



KINGDOM OF BELGIUM – Belgian Debt Agency

# Green OLO and Green budgeting

Green and transparent

# Green OLO - Introduction

## Support the development of sustainable finance.

Through green bond issuance, the Kingdom of Belgium wants to support and be a part of the development of sustainable finance, both at EU level and within Belgium itself.

## Tap into a strong and growing market.

Green bond issuance continues to meet very strong demand. Sovereign green bonds can provide liquidity to this part of the market.

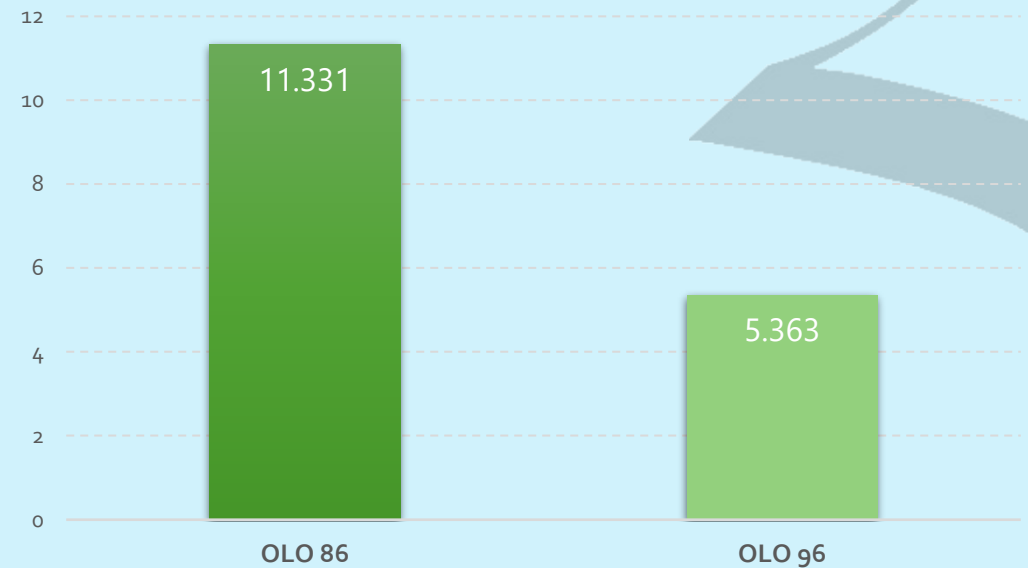
## Diversification.

Access to this growing part of the market allows for a degree of diversification in the Kingdom's financing plans.

- Green bond is part of all funding instruments of government
- No dedicated amount to dedicated expenditure
- Similar to Classical OLO in terms of funding
- Issued amount limited by available expenditures
- Greenium ?

- 2007: EIB as a pioneer Green Bond.
- 2018: OLO 86, Belgium was among the first sovereign green bond issuers. (issued in 2018)
- Second OLO 96 issued in 2022 in new green OLO framework

OLO 86 vs OLO 96 Outstanding (mio)



# Green OLO – references/basis

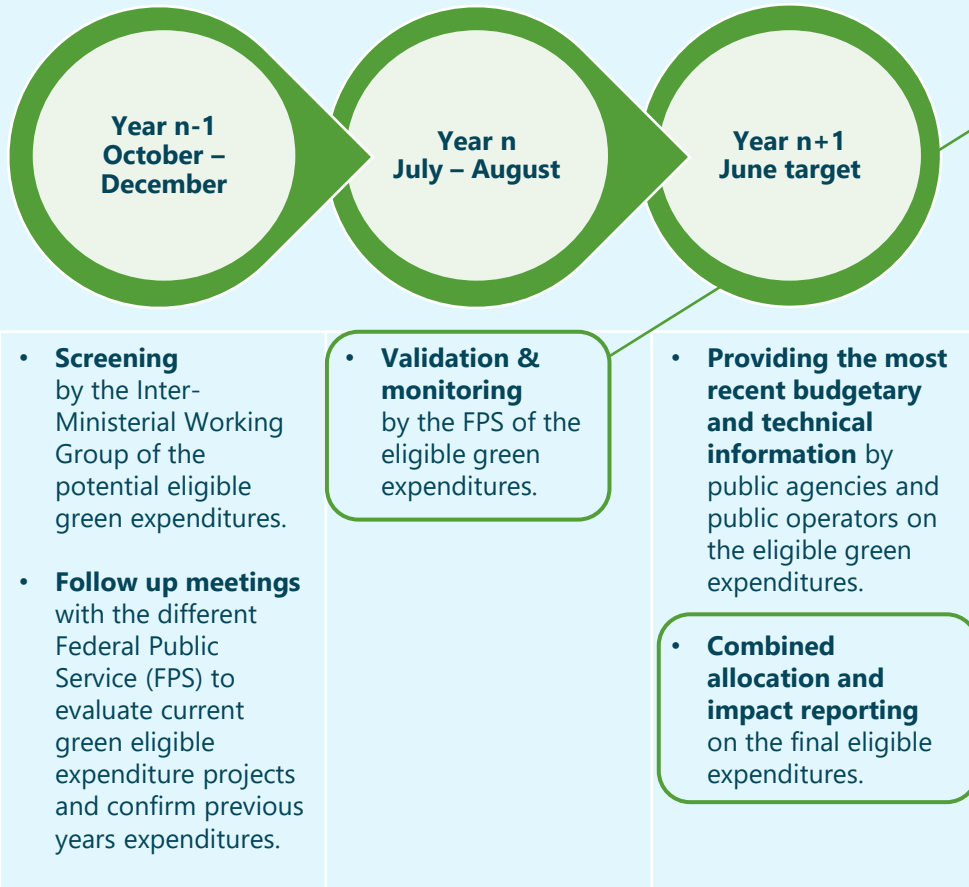
- **ICMA Green Bond Principles** (green categories)
  - Clean Transportation
  - Energy Efficiency (including green buildings)
  - Renewable Energy
  - Circular Economy (Including Waste and Water Management)
  - Living Resources and Land Use
- **EU Taxonomy** (more detailed categories/activities )
- **EU Green Bond Standard.**
- **BE Green OLO Framework**
  - Focus on Clean transportation activities (bulk of the expenditures)
    - **6.1** Passenger interurban rail transport
    - **6.14** Infrastructure for rail transport
    - Fully aligned with the **EU Taxonomy**
  - **Minimum safeguards**
  - **DNSH** (Do no Significant Harm)
  - **Moody's** ESG for SPO role.

Use of proceeds	
<b>Description</b>	Eligibility criteria aligned with the EU taxonomy substantial contribution criteria (Climate Change Mitigation) where possible: <ul style="list-style-type: none"> <li>• Clean Transportation</li> <li>• Energy efficiency</li> <li>• Renewable Energy (hydropower is now excluded).</li> </ul>
	The eligibility criteria of two sub-categories of the Clean Transportation category are aligned to the TSC of the EU Taxonomy. This alignment has been assessed by the SPO.
<b>Timeframe</b>	Eligible expenditures of current year and up to two years prior in order to take into account longer reporting cycles for some of the expenditures.
Process for expenditure evaluation and selection	
<b>Process</b>	<ul style="list-style-type: none"> <li>• More formalized</li> <li>• Greater responsibilities for FPS / Agencies in screening and validating expenditures.</li> </ul>
Reporting	
<b>Annual report</b>	Annual combined allocation and impact report.



# Process for Project Evaluation and Selection and Management of Proceeds

Validation and acceptance process for potential green eligible expenditures at Federal Government level.



## Use of proceeds

- Screening and validation of expenditures alignment with the framework
- Scope: budget expenditures, fiscal expenditures and investments by Agencies

## Reporting

- Belgium has published an annual report on green OLOs to investors, combining an allocation report and an environmental impact report in a single document
- The impact part of the report is prepared with the assistance of an external expert
- The environmental impact report discloses the calculation methodologies and assumptions used for the environmental indicators in the impact reporting

## Opportunities and Challenges – Green budgeting

- Granularity of dotation to SNCB/Infrabel (expenditure level)
- Federal vs Regional (double financing)
- Belgium vs EU financing

# Green OLO – Allocation & Impact report

Expenditures concentrated in Clean Transportation. 92% related to rail transportation/ Greenhouse gas emission avoidance is major impact.

	Expenditures	Green Sector	(Expected) allocations		Expenditures	Allocated amounts 2022 (Mio EUR)	Period covered by the assessment	Assessed impact	Assessment (kt)
			%	%					
			2017-2021	2022					
Federal Budget Expenditures	SUBSIDIES TO THE SNCB (BELGIAN RAILWAY EXPLOITATION)	Clean Transportation	29%	17%	SUBSIDIES TO THE SNCB - CAPEX (M7 PURCHASE)	526	Impact over all the lifetime of M7 trains (45 years)	Avoided GHG emissions	154
	SUBSIDIES TO THE SNCB (INVESTMENT PROGRAMME)	Clean Transportation	16%	24%	SUBSIDIES TO INFRABEL - CAPEX (MAINTENANCE OF RAILWAY INFRASTRUCTURE)	775	Impact over the lifetime of the maintenance investments (40 years)	Avoided GHG emissions	262
	SUBSIDIES TO INFRABEL (OPERATION)	Clean Transportation	0%	14%	TAX EXEMPTIONS AND DEDUCTIONS TO PROMOTE CLEAN TRANSPORTATION - PUBLIC TRANSPORT	267	2022	Avoided GHG emissions	242
	SUBSIDIES TO INFRABEL (INVESTMENT PROGRAMME)	Clean Transportation	33%	32%	TAX EXEMPTIONS AND DEDUCTIONS TO PROMOTE CLEAN TRANSPORTATION - BICYCLE	68	2022	Avoided GHG emissions	42
	FEDERAL SUPPORT FOR OFFSHORE WINDFARMS	Renewable Energy	7%	0%	REDUCED PACKAGE CHARGE FOR USING INDIVIDUAL REUSABLE DRINK PACKAGES	51	2022	Avoided GHG emissions	135
	CONTRIBUTIONS TO DEVELOPMENT COOPERATION	Living Resources and Land Use	2%	3%				Avoided extracted materials (sodas, sand, lime)	201
Fiscal Expenditures	TAX EXEMPTIONS AND DEDUCTIONS TO PROMOTE CLEAN TRANSPORTATION	Clean Transportation	8%	5%	Avoided glass in the environment	7			
	INCREASED TAX DEDUCTIONS FOR GREEN INVESTMENTS	Energy Efficiency	2%	1%	CONTRIBUTIONS TO DEVELOPMENT COOPERATION	196	2022	Qualitative assessment	-
	REDUCED PACKAGE CHARGE FOR USING INDIVIDUAL REUSABLE DRINK PACKAGES	Circular Economy	2%	1%	<b>TOTAL AVOIDED GHG EMISSIONS</b>	<b>1687</b>			<b>835</b>
Government Agencies	GREEN INVESTMENTS BY THE SFPI-FPIM	Living Resources and Land Use Energy Efficiency Circular Economy	1%	1%					
	GREEN INVESTMENTS BY BIO INVEST	Energy Efficiency	1%	1%					

