Electrical Utilities Criteria

Frequently Asked Questions

Updated: March 2024

NOTE: These Criteria can be used to certify Use-of-Proceeds Instruments and Assets, and also in some circumstances, Sustainability-Linked Debt Instruments and Entities per the Climate Bonds Standard v4.0

Revision	Date	Summary of Changes
Rev. 3.0		
Rev. 2.0		
Rev. 1.0	March 2024	Issued for Certification

Climate Bond Certified

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1 Introduction

The purpose of this document is to provide answers to a series of questions that are commonly asked by our clients and clarity on topics that are relevant to the Electrical Utilities Standards and Criteria. The topics covered in this document are:

- Questions on the Sector
- Questions on Scope
- Questions on Criteria
- Questions on Pathway
- Questions on Certification

2 Questions on the Sector

Why does decarbonising electricity generation matter?

According to the International Energy Agency (IEA), electricity generation accounts for more than 40% of global energy related CO_2 emissions. Decarbonization of the power sector is crucial because:

- Reducing emissions of one the most emitting sectors.
- Low-carbon alternatives are available and affordable making the sector easy to decarbonize.
- Leading the decarbonization of the whole economy systems by reducing emissions in other sector through direct electrification and indirect electrification via electricity-derived fuels.

Further to that the IEA highlights that coal-fired generation reach an all-time high in 2022. Although the Fossil fuel generation not on track in meeting the performance targets required in keeping global temperature rise to no more than 1.5-degree above pre-industrial levels. In the electricity sector, only solar photo-voltaic (PV) is meeting their goals to be align with the Paris Agreement.

In addition, last world events as the COVID pandemic or the Ukrainian war, have stand out the importance of the resilience of the energy system involving geopolitical relationships and interdependencies; with implications in every single area of the whole economy system, including environmental and social impacts. An independent, reliable, resilient and sustainable energy system is now crucial in our actual scenario to reach the goals of the Paris Agreement.

Early and rapid investments in the sector are critical to enable the transition of the whole economy system to a sustainable and resilient world.

How do financing electrical utilities improve the energy sector performance?

As related above, a decarbonised power sector will allow the decarbonisation of the whole energy sector via end-use electrification and via low-carbon fuels based on hydrogen produced from electrolysers fed with low-carbon electricity.

Robust investments in power sector will have a huge impact on the whole energy sector and are critical to meet the expected growth in electricity demand, reduce greenhouse gas (GHG) emissions, and accelerate the transition to a low-carbon economy.

The Climate Bonds Electrical Utilities Criteria are aiming to reduce the emissions from entities generating electricity. There is a vast potential for cost-effective mitigation through science based proven low-carbon technologies and also clear and affordable science-based pathways aligned with the Paris Agreement goals.

Labelled bonds and supportive policies can complete traditional sources of capital for investments that reveal insufficient to meet the capital needs to decarbonise the whole economy system.

Why an entity's approach?

Renewable energy has seen a high development and growth in the recent years and are on track with the net-zero scenario, according to the IEA Tracking Energy Progress 2023 Report. But the sector not only needs to increase the share of renewable energy in the power sector but a transition from fossil fuel to renewable energy.

As today, power generation is still dominated by fossil fuel, and they must be phased-out rapidly to keep the temperature 1.5-degree above the preindustrial levels. Only an entity approach can assess comprehensively the decarbonisation of the electrical utilities and the whole power sector, assuring at the same time low-carbon electricity supply to cover the expected increase driven by the electrification of the energy sector.

3 Questions on Scope

What can be certified under these Criteria?

The following can be Certified under these Criteria following the update of the overarching Climate Bonds Standard:

- Entities (electrical utilities) and sustainability-linked debt (SLD) issued by those entities;
- Use-of-proceeds (UoP) bonds financing mitigation measures (e.g., carbon capture and storage (CCS), carbon capture utilisation and storage (CCUS), and co-firing).

What part of the electricity value chain are within entity's Certification scope?

The Electricity value chain is presented in Figure 1, covering **generation,** transmissions and distribution, market and end use.

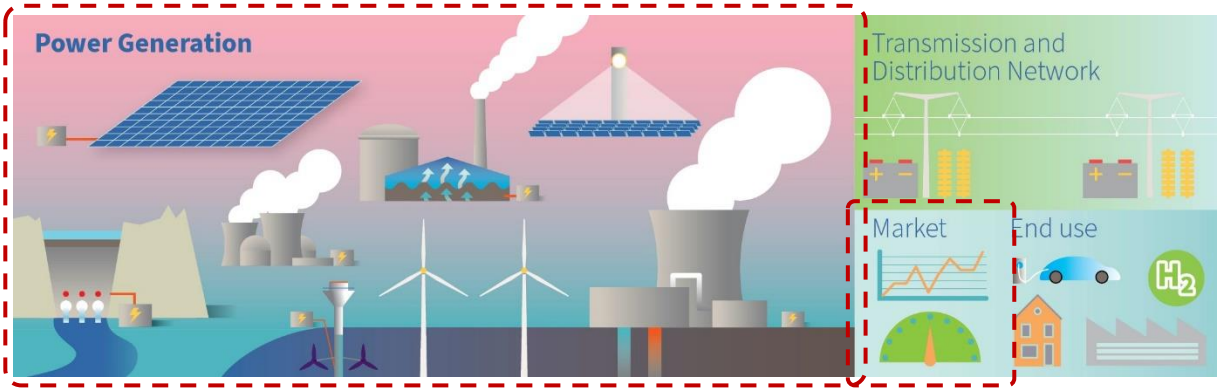

Figure 1. Electricity Value chain

Climate Bonds aim to cover the whole electricity value chain within its sector Criteria. Table 1 shows business segments of the electricity supply chain that might be included in an Entity's Certification under these Criteria, subjected to meeting the specific requirements.

Table 1: Business segments of the electricity supply chain in scope for these criteria.

Business segment of the electricity supply chain	Eligible entities or section of the entity	Emissions scope considered
Electricity generation	The electricity generation portfolio	Scope 1 direct combustion fossil fuel emissions Scope 1 non-combustion emissions for hydropower and geothermal electricity generation Scope 3 for biomass electricity generation
Electricity purchased	The electricity purchased from the grid for distribution or trading in the market	Scope 3 for electricity purchased from the grid for distribution or trading in the market
Fossil fuel activities other than electricity production	Commitment to no expansion of exploration, extraction, transport, or refining of fossil fuels. Commitment of phasing-out trading of fossil fuels.	Scopes 1, 2, and 3

Can individual power generation assets be Certified under these Criteria?

Individual assets are not covered in the Electrical Utilities Criteria. For renewable energy generation facilities, as no new investment in fossil fuel generation is allowed in these Criteria, ClimateBonds has already developed different Criteria covering:

Table 2: ClimateBonds energy sector Criteria available for UoP Bonds.

Renewable energy criteria already developed by Climate Bonds Initiative.	
Assets	Solar power plants. See Climate Bonds Sector Criteria.
	Wind power plants. See Climate Bonds Sector Criteria.
	Geothermal power plants. See Climate Bonds Sector Criteria.
	Hydropower plants. See Climate Bonds Sector Criteria.
	Marine Renewable. See Climate Bonds Sector Criteria

Projects Certification is available in the Electrical Utilities Criteria?

Investments in decarbonising fossil fuel generation assets are also included in the Criteria and can be applied for UoP, subjected to meeting the specific Criteria.

Table 3: Mitigation measures in the Electrical Utilities Criteria.

Power plants	Eligible Mitigation measures	Thresholds
Coal and Gas	CCS for CO_2 capture, transport, and storage CCUS for CO_2 capture, transport, and utilisation	Capture rate 90% Cross-cutting Criteria for CO_2 leakages and storage Utilisation Criteria
	Cofiring with low-carbon synthetic fuels comprising liquid and gaseous biofuels, hydrogen, and hydrogen-derived fuels Cofiring with solid biomass	Cofiring rate 100% Cross-cutting criteria for cofiring low-carbon fuels Cross-cutting Criteria for cofiring with biomass

Do the criteria accept investments in new fossil fuel power generation?

Fossil Fuel must be phased-out in the whole energy sector by 2050 to meet Paris Agreement goals.

The Electrical Utilities Criteria thus do not allow any investment in new fossil fuel facilities and set thresholds to phase-out all the fossil fuel generation by 2040 at the latest. Power generation must be green before 2050 to enable the decarbonisation of the whole energy sector via end-use electrification.

The criteria also require a commitment by the parent company on behalf of the parent group to zero future expansion of fossil fuel activities, covering the exploration, extraction, transport, refining of fossil fuels. Also, a commitment of phasing-out any trading activity with fossil fuel by 2040 at the latest.

How do the Criteria assess the question of grid security?

The Criteria allow the shifting of coal to fossil gas in case of grid security with the following conditions:

Coal can be switched to gas under the following conditions:

- When security of electricity supply is at risk,
- The fossil gas capacity replaces an existing coal generation plant.
- The fossil gas plant does not exceed **the replaced facility's capacity.**
- The entity's direct average emission intensity remains below the Sector Criteria emission intensity pathway,
- The entity has a **coal and gas phase-out plan** in place.

Safeguards:

- Critical grid security needs to be demonstrated, and agreed to, on an ad hoc basis,
- System-wide proof that renewable energy systems are not suitable.

What is the scope of emissions assessed in the criteria?

ClimateBonds Electrical Utilities criteria is focused on reduce all the emissions related to electricity production to achieve the Paris Agreement goals. For this purpose, the Criteria assess:

- Direct combustion emissions (scope 1) for all the electricity generation facilities included in the portfolio and scope 3 for the electricity purchased by the entity for distribution or trading in the market.
- Scopes 1 for hydropower and geothermal as not included in the direct combustion emissions of an electrical utility.

- Scope 3 for bioenergy, covering emissions from processing and transport of the biomass used to produce electricity.
- Scope 3 for solar and wind, including the emissions embedded in manufacturing and transport.
- Other emissions embedded in the production and delivery of hydrogen to produce low-carbon fuels to cofire in fossil coal or gas power plants.

Do the Criteria consider regional differences in the Electrical Utilities Criteria?

Most likely issuers will seek for Certification of their portfolios with asset in different locations. The average entity's emissions intensity must meet the sector transition pathway, developed from a global perspective. But, when the portfolio includes facilities operating in different regions, specific Criteria in fossil phase-out benchmarks are necessary and consider for emerging and advanced economies.

Table 4. Regional differences for unabated fossil plant phase-out benchmarks.

Mitigation Criteria for fossil fuel existing capacity		Advanced economies[1]	Emerging economies[2]
COAL	Phasing-out unabated plants	2030	2040
	If NOT • Cofiring with 100% low-carbon fuels • CCS retrofit with a carbon-capture rate of 90% and storage	2035	2040
FOSSIL GAS	Phasing-out unabated plants	2040	2040
	If NOT • Cofiring with 100% low-carbon fuels • Retrofit with a carbon-capture rate 90% and storage	2040	2040
OIL	Phasing-out all plants	2030	2040

4 Questions on Criteria

What are the Electrical Utilities Criteria?

The Electrical Utilities Criteria set out requirements for entities to be eligible for certification under the Climate Bonds Standard. It covers different levels of entity's emissions and environmental impacts that need to be addressed.

The Criteria, developed under the Climate Bonds Standard, are aligned to a 1.5-degree, science-based decarbonisation pathway to net zero by 2050.

It is a product of extensive consultation, using Technical Working Groups (TWGs), Industry Working Groups (IWGs) and public and stakeholder consultation. The TWGs comprise scientific, academic and research partners, civil society organizations and specialist consultancies. The IWGs are represented by a broad, global range of industry experts, partners and operators including potential bond issuers and investors.

[1] Advanced and emerging economies follows the definition of the IEA

[2] Advanced and emerging economies follows the definition of the IEA

The Criteria Document provides all the requirements that must be complied with for electrical utilities and projects to be awarded Climate Bonds Certification. A resume of the Criteria could be:

1. Entity's Certification.

Mitigation Criteria:

- Step 1: The entities' average emission intensity must meet the sector transition pathway.
- Step 2a: Any plant operating at the time of certification, must meet their corresponding criteria.
- Step 2b: Any plant operating after the time of certification must meet corresponding criteria.
- Step 3: Meet the cross-cutting criteria for CCS/CCUS systems, hydrogen-based fuels and biomass-based fuel for cofiring and methane leakages in fossil gas plants.

Figure 2 shows a summary of these steps.

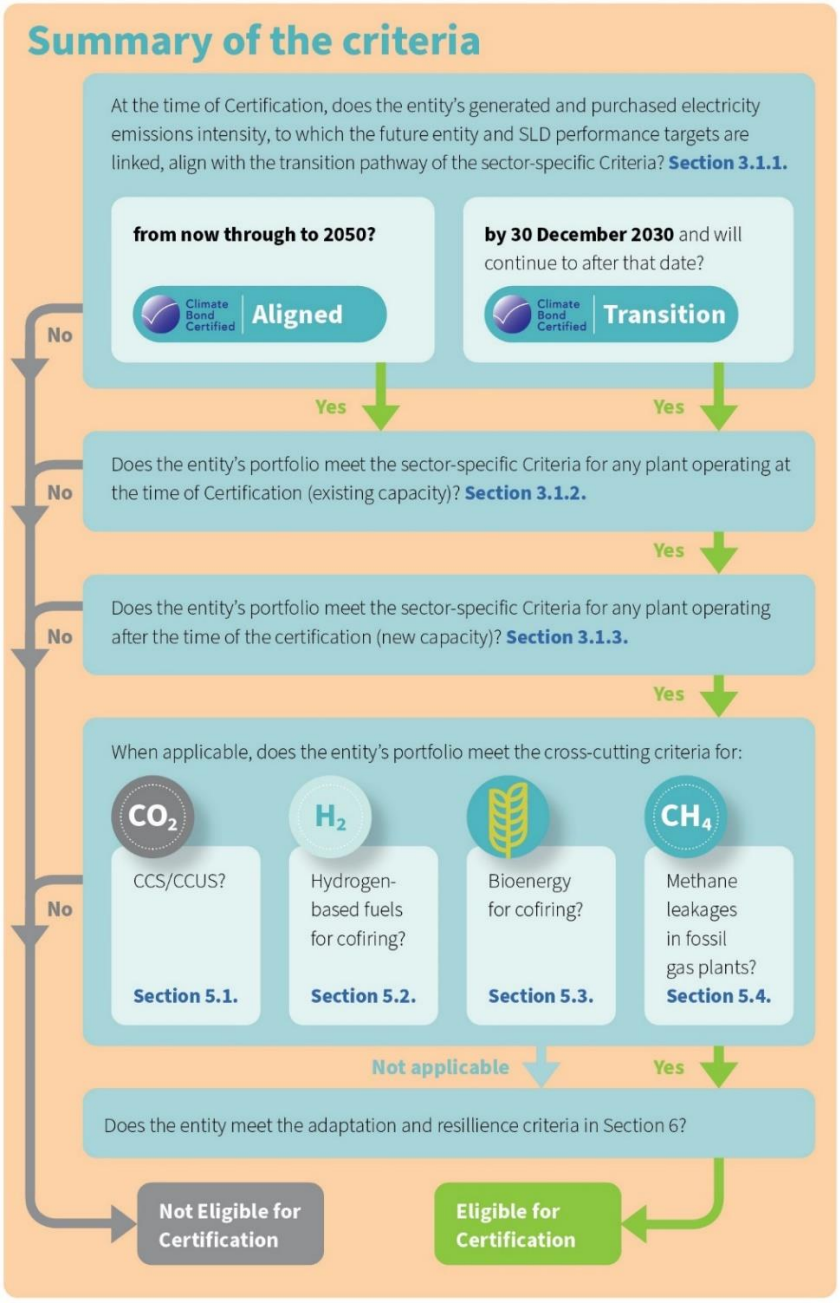

Figure 2. Summary of the Electrical Utilities Criteria

Adaptation and Resilience Criteria:

The entity must hold a risk assessment they have undergone or will undergo including the identified, planned, and implemented measures to manage and mitigate the climate risks, without harming the resilience of the surroundings. Figure reflects the main issues to be considered in the adaptation and resilience assessments.

Figure 3. Adaptation and Resilience sections needed to be covered by the entity's assessment.

The Electrical Utilities Criteria also set out what property projects are eligible for UoP certification under the Climate Bonds Standards. These projects are:

- Retrofitting fossil fuel power plants with the implementation of carbon capture and storage systems (CCS) or carbon capture, storage, and utilization (CCUS) systems.
- Retrofitting fossil fuel power plants with cofiring with low-carbon fuels, namely based on hydrogen.

2. For UoP certification the applicant must achieve the cofiring and/or carbon capture rates established in the criteria and have a contract or agreement with a Certified energy auditor demonstrating in an annual report that the asset performance is equivalent to the performance requirements, from day one of operation for the term of the bond.

Why is there a regional difference in phase-out benchmarks required in case of a portfolio of electricity facilities in different countries/regions?

The IEA Net-Zero report underpins that net zero by 2050 globally doesn't mean net zero by 2050 for every country at the same time. In the IEA scenario and pathway, advanced economies reach net zero sooner to allow emerging and developing economies more time. The geographical differentiation is based on IEA definitions of emerging and advanced economies to include the differences in population, technologies, capital investments.

Do the criteria require a methodology to account the entity's emissions?

The criteria follow standardised methodologies to account the emissions addressed in the criteria.

- The GHG Protocol calculation tool for direct emissions from stationary combustion
- The GHG Protocol Scope 2 guidance for the emissions related to the electricity purchased by the entity.
- The GHG Protocol allocation of GHG Emissions from a combined heat and power (CHP) plant to allocate emissions to the electricity generated in a CHP plant.
- LCA analysis for hydropower power plants following the G-Res Tool methodology.
- LCA analysis for geothermal power plants following the methodology developed in the ClimateBonds Geothermal Criteria.
- LCA analysis for bioenergy following the Biograce II methodology.
- LCA analysis for solar and wind based on ISO 14040 and 14044.

Do the criteria consider countries regulation to have some fossil fuel capacity installed for grid security reasons?

The Electrical Utilities Criteria allow this possibility with some restrictions:

- The fossil fuel capacity must be fossil gas and not coal, so switching of coal to gas is allowed in the criteria in that case;
- The average entity's emissions intensity must be always below the sector transition pathway:
- Only where security of electricity supply is at risk
- The entity has a coal and gas phase-out plan in place
- Fossil gas plants must meet also cross-cutting criteria for methane leakages.

How do the Electrical Utilities Criteria correspond to other taxonomies or standards?

The Electrical Utilities Criteria utilise the IEA data for establishing the emission intensity pathway as many other organisations do (e.g. SBTi, TPI) but these Criteria incorporate thresholds and benchmarks for each generation technology covering other important emissions not included in the sector pathway.

These technologies Criteria including thresholds for GHG emissions and benchmarks to phase-out fossil fuel unabated generation are in consistency with climate standards (EU Taxonomy, IEA, IHA), being sometimes even stricter.

The Electrical Utilities Criteria also incorporate adaptation and resilience assessment to cover environmental impacts as limits on CO_2 or methane leakages or GAP analysis in hydropower plants. These requirements are align when possible with best practises standards as EU Taxonomy or the International Hydropower Agency (IHA).

5 Questions on the pathway

What is a trajectory/pathway?

A trajectory/pathway is a long-term trend or targets to achieve a certain goal. In the Electrical Utilities Criteria, the target is expressed as an emission intensity metric [gCO_{2e}/kWh] and the goal is to be aligned with the Paris Agreement of keeping the temperature 1.5-degree above the preindustrial levels.

What is the available pathway for criteria compliance?

The Electrical Utilities Criteria provide one global pathway to achieve net-zero emissions by 2040 (that enable the energy sector to be net-zero by 2050), based on the thresholds allocated by the IEA to the power sector in its latest publication. (IEA, 2023)

The pathway establishes the threshold for whether an electrical utility is eligible for Certification. It represents a rapid emissions reduction which is aligned with the 1.5-degree scenario and the Paris Agreement. Behind the pathway there are specific conditions that need to be satisfied for all the generation plants included in the portfolio considering a geographical difference.

How has been the trajectory established?

The Electrical Utilities trajectory has been established by taking the emissions intensity allocated to the power sector by the International Energy Agency (IEA) on its latest report ((IEA, 2023). This report offers pathway to the whole energy sector aiming to achieve net zero emissions by 2050.

Emissions intensity thresholds are allocated to the power sector including some negative emissions since 2040. The Electrical Utilities transition pathway (trajectory) is based on these data but not requiring negative emissions for an electrical utility to be certified.

Are there only a global pathway or many different trajectories according to different regions?

The geographical distinction is considered in the Electrical Utilities criteria in the requirements for each generation technology included in the portfolio but not in the trajectory, namely the benchmarks to phase out or retrofitting the fossil fuel power plants.

The rationale behind is that the Electrical Utilities Criteria is focused on entities that may have plants spread all over different regions or areas. The pathway/trajectory has been set up trying to include as many entities as possible, always aligned to the 1.5-degree science-based targets.

What time must the entity's emissions intensity meet the sector transition pathway?

The Criteria allows two tiers of certification:

- If the transition pathway is met by the time of certification and continue to align with through out to 2050, the entity can be certified as align.
- If the transition pathway is not met by the time of Certification but it will by the end of 2030 and continue to align with through out to 2050, the entity can be certified as transition.

6 Questions on certification

What is an entity's Certification?

It's a certification for non-financial corporate entities (and parts thereof) and SLD issued by them proving that these corporate emissions are already near zero or undergoing ambitious and credible transition plan aligned with Paris Agreement climate Targets.

The certification last for five years, subject to compliance with requirements established in the ClimateBonds Standards.

What is the process of issuing Electrical Utilities entities' Certification?

Applicant must meet the Mitigation Criteria and Adaptation and Resilience Criteria and prove evidence to an external verificatory.

What is an Electrical Utilities UoP Bond?

It is a green bond that is used to finance or refinance electrical utilities' fossil fuel facilities in order to decarbonize them.

Definitions

Adaptation and Resilience Criteria: Rules or principles for evaluating and preventing physical climate risk and assessing the vulnerability of an asset or entities to the effects of climate changes, which aim to reduce of this vulnerability. These rules generally guarantee that the activities don't do any significant harm to other assets within their system boundaries which covers the area affected by the activity.

Advanced economies: OECD regional grouping and Bulgaria, Croatia, Cyprus, Malta and Romania.

Carbon capture and storage (CCS): describes a suite of technologies that capture waste CO_2, usually from large point sources, transport it to a storage site, and deposit it where it will not enter the atmosphere. Stored CO_2 is injected into an underground geological formation, which could be a depleted oil and gas reservoir or other suitable geological formation.

Carbon capture, utilisation, and storage (CCUS): describes a suite of technologies that capture waste CO_2, usually from large point sources, to then use it in other processes, or to make products.

Climate Bond Certification: allows the applicant to use the Climate Bond Certification mark in relation to that bond. Climate Bond Certification is provided once the independent CBSB is satisfied the bond complies with the CBS.

Climate Bonds Initiative (Climate Bonds): An investor-focused not-for-profit organisation, promoting large-scale investments that will deliver a global low-carbon and climate resilient economy. Climate Bonds seeks to develop mechanisms to better align the interests of investors, industry and government to catalyse investments at a speed and scale sufficient to avoid dangerous climate change.

Climate Bonds Standard (CBS): A screening tool for investors and governments that allows them to identify green bonds, the proceeds of which are being used to deliver climate change solutions. This may be through climate mitigation impact and/or climate adaptation or resilience. The CBS is made up of two parts: the parent standard (CBS v4.0) and a suite of sector specific eligibility Criteria. The parent standard covers the Certification process and pre-and post-issuance requirements for all Certified bonds, regardless of the nature of the capital projects. The Sector Criteria detail specific requirements for assets identified as falling under that specific sector. The latest version of the CBS is published on the Climate Bonds website.

Climate Bonds Standard Board (CBSB): A board of independent members that collectively represents $34 trillion of assets under management. The CBSB is responsible for approving (i) Revisions to the CBS, including the adoption of additional sector Criteria, (ii) Approved verifiers, and (iii) Applications for Certification of a bond under the CBS. The CBSB is constituted, appointed, and supported in line with the governance arrangements and processes as published on the Climate Bonds website.

Climate change: A change in global or regional climate patterns attributed to the increased levels of CO_2 in the atmosphere, produced mainly by the combustion of fossil fuels.

Climate resilience and adaptation: Measures or assessments related to protecting communities or ecosystems from the effects of climate change. Adaptation refers to protection, while resilience is the ability to adapt and recover from the impacts of climate change.

Climate targets: Limits established by scientists and policymakers in plans to combat climate change.

CO_2 equivalent: A unit to measure the effect of all greenhouse gases according to their global warming potential that expresses the warming effect of each greenhouse gas over a set period of time (usually 100 years) in comparison to CO_2. Thus, an amount of a GHG can be expressed by the amount of CO_2 that will have the equivalent warming effect over 100 years.

CO_2 geological storage: The process of keeping CO_2 in underground geologic formations, usually pressurising the carbon dioxide until it becomes a liquid.

CO_2 transport leakages: Undesired CO_2 losses to the atmosphere during the transportation from where it was sequestered to where stored.

Decarbonisation pathways: Transformation processes, strategies, or indications to be implemented in the energy sector aiming to reduce emissions and the use of fossil fuels. They involve measures such as shifting the energy mix, increasing energy efficiency, utilising the circular economy, or managing demand for energy.

Decarbonise: Move away from energy systems that produce carbon dioxide and other greenhouse gas emissions and remove the amount of carbon gaseous compounds in the atmosphere.

Distribution: The final stage of the electricity value chain, where electricity is carried from the transmission system to individual consumers.

Electricity generation portfolio: The strategic collection of investments and assets in electricity generation technologies and projects by energy source.

Electrification: The process of using electricity to provide services that were previously met by other energy sources, usually fossil fuels. If the electricity originates from renewable sources, it can help to decarbonise the economic system.

Emerging economies: All other countries not included in the advanced economies regional grouping.

Emission intensity: Volume of emissions per unit of a representative factor in the assessed sector, which in the electricity utilities sector is kWh generated, so the emissions intensity is the grams of CO_2 eq per kWh generated: gCO_2/kWh.

Energy utility: A company that provides energy, mainly electricity and fossil gas, but also heat.

Electrical utility: A company that provides electricity.

Fossil gas: It is a hydrocarbon fuel mostly composed by methane produced from the decay of organic material over millions of years.

Green bond: A bond where the proceeds are allocated to environmental projects or expenditures. The term generally refers to bonds that have been marketed as green. In theory, green bonds proceeds could be used for a wide variety of environmental projects or expenditures, but in practice they have generally been earmarked for climate change projects.

Industry Working Group (IWG): A group of key organisations that are potential applicants, verifiers and investors convened by Climate Bonds. The IWG provides feedback on the draft sector Criteria developed by the Technical Working Group (TWG) before they are released for public consultation.

Investment period: The interval between the bond's issuance and its maturity date; otherwise known as the bond tenor.

Life-cycle emissions analysis: A methodology for assessing or accounting for environmental emissions associated with all the stages of the life cycle of a product or process, from the initial design phase to disposal or recycling.

Low-carbon fuels: Materials, that when burned provide thermal energy with fewer emissions than fossil fuels, which can be used to generate electricity.

Low-carbon technologies: Technologies referred to as innovative technical solutions that are characterised by a low-emission intensity, compared to state-of-the-art alternatives. Considered best-in-class technologies with a focus on environmental impact, examples of electricity utility low-carbon technologies would be solar, wind, marine, bioenergy, hydropower, geothermal, and nuclear.

Mitigation Criteria: Rules and principles containing thresholds, benchmarks, and milestones for sector activities whose objective is the reduction of the harmful effects of greenhouse gases emissions.

Mitigation technologies: Actions within technological processes implemented to reduce and curb greenhouse gas emissions.

Negative emissions: Processes in which more CO_2 is removed and stored from the atmosphere than added to it, so the final GHG emissions balance is negative. It can be achieved by natural processes or a variety of technological solutions. Negative emissions are necessary to meet the Paris Agreement.

Net-zero emissions scenario (NZE): A science-based scenario designed to show what is needed across the main sectors by various actors, and by when, for the world to achieve net-zero energy-related and industrial process CO_2 emissions by 2050. It also aims to minimise methane emissions for the energy sector.

Net-zero emissions: A situation where global greenhouse gas emissions from human activity are in balance with emissions reductions. To achieve this situation, human-caused emissions should be reduced as close to zero as possible.

Parent company/group: A company is considered a parent company of another entity (a subsidiary) if it exercises control over the subsidiary. The terms control and subsidiary have the meaning assigned to them under International Financial Reporting Standard 10 (IFRS 10). A parent group consists of the parent company and all the companies that the parent company exercises control over. Where the applicant does not belong to a group of companies, the term parent company applies to the applicant.

Paris Agreement: A legally binding international treaty on climate change adopted by 196 parties. Its overarching goal is to hold the increase in the global average temperature to well below 2-degrees above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5-degrees above pre-industrial levels.

Pathways: Science-based trajectories for different sectors indicating the way to achieve targets related to relevant indicators. In the electricity sector, these trajectories generally refer to the emission intensity.

Scope of emissions: Scope 1, 2 and 3 are terms devised by the GHG Protocol to categorise the different sources of carbon emissions an organisation creates in its own operations, and in its wider value chain.

Standards Criteria: Established principles to evaluate processes, assets, or entities aiming to achieve benchmarks, targets, or goals.

Sustainability-linked debt (SLD): Any debt instrument for which the financial and structural characteristics can vary depending on whether the issuer achieves predefined sustainability/ESG objectives. Such objectives are measured through predefined key performance indicators (KPIs) and assessed against predefined performance targets. Proceeds of SLD are intended to be used for general purposes.

Technical Working Group (TWG): A group of recognised experts from academia, international agencies, industry, and NGOs convened by Climate Bonds. The TWG develops the Sector Criteria, which are detailed technical criteria for the eligibility of projects and assets as well as guidance on the tracking of eligibility status during the term of the bond. Their draft recommendations are refined through engagement with finance industry experts in convened Industry Working Groups (see below) and through public consultation. Final approval of Sector Criteria is given by the CBSB.

Transition targets: Thresholds, benchmarks, and milestones based on key assumptions and dependencies used by scientists and policymakers to develop a plan to achieve climate targets.

Unabated fossil fuel: Fossil fuels, the use of which continues without any intervention to substantially reduce the amount of greenhouse gas emitted throughout their life cycle.