

## **2. Eligibility requirements for Use of Proceeds and Asset Certifications**

### **2.1. Eligibility conditions**

2.1.1. Projects and assets are only eligible under Parts A and B of the Standard if all of the below conditions are satisfied:

- i. All applicable regulatory and environmental permits and licences have been obtained; **and**
- ii. All relevant legal requirements and obligations in the relevant jurisdiction have been satisfied; **and**
- iii. They meet the eligibility criteria requirements of Clauses 2.2, 2.3 or 2.4.

2.1.2. In addition to Clause 2.1.1, projects and assets which meet the conditions of Clause A.3.1.5, up to a maximum of 5% of the bond proceeds, are eligible for UoP Certification.

2.1.3. Asset Certification under Part B applies to definable assets and projects that are fully eligible under any of Clauses 2.2.1, 2.2.2, 2.2.3 or 2.4.

### **2.2. Eligible categories and relevant eligibility requirements**

Assets, projects and expenses in any of the following categories may be considered eligible for UoP or Asset Certification under Parts A and B, respectively, if they meet the respective requirements:

#### **2.2.1. Eligible physical assets or projects**

a. Existing physical assets or projects which fully satisfy the Climate Bonds Sector Criteria or are eligible climate resilience investments under Clause 2.4. Physical assets include existing and operational equipment, machinery, infrastructure, buildings, or land. Projects may include physical assets in construction, redevelopment (upgrades, expansion) and similar asset value creation or enhancement activities.

b. Planned physical assets or projects which are under development or to be developed and satisfy all of the following conditions:

- i. The development plans are supported by detailed engineering and feasibility reports signed by competent persons who have the relevant professional qualifications and experience.
- ii. The development plans, designs, and specifications are in sufficient detail to demonstrate that the completed asset or project will either fully satisfy the Sector

Criteria or will be an eligible climate resilience investment under clause 2.4, by the time the asset or project becomes fully operational.

- iii. All the relevant environmental impact reports, permits, and licences relevant to the stage of completion of the assets have been obtained.
- iv. There are signed legal agreements in place with any third parties involved in the construction, which include agreed delivery timelines consistent with the plans and designs.
- v. All relevant reporting requirements have been complied with.

#### 2.2.2 Eligible Financial Assets

Debt or other financing arrangements provided by a lending institution to finance or facilitate the financing of eligible projects, assets or expenses, such as corporate loans, retail mortgages, project finance, bank guarantees or performance bonds.

2.2.3 Other types of eligible assets that finance the acquisition or deployment of eligible physical or financial assets:

- i. Leasing structures resulting in right-of-use assets and liabilities and long-term leaseholds on land (with duration greater than 12 months), buildings, and infrastructure.
- ii. Capital expenditure undertaken to increase the value and/or lifetime of eligible physical assets or projects.
- iii. Participations in entities whose assets or activities are aligned with the Climate Bonds eligibility requirements.
- iv. Subsidies, tax and other incentives, credit schemes and grants, and other similar arrangements provided by public entities or agencies, including local and national governments.

#### 2.2.4. Eligible operating expenses

Related and supporting expenditures for eligible projects or physical assets. Such non-capitalised costs may include the following:

- i. Relevant installation and routine servicing costs required to ensure the proper functioning of the asset.
- ii. Repair and maintenance costs, upgrades or renovations undertaken to maintain the value or extend the asset's life.
- iii. Relevant performance-monitoring costs concerning tracking climate credentials (e.g., GHG emissions) and climate information services (e.g., satellite monitoring and emissions testing).
- iv. Any training and education costs directly related to activities i. to iii. above.

## 2.3 Eligibility requirements for Research and Development expenditure

Eligibility requirements of research and development (R&D) expenditure for UoP Certification:

- a. Any early or later stage expenditure relating to the research, applied research, and experimental development of solutions, processes, technologies, business models, and other products dedicated to the substantial reduction, avoidance or removal of GHG emissions for which the ability to substantially reduce, remove or avoid GHG emissions has been demonstrated in a relevant environment, corresponding to at least Technology Readiness Level (TRL)<sup>6</sup><sup>1</sup>.
- b. For the avoidance of doubt, this includes expenditure related to research, applied research, and experimental development to bring the solution, process, technology, business model or other product through TRLs 1-5. In addition, funds or subsidy schemes incentivising early-stage R&D (TRL1 to TRL5) may be considered eligible if aiming to bring the solution, product or technology to TRL6.
- c. Substantial reduction, removal or avoidance of GHG emissions requires the R&D to:
  - i. provide research, development or innovation for technologies, products or other solutions that enable an economic asset or activity to meet the respective Sector Criteria under the Climate Bonds Standard; or
  - ii. aim to bring to market a solution that is expected to have a substantially better performance in terms of life-cycle GHG emissions than best commercially available technologies based on public or market information or which substantially improves their technological and economic feasibility in order to facilitate their scaling up.
- d. TRL6 or above must be demonstrated as follows:
  - i. TRL6 requires that the technology is finely-tuned to a variety of operating conditions, the process is reliable, the performance matches expectations, interoperability with other connected technologies is demonstrated, the manufacturing approach is clearly defined, and that all environmental, regulatory and socio-economic issues are addressed.
  - ii. Where the researched, developed or innovated technology, product or other solution is at TRL6 or 7, life-cycle GHG emissions are evaluated in simplified form by the entity carrying out the research. The entity demonstrates one of the following, where applicable: (a) a patent not older than 10 years associated with

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<sup>1</sup> In line with Annex G of the General Annexes of HORIZON 2020 WORK PROGRAMME 2016 2017, p.29 (version of 4.6.2021: [https://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2016-2017/annexes/h2020-wp1617-annex-ga\\_en.pdf](https://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2016-2017/annexes/h2020-wp1617-annex-ga_en.pdf)).

the technology, product or other solution, where information on its GHG emission reduction potential has been provided; (b) a permit obtained from a competent authority for operating the demonstration site associated with the innovative technology, product or other solution for the duration of the demonstration project, where information on its GHG emission reduction potential has been provided.

iii. Where the researched, developed or innovated technology, product or other solution is at TRL8 or higher, life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018 and are verified by an independent third party.

e. Where the R&D expenditure relates to products, solutions or activities for which Climate Bonds has not yet developed Sector Criteria, the eligibility will be individually assessed on a case-by-case basis. In making such assessments, Climate Bonds may rely on independent expert reports or opinions.

f. R&D expenditure must be continually assessed by the issuer to ensure that the relevant climate-related goals are being achieved. The results of the assessment must be disclosed in the annual update report in accordance with Clause A.3.4.

g. All R&D expenditure must be independently verified by a Climate Bonds approved verifier at least on an annual basis until the related technology reaches TRL6 or higher.

## **2.4 Eligibility requirements for climate resilience investments**

The following climate resilience investments are eligible under the Standard:

- a. Investments which are eligible under Clause 2.2 through being aligned with Climate Bonds Sector Criteria; or
- b. Resilience investments listed in the draft Climate Bonds Resilience Taxonomy v1.0 (the CBRT). <sup>2</sup>

Investments that fall under category (a) must be assessed for eligibility based on the Sector Criteria requirements.

Investments that fall under category (b) must be assessed for eligibility for UoP Certification or Asset Certification using the requirements detailed in the

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<sup>2</sup> The draft [Climate Bonds Resilience Taxonomy](#) consists of CBRT v1.0 in the form of a downloadable excel spreadsheet and the [Climate Bonds Resilience Methodology](#).

Supplementary CBRT Certification document (‘Criteria for certifying Investments listed in the Climate Bonds Resilience Taxonomy’)<sup>3</sup>.

In a UoP Certification, up to 5% of proceeds (the ‘Flexibility Pocket’) can also be allocated to climate resilience investments listed in the CBRT, in accordance with Clause A.3.1.5. The Criteria for certifying investments listed in the Climate Bonds Resilience Taxonomy do not apply to the Flexibility Pocket.

The CBRT will gradually undergo review and validation by Thematic/Technical Working Groups, in accordance with the governance process followed in developing Climate Bonds Sector Criteria.

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<sup>3</sup> Criteria for certifying Investments listed in the Climate Bonds Resilience Taxonomy’ [LINK TO SUPPLEMENTARY DOCUMENT]