued under V1 of the Transport Criteria, those requirements will still be relevant for the lifetime of the bond. Certification will not be stripped if the bond would now not meet the requirements of V2.

However, if the bond matures and you want to re-certify a new bond financing the same activity, this will need to meet the requirements in V2.

[Can vehicle fleet averages be used to demonstrate compliance with the emissions thresholds?](#)

No. When meeting the criteria thresholds, each vehicle must be compliant. Whether financing the manufacturing of vehicles or operation of a fleet of vehicles, each must meet the threshold. If this was not the case, this would imply that some vehicles are operating at an emissions intensity level that is not aligned with the Paris Agreement.

Questions on the Metrics

[How should loading factor be accounted for in passenger cars and commercial vehicles?](#)

The load factor for passenger cars or commercial vehicles is factored in slightly differently than for public transport (e.g. buses or trains) or rail freight. For passenger cars and commercial vehicles, the load factor should always be taken as one passenger per vehicle in line with the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), or other similar emissions testing procedures. The threshold metric for cars and commercial vehicles can therefore be taken in practice also as gCO₂/km.

As such there is no need to calculate average ridership, for example.

[Why are you using tank-to-wheel metrics instead of well-to-wheel metrics?](#)

Well-to-wheel metrics have their benefits. however, such metrics are currently unavailable. the CBI Criteria require measurement, not estimation of emissions. such measurement is not currently available for the upstream emissions associated with the different energy systems that the transition will require. That said, the Transport Criteria will be reviewed on a biennial basis and we look forward to incorporating a more robust metric.