



Bpifrance

Green Bond Second Opinion

April 19, 2021

Bpifrance is the French national promotional bank, innovation agency, sovereign fund and export credit agency owned by the French State and Caisse des Dépôt with 49% each. It has 50 regional offices with 1,247 employees working at Bpifrance network, out of 2,262 employees in total, as of 31 December 2019. Its general mission is to promote the financing and development of companies operating in France, in particular SMEs. According to Bpifrance, they did not have – as of end of 2019 – any funding commitment to fossil fuel extraction or production. In September 2020, Bpifrance and La Banque des Territoires launched a €40 billion climate plan for ecological transition. Bpifrance will finance €19.83 of this and will focus on SMEs and innovative start-ups of the greentech sector.

The net proceeds of Bpifrance's green bonds under the green bond framework will be used to finance and/or refinance medium and long-term loans in the category renewable energy, covering solar and wind projects in France. Plans for decommissioning and the restoration of land after end of projects are part of the project plans.

Bpifrance has a sound management and governance structure in place, as well as regular and transparent reporting about green bond project achievements. Climate risk considerations are taken into account by the applicable national regulations. Bpifrance has, however, no overall emission targets for its business operations, nor is the issuer reporting on greenhouse gas emissions (scope 1, 2, 3). They do report on effectiveness of their investment (CO₂e removed per € invested). We note that Bpifrance does not yet align with the TCFD recommendations, but according to the issuer, Caisse des Dépôt is on its way to align with these recommendations.

Bpifrance seems to comply with the relevant technical mitigation criteria in the proposed EU taxonomy. Wind power and solar PV are assumed to generate electricity with CO₂-emissions far lower than the given technical thresholds. It is our interpretation that Bpifrance is likely to be aligned with the most relevant DNSH-criteria. Stand-alone wind and solar projects may, however, involve 'dirty' industries as customers and construction of access roads and other infrastructure that must be carefully constructed to conform to the DNSH criteria.

Based on the overall assessment of the eligible green assets under this framework and governance and transparency considerations, Bpifrance's green finance framework receives a **CICERO Dark Green** shading and a governance score of **Good**. We encourage Bpifrance to screen for the danger of locking in 'high-carbon' customers and to secure environmental integrity also for small solar installations not requiring public administrative procedures.

SHADES OF GREEN

Based on our review, we rate the Bpifrance's green bond framework **CICERO Dark Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in Bpifrance's framework to be **Good**.



GREEN BOND PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.





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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated March 2021. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'shades of green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



2 Brief description of Bpifrance's green bond framework and related policies

Bpifrance is the French national promotional bank, innovation agency, sovereign fund and export credit agency and is a public group created by law on 12th July 2013. Bpifrance has 50 regional offices with 1,247 employees working at Bpifrance network, out of 2,262 employees in total, as of 31 December 2019. Its general mission is to promote the financing and development of companies operating in France, in particular SMEs. As of 30 June 2020, loans outstanding are €44bn. In 2019, the customers by enterprise size were 45% SME, 22% Mid Caps, 28% Micro Business, and 5% Large Cap. Bpifrance aims to finance and develop companies in accordance with the public policies conducted by both the state and regional authorities. Bpifrance did not have - as of end of 2019 - any funding commitment to fossil fuels (extraction or production)¹.

Twelve per cent of Bpifrance's balance sheet is currently dedicated to green thematic loans. There are no restrictions on industry sectors for these loans; the loan purpose (Renewable Energies & Ecological Transition) is the only selection factor. However, note that a much larger part of Bpifrance's balance sheet is focused on other green financing, for example, financing of low carbon buildings. As these at present are not tracked as "green financing" they are impossible to separate from those loans that are not green.

Bpifrance has a protected legal status and is tightly controlled by public authorities with 49% of its equity owned by the French State and 49% by the Caisse des Dépôts². As a public owned company its statutes are defined by law and climate mitigation policies is one of the main goals assigned to Bpifrance by the state. As such Bpifrance is committed to support the ecological and energy transition towards the decarbonisation of the French economy. Bpifrance's activities include: Innovation grants (AI, ISI, FIS, PSpC, FSN, CMI, FNI, PIAVE) / Co-financing of the investment / Guarantee / Mobilization of receivables / leasing, real estate, equipment or financial leasing / financing the working capital requirement, in the form of Loans Without Guarantee (Growth, Industry, Export, Tourism, Transmission, Innovation, TPE), long and patient, without guarantee or security taken on the company or its managers.

Environmental Strategies and Policies

Bpifrance supports the Paris Agreement and the Montreal Protocol as well as the Financial Institutions' Declaration of Intent on Energy Efficiency³. In addition, Bpifrance signed the French Public Investor Charter for Climate⁴ in December 2017 with the Caisse des Dépôts, the Agence Française de Développement, the Fonds de Réserve pour les Retraites and the ERAFP. Bpifrance is also committed to support and promote the ACT initiative (Assessing low Carbon Transition) from ADEME⁵, the French agency in charge of environmental transition and

¹ Bpifrance Assurance Export is the unique Bpifrance entity engaged in, as a guarantor on behalf of the French State, the Trans Adriatic Pipeline (a natural gas pipeline). The project has been classified as Category A in accordance with the OECD Common Approaches. Thus, the project presents major environmental and social challenges. From an accounting point of view, TAP is not an Bpifrance exposure and is consolidated on the French State's balance sheet.

² Caisse des Dépôts is a state-owned financial institution that performs public-interest missions on behalf of France's central, regional and local governments. Today, Caisse des Dépôts is the leading administrator of French savings deposits and retirement savings funds and of private funds that are protected under French law.

³ <https://www.unepfi.org/fileadmin/documents/DeclarationIntentEnergyEfficiencyFinance.pdf>

⁴ <http://www.fondsdereserve.fr/documents/charte-des-investisseurs-publics-francais-en-faveur-du-climat.pdf>

⁵ <https://www.ademe.fr/en/about-ademe>



energy management, and the Carbon Disclosure Project. However, Bpifrance does not report on own greenhouse gas emissions.

Estimates of the climate footprint of Bpifrance's activities shows that in 2019, 0.163 tonnes of CO₂e were reduced or avoided per thousand Euros invested⁶. In 2018 the similar number was 0.119 tonnes CO₂e per thousand Euros.

In light of the increasing need for transition to a greener economy, Bpifrance and La Banque des Territoires in September 2020 launched a €40 billion plan for ecological transition. Bpifrance will finance €19.83 of this⁷ and will focus on SMEs and innovative start-ups of the greentech sector. La Banque des Territoires will target energy renovation projects of social housing and thermal renovation of public buildings. All sectors, also transition industries, will be targeted.

Bpifrance's 2020 Climate Plan is divided into three main pillars for the 2020-2024 period:

- Pillar 1: Accelerating business transition towards sustainability through dedicated financing and by providing support to the entrepreneurs through a €3 600 million package to finance all aspects of business transformation, and a set of measures aiming at accompanying companies in their green transition by helping entrepreneurs to find the keys of a successful business transformation.
- Pillar 2: Doubling the funding dedicated to renewable energies and contributing to the growth of international champions.
- Pillar 3: Providing financial support for innovation to greentechs in order to find technological solutions for the environmental and energy transition.

Renewable energy financing is one of the main pillars of the 2020 Bpifrance's Climate Plan. Renewable energy financed by Bpifrance may represent up to 25% of the global French renewable energy production projects by the end of the Climate Plan period⁸.

Use of proceeds

Bpifrance's green bond framework has been prepared in accordance with the ICMA Green Bond Principles 2018⁹ and in anticipation of future regulatory developments, the green bond framework has been designed to comply with the Draft European Union Green Bond Standards (the "Draft EU GBS")¹⁰. When applicable and on a best effort basis, the eligibility criteria of green categories may comply with the recommendations of the Technical Expert Group's (TEG) final report on the EU Taxonomy (the "EU Taxonomy") published in March 2020¹¹.

The net proceeds of Bpifrance's green bonds will be used to finance and/or refinance, in whole or in part, new or existing medium and long-term loans in the category Renewable energy covering solar and wind projects in France (hereafter the "eligible green loans"), see table 1. The issuer informs us that the look-back period for refinancing is maximum 3 years with a best effort on a 2-year period. On the Bpifrance side, a minimum of 50,000€ per project

⁶ Footprint calculated based on data published by 24 companies invested in by Bpifrance, representing a gross amount invested of € 9,615m, or 94% of the listed portfolio.

⁷ 24% of Bpifrance Balance Sheet will be dedicated to its Climate Plan by 2024.

⁸ Nicolas Dufourcq, Bpifrance CEO, on BFM TV on the 10 September 2020.

⁹ GBP 2018: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

¹⁰ Draft EU GBS: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.pdf

¹¹ Technical Expert Group (TEG) final report on the EU Taxonomy – March 2020:

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf



is required for each loan. The split between financed and refinanced loans will be indicated annually in the report for each issuance. Currently, the split between wind and solar projects is approximately 50/50. This may, however, change going forward. All types of costs may be covered (e.g., land acquisition, materials, construction, etc.).

The following sectors may not be financed and/or refinanced by the issuance of Bpifrance's green bonds:

- Mining and quarrying¹²
- Distilling, rectifying and blending of spirits¹³
- Manufacture of tobacco products¹⁴
- Manufacture of coke and refined petroleum products¹⁵
- Processing of nuclear fuel¹⁶
- Manufacture of weapons and ammunition¹⁷
- Manufacture of military fighting vehicles¹⁸
- Gambling and betting activities¹⁹
- Defence activities²⁰

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

The evaluation and selection of eligible loans are conducted with a focus on improving energy efficiency and promoting developments in renewable energy (solar and wind). Bpifrance's policies and procedures aim to ensure, to the extent feasible, that these activities do not significantly harm any environmental objectives as defined in the EU Taxonomy's environmental objectives. See Appendix 2 for more details.

All wind and solar power projects, with the exception of solar power projects smaller than 250 kW, will have to undergo administrative procedures including impact analysis of the project (including environmental impacts), public inquiries allowing for broad stakeholder engagement, and environmental authorization based on information gathered during the procedures. Plans for decommissioning and restorations are included in this procedure and controversial projects duly noted.

We assume that life cycle analysis, supply chain risks and emissions, and emissions associated with the construction of wind and larger solar projects (including related infrastructure) are completely covered by the official regulatory process.

All eligible green loans will be submitted to Bpifrance's regular underwriting process²¹. All financings are granted following a strict approval process through its support decision tool ("Outil d'Aide à la Décision") which

¹² NACE B.05.10; B.05.20; B.06.10; B.06.20; B.07.10; B.07.21; B.07.29; B.08.11; B.08.12; B.08.91; B.08.92; B.08.93; B.08.99; B.09.10; B.09.90

¹³ NACE C.11.01

¹⁴ NACE C.12.00

¹⁵ NACE C.19.10; C.19.20

¹⁶ NACE C.24.46

¹⁷ NACE C.25.40

¹⁸ NACE C.30.40

¹⁹ NACE R.92.00

²⁰ NACE O.84.22

²¹ As a credit establishment approved by the Autorité de Contrôle Prudentiel et de Résolution (ACPR), Bpifrance is subject to the provisions of the French Code Monétaire et Financier and the decree of 3rd November 2014, relating to the internal control of banking sector companies, of the Consultative Committee on Legislation and Financial Regulation regarding internal control.



centralizes in a single tool the studies of all the financing projects submitted to Bpifrance, determines the risk profile of the credit files based on the project and the counterparty, and provides an audit trail of the decision-making process.

In particular, a pre-investment ESG assessment is carried out covering 14 questions organized into 4 themes covering governance, human capital, stakeholders and environmental policy and management. The analysis is integrated into the note presented to the investment committee for decision, and may lead to a refusal if the ESG risks are sufficiently significant, or, on the basis of a shared diagnosis, to trigger a process of progress, by determining improvement actions in consultation with the entrepreneur.

As part of Bpifrance's due diligence process, they systematically ask for a technical audit. The audit has to be verified by an independent expert and the scope has to include an assessment of the adequacy of the project expected lifetime and the lifetime of the equipment together with an analysis of the project's potential risks. In case of inadequacy between some components' expected lifetime and the project duration, a reserve account is put in place in order to guarantee the financing of future replacements.

Decision-making powers within Bpifrance are organized in such a way that the riskiest and/or high-volume cases are submitted through the headquarters' decision process (i.e., reviewed by the risk division and for the most sensitive credit files, reviewed by Bpifrance's Credit Committees).

In addition, Bpifrance has set-up a Green Bond Committee which is composed of members of the Finance Department, Accounting Department and CSR Department²². This committee will meet at least once a year, and is responsible for:

- Verifying the traceability of the eligible green loans and their compliance with the eligibility criteria as described in table 1 in Section 3 of this document.
- Monitoring the satisfactory allocation of the net proceeds raised through Bpifrance's green bond issuance to the eligible green loans' category, as described in the "Use of Proceeds" section of this framework.

Each committee review will end up in a collegial consensus decision based on in-house assessments of the projects.

Management of proceeds

CICERO Green finds the management of proceeds of Bpifrance to be in accordance with the Green Bond Principles.

Bpifrance's treasury team will be responsible for the management of the net proceeds of the green bonds, to ensure that an amount equal to such proceeds are effectively invested in the financing and/or re-financing of the eligible green loan categories.

The net proceeds of the green bonds will be deposited in Bpifrance's general account and an amount equal to the net proceeds will be earmarked for the allocation of eligible green loans, in accordance with the principles outlined in Bpifrance's green bond framework.

Unallocated proceeds are managed by Bpifrance's treasury team in compliance with the procedures and internal policies regarding liquidity management, to ensure that the funds are invested in liquid, short-term and certain

²² The CSR department is in charge of environmental strategy of Bpifrance.



investments with a view to their future allocation. Thus, unallocated proceeds will remain in cash or will be invested in Euro sovereign instruments.

Green bonds can be increased and further green bonds can be issued, as long as the net proceeds of the relevant issuances are used for financing and/or refinancing of eligible green loans. The total outstanding amount of Bpifrance's green bonds will not be higher than the total outstanding amount of eligible green loans in the portfolio. Bpifrance may consider a security buffer: In order to issue a new green bond under the framework, Bpifrance will ensure that the global amount of green bonds issued under the framework, including the amount of the green bonds to be issued, will not be higher than 80% of the global amount of the eligible green loans portfolio. Partial or whole buybacks of green bonds are possible to support Bpifrance's funding programme financed from Bpifrance's general liquidity.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

As long as any green bond is outstanding, Bpifrance commits to provide an annual allocation and impact report until the full allocation of the proceeds. The Financial Department of Bpifrance will be responsible for the reporting. The report will be published on Bpifrance's website at the occasion of the Annual Report's release. In the case a further bond issuance is made under the same framework, the allocation report will contain aggregate data on a portfolio basis and individual data for categorized projects. Some examples of projects will also be disclosed. The allocated amounts and green bond share of financing per project be reported.

The allocation report will include, but not limited to, the following information:

- Financial information on Bpifrance's green bonds (ISIN, currency, amount, etc).
- An overview of the portfolio of eligible green loans, including average remaining term.
- A breakdown of the portfolio of eligible green loans at origination and its current balance: By type of eligible green loan, by sector of activity/industry classification and by maturity.
- The portion of new financing vs refinancing (if applicable).
- The balance of any unallocated proceeds (if any) and the type of temporary investments.

Bpifrance will publish an impact report at a project level (when feasible) aiming to provide transparent information on the environmental impacts of the allocated proceeds. Bpifrance will report, when feasible, relevant impact metrics which may include the following indicators: Renewable energy capacity installed (MW) and annual energy production (MWh) together with estimated annual greenhouse gas emissions avoided or reduced (tCO₂e). The emission calculations will be based on, among other factors, national grid factors, utilisation rates, etc.²³ The methodology will be available on demands from investors.

At the occasion of the audit of the annual accounts, Bpifrance will provide annually the assurance of an external third-party certifying a satisfactory allocation of the use of proceeds and the compliance of the allocation reporting with the eligibility criteria. The impact report will not be reviewed by an external actor.

²³ EIB Project Carbon Footprint Methodologies. Methodologies for the Assessment of Project GHG Emissions and Emission Variations. Version 11.1 July 2020,
https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf



3 Assessment of Bpifrance's green bond framework and policies

The framework and procedures for Bpifrance's green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Bpifrance should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Bpifrance's green bond framework, we rate the framework **CICERO Dark Green**.

Eligible projects under the Bpifrance's green bond framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".


Category	Eligible project types	Green Shading and some concerns
Renewable energy 	Loans for construction and operation of electricity generation facilities dedicated to wind and solar power projects operating at life cycle emissions lower than 100 gCO ₂ e/kWh, declining to 0 gCO ₂ e/kWh by 2050.	Dark Green <ul style="list-style-type: none">✓ While renewable energy is generally low-carbon, local environmental impacts such as on biodiversity and landscape as well as lifecycle emissions from construction and operation can be of concern, as can new access roads and their unintended environmental impacts.✓ Plans for decommissioning and the restoration of land after end of projects is part of the selection process according to French norms. The same is the case for assessment of the climate resilience of installations.✓ Off-grid projects are marginal in the scope of financed projects. Off-grid wind & solar projects are financed only for corporation's self-consumption without concern for the nature of the consumer. This could potentially support high-carbon activities such as livestock mass production.

Table 1. Eligible project categories



Background

In order to face climate change, France will have to engage in a rapid and unprecedented change of its global energy mix by reducing drastically its energy consumption, while increasing the electrification of fossil-fuel dependent sectors within a decarbonised electric grid. In 2019, global renewable electricity generation grew 7% and reached a quarter of global power output, due to the continued growth of solar PV and wind technologies accounting for 65% of this increase. Despite these positive trends (especially with PV), additional efforts are needed in renewable power generation to meet the targets set out in the IEA's Sustainable development scenario. According to the IEA, the share of renewables in global electricity generation must reach 47% by 2030, up from 25% in 2017²⁴.

France has a low-carbon electricity mix owing to its large nuclear fleet, yet many reactors are reaching the end of their lifetime. The country has started an ambitious energy transition under the Energy and Climate Change Law 2019 by designing a national low-carbon strategy, carbon budgets, a carbon price trajectory and a planning framework for energy investment. Recently, France is examining scenarios of very high shares of variable renewables to understand the implications for electricity security and systems operation, including in the regional context. The aim is to achieving carbon neutrality by 2050. France's 2030 target for greenhouse gas (GHG) emissions not covered by the EU Emissions Trading System (non-ETS), is a reduction of 36% compared to 2005²⁵.

According to IEA²⁶, renewable electricity generation in France rose from 17% in 2015 to 21% in 2019. Nuclear power is dominating electricity production with a share of 70% representing 380 TWh of electricity. France plans to reduce the share of nuclear to 50% in the electricity mix by 2035. Fossil fuels only represent 9% of the electricity production mix and France's climate target is to reduce consumption of fossil fuels by 40% by 2030. Hydro power is dominating among the renewable energy sources with a share of 11% in 2019, with wind (6%) and solar PV (2%) coming next. Wind saw the highest growth over the period 2015-2019 with 62%, followed by solar at 49%.

Wind turbines and solar photovoltaic cells can be energy-intensive to produce, so in addition to assessing the metrics for increasing renewable generation capacity and avoided greenhouse gas emissions, CICERO Green places importance on life-cycle assessments and supply chain in the provision of renewable energy.

EU Taxonomy assessment

In March 2020, a technical expert group (TEG) proposed an EU Taxonomy for sustainable finance that specified mitigation thresholds and "do no significant harm" (DNSH) criteria for eligible activities. The DNSH-criteria are to make sure that progress against some objectives is not made at the expense of others and recognizes the relationships between different environmental objectives in the proposed taxonomy²⁷. In November 2020, EU published its draft delegated act to outline its proposed technical screening criteria for climate adaptation and mitigation objectives, respectively, which it was tasked to develop after it entered into law in July²⁸. Both the technical screening criteria and the DNSH-criteria in the latest draft deviate on occasion from those put forward by TEG.

We have assessed eligible projects in Bpifrance's green bond framework against the mitigation thresholds and the DNSH criteria in the draft delegated acts published in November 2020²⁹. CICERO Green has not assessed the

²⁴ <https://www.iea.org/topics/tracking-clean-energy-progress>

²⁵ https://ec.europa.eu/energy/sites/ener/files/documents/necp_factsheet_fr_final.pdf

²⁶ IEA Electricity Information 2020: <https://www.iea.org/subscribe-to-data-services/electricity-statistics>

²⁷ Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020.

https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

²⁸ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

²⁹ EU Taxonomy: Annex to the Commission Delegated Regulation, supplementing Regulation (EU) 2020/852, November 2020. https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-da-2020-annex-1_en.pdf



minimum safeguards (social aspects) of the EU taxonomy. Relevant EU-Taxonomy activities are electricity generation from wind power and solar photovoltaic technology. Comments on alignment is given under the Strengths and Pitfalls sections below, and detailed thresholds, NACE-codes and likely alignment with DNSH criteria are given in Appendix 2.

Overall, we find that Bpifrance's projects will likely align with the proposed EU Taxonomy. However, they are only planning to incorporate these thresholds and criteria on a "best-efforts basis" and the existing requirement is simply that eligible projects "make a positive contribution to the objective of climate change mitigation." It will be important that Bpifrance, in addition to incorporating the technical thresholds from the EU taxonomy, also ensures that all "Do No Significant Harm" (DNSH) recommendations from the EU Taxonomy for both wind and solar PV are followed.

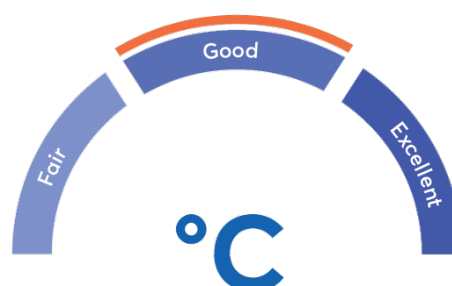
Governance Assessment

Four aspects are studied when assessing the Bpifrance's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Bpifrance has demonstrated clear intent towards promoting sustainability and aligning with climate goals but is only at the beginning stages of measuring and reporting on climate goals and climate risk. Strategies and targets are formulated as financial targets without quantifying e.g., energy saving or greenhouse gas emission reductions either for the company (scope 1 and 2) or the financed projects (scope 3), although greenhouse gas reductions per invested euro in part of the portfolio is estimated and followed. Bpifrance has no quantitative targets beyond 2024, but the company informs us that the Climate plan is part of a series of increasingly ambitious quantitative commitments to be reviewed annually.

Climate risk considerations are taken into account by the applicable public regulations. We note that Bpifrance does not yet align with the TCFD recommendations, but according to the issuer Caisse des Dépôt is on its way to align with these recommendations. The framework is well-aligned with the Green Bond Principles and demonstrates a sound management of proceeds and selection process. French law require environmental impact assessments of projects and sound stakeholder involvement is also part of the required process. Plans for traffic management and decommissioning and the restoration of land after end of projects is also part of the project plans. The selection criteria in the framework are clear and Bpifrance has committed to incorporating recommendations from the EU Taxonomy although only on a best effort basis. Additionally, selection decisions are consensus-based. Reporting on allocation and impact is done on a portfolio basis, along relevant and key metrics. However, there are no third-party review or verification of the impact reporting.

The overall assessment of Bpifrance's governance structure and processes gives it a rating of **Good**. The governance would benefit from more rigorous energy- and environmental targets.



Strengths

The eligible project category in Bpifrance's green bond framework is clearly defined. This promotes transparency and consistency in the project selection process. Additionally, the metrics reported are along key metrics identified



by the ICMA Harmonized Framework for Impact Reporting, which provides a clear methodology for reporting and helps in collecting consistent data.

Based on information presented by the issuer, projects to be financed under the framework are very likely to be within the proposed EU taxonomy mitigation thresholds listed for wind power and solar photovoltaic. Production of electricity from wind power and solar PV are considered to contribute substantially to climate change mitigation without any further threshold screening in the EU taxonomy. The DNSH-criteria are to a large degree secured by following French laws and regulations, see Appendix 2. In particular we note as a strength that as part of Bpifrance's due diligence process, they systematically ask for a technical audit. The audit has to be verified by an independent expert and the scope has to include an assessment of the adequacy of the project expected lifetime and the lifetime of the equipment together with an analysis of the project's potential risks. In case of inadequacy between some components' expected lifetime and the project duration, a reserve account is put in place in order to guarantee the financing of future replacements. When the eligible projects obtain and comply with the licenses issued by the relevant authorities, it is our interpretation that they are likely to be aligned with the requirements in the proposed EU taxonomy DNSH-criteria.

Weaknesses

CICERO Green finds no material weaknesses in Bpifrance's framework.

Pitfalls

While renewable energy projects generally are considered to have positive climate mitigation impacts, there are nevertheless emissions associated with the construction process. CICERO Green encourages Bpifrance to consider life cycle assessments of major projects. Life cycle assessments will provide valuable information on the environmental and climate impacts of the projects and point to suppliers that can lead to a reduction in emissions.

The main negative environmental impacts associated with generation of renewable energy include impacts on biodiversity, interference with migration pathways and changes in habitat from construction and operation, and visual pollution of the local environment. Also, stand-alone wind and solar projects often require construction of new roads with sometimes unintended consequences for the surrounding environment. It may also be potential pitfall that stand-alone power projects may support fossil intensive industries. The environmental impacts will vary widely depending on the solutions chosen and on the location of the activities. For this reason, it will be important to fulfil the DNSH-criteria in the taxonomy. There might also be considerable local resistance to construction of new wind power. We note, however, that all of these concerns are addressed in the procedures described in French laws (i.e., environmental impact assessments and stakeholder involvement).

While CICERO Green understands it may not be practical for Bpifrance to set targets for themselves given the fluctuating conditions and uptake by the intermediaries, Bpifrance may consider setting climate targets for projects financed by the green bonds to provide a more targeted approach towards their financing of renewable projects. Especially as a promotional bank, setting a target for financing climate relevant activities may increase ambition over time.

There is a risk that renewable generation will stall before 2030, if measures to improve grid flexibility and expand the grid are not concurrently prioritized. Bpifrance may consider adding further technologies such as smart metering to the framework in the future to ensure an even more balanced approach.



Appendix 1:

Referenced Documents List

Document Number	Document Name	Description
1	Bpifrance_Green Bond Framework_A4 WEB_EC_0221	Bpifrance green bond framework dated March 2021.
2	2020_09_09_-_DP_Bpifrance_-_Banque_des_Territoires_-_Plan_Climat_40_Md-pdf	The Climate Plan 2020 of Bpifrance and Banque des Territoires, ppt format
3	2020_09_09__CP_Bpifrance_et_la_Banque_des_Territoires_-_Plan_Climat_40_Md-pdf	Press release when the Climate plan was presented
4	RAPPORT ANNUEL 2019 de BPIFRANCE SA vdef	Bpifrance Annual report 2019
5	DeclarationIntentEnergyEfficiencyFinance	Statement by financial institutions on energy efficiency
6	charte-des-investisseurs-publics-francais-en-faveur-du-climat	Charter of French public investors in favour of the climate
7	About ADEME – ADEME	Web page about Ademe
8	IEA France 2019	IAEA Country Nuclear Power Profiles 2019 Edition for France
9	Formation Energie Environnement	Training material for project funding related to the Renewable Energy Sector - Environment
10	Investor relations	Website with reference to diverse investor related documents, https://www.bpifrance.fr/Espace-Investisseurs
11	Investor Presentation_october 2020	Investor Presentation October 2020
12	Comptes Consolidés Semestriel 30 June 2020 - 22 Sept 2020	Bi-annual financial report June 30, 2020
13	Copie de Renewable Energy Impact Reporting Calculation	Excel sheet explaining the method used for calculating CO ₂ e emissions based on i.a. EIB Project Carbon Footprint Methodologies. Version 11.1 July 2020, https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf



Appendix 2: EU Taxonomy criteria and alignment

Complete details of the proposed EU taxonomy criteria are given in https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-da-2020-annex-1_en.pdf.

Electricity generation from wind power

Framework activity	Renewable energy projects		
Taxonomy activity	Electricity generation from wind power (NACE code D.35.1.1 and F 42.22)		
	EU Technical mitigation criteria	Comments on alignment	Alignment
Mitigation criteria	Substantial contribution to climate change mitigation.	<ul style="list-style-type: none"> Wind power is assumed to contribute substantially to climate change mitigation. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	<ul style="list-style-type: none"> Physical climate risks material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment. The assessment is proportionate to the scale of the activity and its expected lifespan. 	<ul style="list-style-type: none"> All considered activities are subject to approval by the French administration (wind project farms and ground-based solar farms are classified as Installation Classée pour la Protection de l'Environnement (ICPE) and roof-based solar farms are approved through building approvals process). As such, the project resilience to foreseeable natural risks must be demonstrated for the project to be approved by the French administration. As part of its due diligence process, Bpifrance systematically ask for a technical audit. The audit has to be verified by an independent expert and the scope has to include an assessment of the adequacy of the project expected lifetime and the lifetime of the equipment together with an analysis of the project's potential risks. In case of inadequacy between some components' expected lifetime and the project duration, a reserve account is put in place in order to guarantee the financing of future replacements. 	Likely aligned.
Sustainable use and protection of water and marine resources (water management)	<ul style="list-style-type: none"> In case of construction of offshore wind, the activity complies with the requirements of Directive 2008/56/EC of the European Parliament and of the Council in relation to its Descriptor 11 (Noise/Energy), laid down in Annex I to 	<ul style="list-style-type: none"> All considered activities are in France and therefore fully compliant to the European legislation. 	Likely aligned.



	that Directive, and Commission Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for that descriptor. ³⁰		
Transition to a circular economy (circular economy)	<ul style="list-style-type: none"> The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. 	<ul style="list-style-type: none"> As part of its due diligence process, Bpifrance systematically ask for a technical audit. The audit has to be verified by an independent expert and the scope has to include an assessment of the adequacy of the project expected lifetime and the lifetime of the equipment together with an analysis of the project's potential risks. In case of inadequacy between some components' expected lifetime and the project duration, a reserve account is put in place in order to guarantee the financing of future replacements. Moreover, the considered activities are submitted for approval by French law: Wind projects: Decree of August 26, 2011 relating to the rehabilitation and constitution of financial guarantees for electricity production facilities using the mechanical energy of the wind. 	Likely aligned.
Protection and restoration of biodiversity and ecosystems (ecosystems)	<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening has been completed in accordance with national provisions. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas additional requirements apply. 	<ul style="list-style-type: none"> All considered activities are in France and therefore fully compliant to the European legislation. As such, all financed projects had to perform an Environmental Impact Assessment. Moreover, all considered activities are subject to approval by the French administration and to strict French norms (wind project farms and ground-based solar farms are classified as Installation Classée pour la Protection de l'Environnement (ICPE) and roof-based solar farms approval are approved through building approvals process). 	Likely aligned.

³⁰ Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive) (OJ L 164, 25.6.2008, p. 19). Commission Decision (EU) 2017/848 of 17 May 2017 laying down criteria and methodological standards on good environmental status of marine waters and specifications and standardized methods for monitoring and assessment, and repealing Decision 2010/477/EU (OJ L 125, 18.5.2017, p. 43).



Electricity generation using solar photovoltaic technology

Framework activity	Renewable energy projects		
Taxonomy activity	Electricity generation using solar photovoltaic technology (NACE Code D 35.1.1 and F 42.22)		
Taxonomy version	EU Technical mitigation criteria	Comments on alignment	Alignment
Mitigation criteria	Substantial contribution to climate change mitigation.	Solar power is assumed to contribute substantially to climate change mitigation.	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please see under Wind power		
Transition to a circular economy (circular economy)	<ul style="list-style-type: none"> The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. 	<ul style="list-style-type: none"> As part of its due diligence process, Bpifrance systematically ask for a technical audit. The audit has to be verified by an independent expert and its scope has to include an assessment of the adequacy of the project expected lifetime with the lifetime of the equipment and an analysis of the project potential risks. In case of inadequacy between some components' expected lifetime and the project duration, a reserve account is put in place in order to guarantee the financing of future replacement. This will secure durability of projects, but not necessarily the recyclability. Moreover, the considered activities are submitted for approval by French law: Solar projects: Order of May 9, 2017 setting the conditions for the purchase of electricity produced by installations located in buildings using photovoltaic solar energy, with an installed peak power of less than or equal to 100 kilowatts as referred to in 3° of article D. 314-15 of the energy code and located in the continental mainland. 	Likely aligned.
Protection and restoration of biodiversity and ecosystems (ecosystems)	Please see under Wind power. However, note that solar PV projects smaller than 100 kW are exempt from the French regulations applicable for larger projects.		



Appendix 3: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).

