



ESG Bond issuer Interview with Å Energi

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ENERGI



THIS IS Å ENERGI

- Å Energi is Norway's biggest energy utility, with operations throughout the value chain, from generation through to end users.
- The cornerstone of the business is hydroelectric power, with around 11.3 TWh generated each year at 72 wholly owned and part-owned power stations.
- Å Energi is Norway's second biggest grid operator, with a 30,000-kilometre electricity network that supplies power to approximately 320,000 customers in Buskerud and Agder.
- The company will manage and trade over 30 TWh of electricity in the Nordic region, be Norway's leading supplier to the business market and have over 240,000 domestic electricity customers.



Å Energi can be considered as a “pure green” player. How does a renewables company define its ESG ambitions?

As a pure green player in the field of renewable energy, the attention for ESG reporting and performance was low for our industry until recent years. The entities were automatically considered to be green and did not have to prove any performance. However, along with increased attention from the financial sector, we had to step up our work on proving that we do things right by setting goals and improving our reporting standards. Especially the focus on climate risk and financial implications have made all aspects of ESG interesting to a broader audience, and it is now a natural part of the agenda of any corporate board of directors.

As the Intergovernmental Panel on Climate Change states, building new renewable energy capacity is one of the major contributions to the green transition and to keeping the cost of energy affordable. So, our ESG ambition is to take part in the energy transition and build as much as we can, while keeping our footprint on society and nature as small as possible.

Our company is in the process of aligning with the coming CSRD directive by performing a double materiality assessment. We expect the outcome will be that we also must focus more on nature-related risk and establishing good indicators and goals for nature, as we did with climate goals and climate risk reporting some years ago.

When it comes to social aspects, the Norwegian Transparency Act helps us to focus on the social aspect in our supply chain. This is crucial, especially for building out solar capacity, but also for components for other technologies when building new production capacity and grid.





How do you see the evolution of the energy sector in Norway? How can Å Energi contribute to the green transition?

The energy sector in Norway has a very high degree of hydroelectric power production, based on our nature-given rich river systems with high reservoir capacity in the mountains. The energy market is well integrated with our Nordic neighbouring countries, but also to an increasing degree with the Northern European energy market.

Factors affecting the energy markets are pretty much general, and country-specific to a lesser degree. The demand for increased renewable energy at affordable prices is putting pressure on politicians and markets players to accommodate for the green transition. We foresee new domestic capacity being built in onshore and offshore wind and solar, investments increasing efficiency in existing hydropower and also new hydropower production going forward.

Å Energi is well positioned and has big ambitions to take part in this development to increase new renewable production capacity. In June, Å Energi completed the Fennefoss hydropower production facility, increasing annual production capacity by 59 GWh.

Can Å Energi help to overcome the barriers facing the deployment of hydrogen solutions?

Å Energi may explore limited investments in the hydrogen space in a small scale on a trial basis, preferably in combination with other alternative energy sources. We do not foresee extensive investments within this area in Norway in the short term.

How do you explain the uptake of the bond market in Nordic countries? What are the benefits of accessing capital markets?

The Nordic bond market is a consistently well-functioning capital source, serving capital-intensive industries in banking, finance, real estate, utilities and municipals with efficient funding. The domestic bond market has grown in size and importance over the years, diversifying especially into the high yield space in recent years.

As a frequent bond issuer, Å Energi has benefited from this market for several decades, and it is the main capital source for the Group, as well as for the utility sector. Å Energi's credit rating was recently raised to A-/positive outlook, reinforcing the Group's financial standing in the capital market and opening access to new investors, thus increasing the total investor base. Å Energi's policy is to have all outstanding bonds listed on Euronext/Oslo Børs as a means of maintaining high interest among investors and liquidity for the tradable securities. The bond issuance process is quite efficient for raising considerable amounts of capital.



What is your experience as a green bond issuer? How have you seen this market evolve since your first sustainable issuance in 2017?

Å Energi has issued six long-term green bonds, raising a total of NOK 3.1 billion to fund new investments, and maintenance and upgrading of existing facilities within the renewable hydropower production and distribution network. The funds have been allocated to projects fulfilling the Group's Green Financing Framework for hydropower and grid investment activities. Further, another NOK 1.7 billion of loans from Nordic Investment Bank (NIB) have been allocated within the same two investment categories, and these projects also qualify for NIB's Green Framework to issue green bonds in its own name.

Å Energi recently renewed the Group's Green Financing Framework following the 2022 merger. The Green Framework has expanded the scope for eligible projects to also cover investments in solar and offshore wind power, as well as incorporating the whole network asset base of NOK 9 billion. Thus, the Framework offers a broad range of possibilities for the Group to reach bond investors and lenders, in order to meet an increasing demand for green financing going forward.

The Group recently issued two green bonds, which were oversubscribed 2.5 times, highlighting a very high degree of interest for Å Energi green bonds. This demonstrates to its full extent the development of the green financing market Å Energi has seen over the past several years since the Group first entered this market in 2017.



Shaping capital markets for future generations

