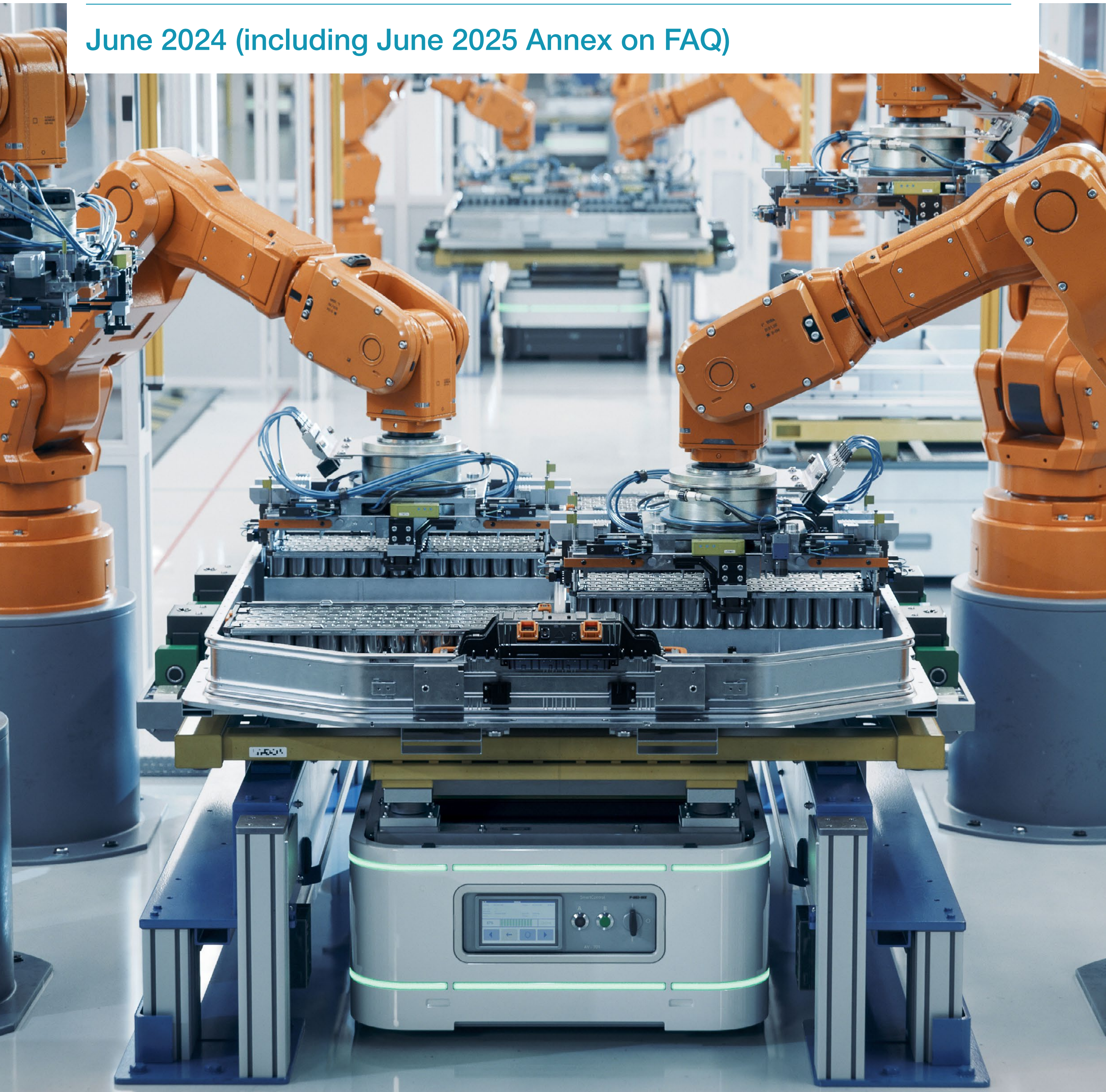
The Green Bond Principles

The Sustainability Bond Guidelines

ICMA International Capital Market Association

Green Enabling Projects Guidance document

June 2024 (including June 2025 Annex on FAQ)



Introduction

A great number of Green Enabling Projects, key to the value chain of Green Projects, are not themselves explicitly considered green but remain critical to these eligible Green Projects. This document seeks to provide guidance for such Green Enabling Projects encompassing both the induced and avoided emissions dimensions, as well as the management of related environmental and social (E&S) risks. This includes identifying the role that Green Enabling Projects play in catalysing and scaling the transition to a low-carbon economy in line with the goals of the Paris Agreement while recognising the complexities of value chains and challenges of multiple end-uses.

This guidance was formulated by the Executive Committee of the Principles based on the recommendations of a dedicated taskforce of the Principles to guide market practice based on existing definitions, promote issuer transparency and protect market integrity. It takes into account official and market guidance on Enabling activities, which include:

- Art 16 of the EU Taxonomy Regulation
- The IDFC Common Principles for Climate Mitigation Finance Tracking (version 4, December 2023)
- The GFANZ Review Note on Scaling Transition Finance and Real-economy Decarbonization (December 2023)

As detailed below, the eligibility of Green Enabling Projects is based on specific criteria (I), as well as transparency on end-use (II). Both attributes (I and II) are necessary to qualify a Green Enabling Project. Additional guidance is also provided (III).

I. Specific criteria for eligible Green Enabling Projects

Green Enabling Projects are subject to all the criteria described below:

Summary	Specific Criteria
Necessary for an enabled Green Project's value chain	A Green Enabling Project is **necessary** for an enabled Green Project's value chain to be developed and/or implemented. The enabled Green Project, which covers both investments and activities, is one that delivers a clear environmental benefit, as described in the Green Bond Principles. A Green Enabling Project is a necessary component of an enabled Green Project's value chain, but it is not necessarily a conveyor of a direct positive environmental impact on its own. A Green Enabling Project's positioning in an enabled Green Project's value chain, should be clearly identified and/or contextualised. In all cases, a Green Enabling Project should remain a necessary component of enabled Green Projects in net-zero scenarios and medium to long-term transition plans. Therefore, as net zero scenarios are frequently updated, Green Enabling Projects and/or enabled Green Projects may change over time.
No carbon lock-in	Green Enabling Projects **should not lead to locking-in high GHG emitting activities** relative to other technologically feasible and/or commercially viable solutions, including at the level of an enabled Green Project. Carbon lock-in typically occurs when high-emission infrastructure or assets continue to be used, despite the possibility of substituting them with low-emission/low-carbon alternatives. However, there is no single definition of carbon lock-in, as it can depend on the local context. Therefore, transition to net-zero scenarios, and in particular transitioning away from fossil fuels should be considered in light of national, regional and/or sectoral transition plans (e.g. Nationally Determined Contributions and related guidelines, taxonomies, sectoral decarbonisation approaches, etc.).

Summary	Specific Criteria
Clear, quantifiable and attributable environmental benefit	The Green Enabling Project must **provide a clear, quantifiable, and attributable environmental benefit**, either based on actual impacts or estimates of the potential outcome of enabled Green Project(s) and assessed on the basis of a life cycle analysis type approach clearly outlining assumptions (e.g. on GHG emissions, water use, waste, etc.) of the enabled Green Project(s) compared to a non-green alternative or baseline scenario. Transparency is of particular value in communicating the expected and/or achieved impact of projects. In addition to qualitative performance indicators, where feasible, the use of quantitative performance indicators demonstrating the positive environmental impact on the enabled Green Project, such as avoided emissions, is also recommended with disclosure of the key underlying methodology and/or assumptions used in the quantitative determination, including the attribution factors. It is recommended that the Green Enabling Project is mapped to one or more eligible Green Project categories as listed in the GBP, noting these categories are not exhaustive (see III).
Mitigated adverse social or environmental impacts	Green Enabling Projects should demonstrate that they are appropriately **managing identified environmental and social impacts and risks**. Issuers should ensure that there are no material adverse social impacts as a result of the Green Enabling Projects themselves, in line with official or market-based taxonomies and standards[1]. Similarly, issuers should ensure that Green Enabling Projects are not significantly detrimental to other environmental objectives[2]. Issuers should transparently outline the processes by which they identify and manage perceived environmental and social risks, as well as the minimum standards and governance structures that are in place to mitigate negative impacts. Issuers should also **transparently outline the material impacts** related to their underlying Green Enabling Projects. This includes at least one of the following elements: - Alignment with relevant taxonomies - Alignment with sectoral decarbonization technology roadmaps - Benchmarking against best available techniques and technologies - Benchmarking against industry standards - Relative performance versus comparable peers - Improvement against own historical performance This will be an integral component of the eligibility criteria that will allow investors to make an informed decision on the overall merits of the activity.

1 Such as - when applicable - the EU taxonomy minimum social safeguards, the Ten principles of the UN Global Compact, and/or the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals.

2 Such as climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

II. Transparency on end-use

Typically, a Green Enabling Project has multiple potential end-uses that are not limited to enabled Green Projects only. Regardless of the level of the traceability to an intended specific **end-user** in an enabled Green Project, the **environmental benefits** should be demonstrated. This demonstration can be based on either how the Green Enabling Project is currently used or how it can lead to a ramp up in developing enabled Green Projects over time with clear reference to timelines.

Where relevant, the issuer may decide to count the Green Enabling Project in full towards a Green Bond, or to use a pro-rata approach dependent on end-use (either known or estimated). In any case, the chosen approach must be clearly outlined to investors.

The following scenarios can be considered:

1. Where the end-user is known and largely traceable, then the share of the activity servicing the enabled Green Project end-use, should be disclosed.
2. Where the end-user is not known robust and quantifiable external assumptions (including proxies) can be utilised to demonstrate its role in the development of enabled Green Projects or their market segment. For example, based on an activity's technical specificities, current and future global uses[3], and/or market share (as supported by reputable third-party market data[4]), a link can be made to the likely uptake in enabled Green Projects. External assumptions should also be monitored and adjusted for integrity and robustness during the life of the bond. Under these conditions, a project can be deemed Green Enabling, based on further disclosure and contextualisation from issuers in the issuance documents and as part of their green bond annual report. This information should continue to be updated and reported during the life of the bond.

III. Additional guidance

Alignment with the Green Bond Principles (GBP)

Issuers of Green Bonds incorporating Green Enabling Projects shall align with the GBP and are especially reminded of the recommendation under section 2 *Process for Project Evaluation and Selection* of the GBP to position the information communicated "within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability".

Indicative sectors

Green Enabling Projects applies primarily to the following sectors[5] when necessary for an enabled Green Project's[6] value chain to be developed and/or implemented. This list is indicative, non-exhaustive, and in no specific order:

- Mining and metals (mapped for example to the clean transportation Green Project category when used in electric vehicles)
- Building and construction supplies and equipment (mapped for example to the pollution prevention and control Green Project category when used to limit air emissions)
- Chemicals and speciality chemicals (mapped for example to the green buildings Green Project category when used for the manufacturing of building insulation materials)
- ICT and telecommunication networks (mapped for example to the energy efficiency Green Project category when used for smart grids)
- Manufacturing of industrial parts and components (mapped for example to the renewable energy Green Project category when used for the development of electricity grids)

Impact Reporting

Issuers of Green Bonds incorporating Green Enabling Projects should carefully consider the risk of double counting of impact that arises from such reporting for Green Enabling projects. They can refer to general guidance on avoiding double counting available in the Guidance Handbook of the Principles.

3 Coming from external scenarios such as the IEA scenarios.
4 For example in the case of metals the current demand by end-use may be documented by local public entities such as the USG Mineral Commodity Summaries, the EU SCRREEN factsheets. Future demand estimates could be provided by global market short and long term outlooks developed by external providers databooks such as Wood Mackenzie and CRU.
5 These sectors were identified by the 2024 Green Enabling task force as the most relevant, and of primary importance in the context of this definition. For an illustrative list of indicative examples and counterexamples, see the Checklist.
6 The GBP explicitly recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control.

ANNEX - Frequently Asked Questions

Definition

Q1 What is the difference between "Green Projects" and "Green Enabling Projects"?

As defined in the Green Bond Principles (GBP), a Green Project is one that is designed to deliver environmental benefits as its primary objective. The GBP recognise several broad categories of eligibility for Green Projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, circular economy, sustainable use and protection of water, natural resource conservation, biodiversity conservation, and pollution prevention and control. Examples of Green Projects include solar farms, wind turbines, and reforestation initiatives.

On the other hand, a number of "enabling" activities are not currently considered green per se, but are necessary to these eligible categories. Examples of these projects include copper mining for renewable power technologies, or manufacturing of power cables for electricity grids. A Green Enabling Project is a necessary component of an enabled Green Project's value chain, specifically in relation to its development, manufacturing, implementation, or scaling up, even if it does not yield direct environmental objectives on its own. These projects establish the necessary conditions for the success and existence of Green Projects. Additionally as per the Green Enabling Projects Guidance document, Green Enabling Projects should not lead to locking-in high GHG emitting activities.

While Green Projects may also be considered Green Enabling where they deliver both a significant environmental impact of their own and are necessary to other Green Projects (including under certain taxonomies), not all Green Enabling Projects are necessarily and customarily considered Green Projects on their own.

A fundamental aspect of Green Enabling Projects are their end-users, some of which may have significant harmful impacts on the environment via high life-cycle GHG emission, for example.

Q2 Is financing of Green Enabling Projects considered "transition finance"?

While there is currently no commonly agreed definition of "transition finance", it is essential to highlight that the concept of "Green Enabling Project" is different from that of transition finance. A Green Enabling Project is a necessary component of an enabled Green Project's value chain, but it is not necessarily a conveyor of a direct positive environmental impact on its own. The enabled Green Project is the one that must deliver a clear environmental benefit: the enabled Green Project is expected to be aligned with the criteria and thresholds outlined in relevant taxonomies or market standards and would most likely be expected to fit into one of the Green Projects categories outlines in core component 1 of the GBP, noting those are not exhaustive.

Moreover, a key criterion of Green Enabling Projects is the avoidance of carbon lock-in, noting there is no single definition of carbon lock-in, as it can depend on the local context. Per the Green Enabling Projects Guidance document, carbon lock-in typically occurs when high-emission infrastructure or assets continue to be used, despite the possibility of substituting them with low-emission/low-carbon alternatives. While conceptually transition enabling projects may also aim to support the shift to a less-carbon intensive economy, the enabled transition project may still bear some carbon lock in. In any case it is central that enabled projects support issuer to achieve net zero, based on a credible transition strategy, e.g. in line with the Climate Transition Finance Handbook.

Transition finance has been defined by some stakeholders, such as the EU and GFANZ, as a tool to finance investments to reduce today's high GHG emissions or other environmental impacts and transition to a climate neutral and sustainable economy.

In conclusion, to be considered Green Enabling, a project should not lead to locking-in high GHG emitting activities and be consistent with relevant market standards and taxonomies.

Q3 How does the Green Enabling Projects Guidance document relate to the Green Bond Principles? Can Green enabling activities be considered as an additional (11th) green eligible category, as per the Green Bond Principles?"

As defined in the Green Enabling Projects Guidance document, Green Enabling Projects may be mapped against GBP eligible categories, to be considered here as green enabled projects.

As integrated in the GBP, June 2025 version: "The GBP recognise that Green Enabling Projects may be a necessary component for an eligible Green Project to be developed and/or implemented. All Green Enabling Projects should provide clear environmental benefits and ensure protection against any potential adverse environmental and social impacts."

Therefore, Green Enabling activities are not to be classified as an eleventh category, but are necessary to the existing ten eligible categories of the GBP and considered transversal to them (i.e. contemplating the green enabling value chain of Green Projects falling under any of the existing eligible categories of the GBP, noting these are not exhaustive), and provided they abide by the published Guidance document.

Issuers can refer to the Example Checklist for illustrative examples on how this might be presented in a Use of Proceeds criteria category.

Green Enabling Projects may refer to both those fully dedicated to green eligible categories (e.g., equipment solely for climate solutions) and projects for which green eligible categories represent only a portion of their end-market (e.g., equipment used in both climate solutions and carbon intensive technologies).

End Users

Q4 How much visibility does a company need regarding the end-users of its products to be qualified as enabling? If only one part of the "enabling" products is used for green activities, can that specific part of the production be labelled as "enabling"? Could you please describe more the use of the proxy?

Ideally, issuers would have full visibility on the end-users/off-takers, which would provide full transparency and confidence that the Green Enabling Project is ultimately being used in/for Green Projects. In some cases, non-disclosure agreements between issuers and end-users may limit full transparency on end use. In such cases, issuer should demonstrate transparency as much as possible. In the absence of visibility on end-users, issuers can rely on proxies, such as IEA scenarios and credible market data/research, to make reasonable assumptions about which sectors are likely to be the off-takers and the ultimate end-use. This approach is less transparent but may be the only feasible pathway in cases where there are too many intermediaries between the enabling activity and the final Green Project, or where the end users are not fully traceable.

If the issuer has visibility that only part of the enabling products is used for green activities (whether directly or via the use of proxies), recommendation is that efforts should be taken to use a pro-rata approach depending on the end use (based on revenue estimations, future contracts, or purchase agreements signed, volume, or other relevant basis and transparently disclosed). The Green Enabling Project cost should be used in full towards a Green Bond only when there is reasonable level of certainty that the vast majority of the Green Enabling Projects is contributing towards green activities.

Issuers should clearly communicate the approach taken to identify the end use and the rational for doing so.

Pre-Issuance disclosure

Q5 Do the benefits need to be quantifiable ex-ante for the activity to be considered "enabling"?

In line with the requirements of the Green Enabling Guidance document, the Green Enabling Project must provide a clear, quantifiable, and attributable environmental benefit. The benefits can be quantitative or qualitative indications on the anticipated environmental benefits of the ultimate Green Project (with data such as estimated avoided emissions) that the Green Enabling Project is contributing towards. Issuers can refer to the Example Checklist for illustrative examples on how this might be communicated ex-ante.

Transparency is of key in communicating the expected and/or achieved impact of projects. In addition to qualitative performance indicators, where feasible, the use of quantitative performance indicators demonstrating the positive environmental impact on the enabled Green Project, such as avoided emissions, is also recommended with disclosure of the key underlying methodology and/or assumptions used in the quantitative determination, including the attribution factor.

It is recognised that there is currently no commonly accepted methodology to attribute the environmental benefit of an activity throughout its whole value chain.

Reporting

Q6 How is double counting avoided between the enabler and the enabled? How should Green Enabling Projects be differentiated from an Eligible Green Project in an issuer's allocation reporting?

The GBPs and the Harmonised Framework for Impact Reporting aim to improve transparency relating to the reporting of allocations and impacts from such allocations. Issuers of Green Bonds incorporating Green Enabling Projects should carefully consider the risk of double counting the impact that arises from reporting the impact of Green Enabling Projects separately to Green Projects, where relevant. Impact reporting and related methodology should be transparently communicated with the market participants, clearly identifying the degree of attribution applied to the underlying Green Project.

Issuers may consider specific methodologies of avoided emissions or emissions reductions and clearly outline the methodology utilised, the applicable baseline and/or baseline scenario where relevant, and how attribution is managed. Issuers can refer to guidance on avoiding double counting, available in the Guidance Handbook of the Principles.

It is recognised that there is no commonly accepted methodology to attribute the environmental benefit of an activity throughout its whole value chain and can most often only be approximated (vs cost, vs value add breakdown, etc.) and provided on a best effort basis. Some issuers may choose not to proceed to such allocation. In any case, issuers should outline a transparent methodology for reporting impact and adopt a cautious approach when assessing total impact.

Q7 How should potential impacts be discussed or reported if the ultimate end user is not explicitly known?

Where robust and quantifiable external assumptions have been used to illustrate the likely or potential uptake in enabled Green Projects, (in accordance with the Green Enabling Projects Guidance document), these same assumptions could be used as a basis for guiding market participants on the potential impact that such a use case might enable. Issuers should be careful to outline the context and justification for this indication (for example the contribution the Green Enabling Project provides to the enabled project) and where appropriate, any assumptions, technical criteria or comparisons that have been used in supporting calculations (for example, to the next best alternative). It is recommended that the source be disclosed and methodology of estimating such impacts be assessed by an external reviewer and aligned to the best standards and market practices where appropriate or feasible.

Issuers must be careful not to be misleading as to the potential or expected benefits that their Green Enabling Projects may facilitate and should base any indications on widely accepted methodologies or technical standards, where available. For example, they may use data vendor or credible market data/research to establish an appropriate estimates and/or proxies. Where there is no single commonly used standard, issuers may follow their own methodologies while making these available to investors. Since it is acceptable to report on either ex-ante, expected, or actual impact, issuers might consider deferring any impact reporting until they have clarity on actual usage through engagement with their customers.

Issuers may develop their reporting to use both qualitative descriptions as well as quantitative indicators. Issuers should also refer to ICMA's Harmonised Framework for Impact Reporting.

Application

Q8 What overarching type of projects in specific sectors could typically be assessed as Green Enabling Projects?

Green Enabling Projects applies primarily to the following sectors. This list is indicative, non-exhaustive, and in no specific order:

i. Mining and metals (mapped for example to either the clean transportation Green Project category when used in electric vehicles or the Energy Efficiency category when used for Battery Energy Storage Systems. Note - that is possible to map to both categories if appropriate)

ii. Building and construction supplies and equipment (mapped for example to the pollution prevention and control Green Project category when used to limit air emissions)

iii. ICT and telecommunication networks (mapped for example to the Energy Efficiency Green Project category when used for smart mobility digital solutions and systems)

iv. Manufacturing of industrial parts and components (mapped for example to the Renewable Energy Green Project category when used for the manufacture of grid power cables)

v. Chemicals and specialty chemicals (mapped for example to the Green Buildings Green Project category when used for the manufacturing of building insulation materials)

For illustration purposes, the Example Checklist also provides counterexamples of projects not typically considered Green Enabling.

Q9 How do "enabling activities" outlined in the Green Enabling Project Guidance document relate to existing taxonomies and official market standards, such as the EU taxonomy's category of enabling activities?

The Guidance was formulated by the Executive Committee of the Principles based on the recommendations of a dedicated taskforce to guide market practice based on existing definitions, promote issuer transparency and protect market integrity. It takes into account official and market guidance on enabling activities that may be used in different regions and jurisdictions, including, but not limited to, Article 16 of the EU taxonomy, the IDFC Common Principles for Climate Mitigation Finance Tracking (version 4, December 2023), and the GFANZ Review Note on Scaling Transition Finance and Real-economy Decarbonization (December 2023).

While informed by market standards and best practices, the eligibility of Green Enabling Projects defined in the guidance is based on a number of specific criteria outlined in the Guidance document.

Section I:

- Necessary for an enabled Green Project's value chain
- No carbon lock-in
- Clear/quantifiable and attributable environmental benefits
- Mitigated adverse social or environmental impacts

Section II:

- Transparency on end use (II).
- Both attributes (I and II) are necessary to qualify a Green Enabling Project

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