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Second Party Opinion

Arva AS Green Financing Framework

Aug. 25, 2026

Location: Norway

Sector: Utilities networks

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

See [Alignment Assessment](#) for more detail.

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Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

Strengths

Eligible projects will support Norway's climate targets. As demand for electricity and the pace of electrification increases in the country, there is a need to expand, modernize, and increase the efficiency of power grids.

Weaknesses

No weaknesses to report.

Areas to watch

Arva does not have any climate targets. While the company can point to several solid actions and developments to reduce its emissions, qualitative targets would allow for more comprehensive assessment, benchmarking, and contextualization of its progress.

Shades of Green Projects Assessment Summary

Arva’s green financing framework contains one project category relating to electricity distribution.

Until 2028, the company expects to direct most proceeds to the financing of new projects, while in 2028 and 2029, it expects about 60% new financing.

Based on the project category’s Shade of Green detailed below and consideration of environmental ambitions reflected in Arva’s green financing framework, we assess the framework as Dark green.

Energy efficiency	 Dark green
Acquisition, construction, development, expansion, maintenance and upgrading of grid investments.	

See [Analysis Of Eligible Projects](#) for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Issuer Description

Arva AS distributes electricity in 19 municipalities in Northern Norway. Its grid stretches over 16,000 kilometers, distributing about 5 terawatt hours of electricity to over 125,000 customers.

Headquartered in Bodø, Norway, the company's revenue in 2025 was about Norwegian krone (NOK) 1.4 billion (€130 million). Arva is majority owned by Troms Kraft AS, with Bodø Energi AS and Dragefossen AS holding the remaining shares.

Arva published its first green financing framework in 2023, under which it has issued four green bonds, with about NOK2.15 billion (€200 million) outstanding as of August 2026.

Material Sustainability Factors

Climate transition risk

Climate transition risks are important for electricity grid operators given their critical role in energy delivery. Operators are also directly exposed to upstream generators--while these are a leading cause of greenhouse gas emissions globally, in Norway, over 95% of electricity comes from hydropower or wind. Increased electrification and renewable penetration necessitate significant grid expansion, modernization, and increased reliability. Norway’s climate goals emphasize electrification and new green industries, furthering the importance of electricity networks.

Physical climate risk

Given its fixed and geographically extensive asset base, electricity distribution is more exposed to physical climate risks than other sectors, and severe weather can result in power outages for large populations. Physical climate risks generally involve significant financial losses for operators due to repairs or claims due to business disruption. Key risks in Norway include rising sea levels, floods, and increases in annual mean temperatures and precipitation.

Biodiversity and resource use

The distribution of electricity involves interventions in nature, and a lack of biodiversity considerations can lead to habitat loss, landscape fragmentation, and disruptions to species, undermining biodiversity and ecosystem services. Electricity networks are also resource-intensive, particularly given their scope, for example in their steel transmission towers and aluminum cables.

Impact on communities

Impacts on stakeholders can arise from the construction and siting of power lines, including in respect of indigenous rights.

Issuer And Context Analysis

Through investments in Arva's distribution network, the framework seeks to address climate transition risk, a material sustainability factor. Decarbonization of the economy relies on the distribution of renewable energy through modern and efficient grids, among other factors. At the same time, projects under the framework are exposed to risks--for instance, risk related to biodiversity and local communities, and physical climate risk.

Arva expects to invest about NOK10 billion (€900 million) in its grid activities over the next decade. These investments encompass expansion and modernization to increase capacity, as well as improved preparedness for extreme weather and security. The company's grid extends over 16,000 kilometers, connecting over 125,000 customers. Arva expects demand from industry in its network to increase significantly: there are, for example, sizable green hydrogen projects in the company's network area, transportation infrastructure investments, such as for Bodø's new airport, and some data centers.

Arva reports scope 1, scope 2, and some scope 3 emissions but does not have any emissions targets. In 2025, reported emissions totaled about 5,170 tons of carbon dioxide equivalent. While this is about 20% lower than in 2023, this fall is primarily attributable to changes in the emissions factor applied in calculating emissions from grid losses. Arva expects setting emission targets to be a strategic discussion this year. In any case, Arva can point to several solid actions and developments to reduce key emissions sources. In terms of scope 1 emissions, for example, Arva, along with 10 other Norwegian distribution companies, has committed to phasing out sulfur hexafluoride (SF6) gas beyond what is required under applicable EU legislation, while for scope 3 emissions, increased use of drones is reducing emissions from helicopters. Use of steel (for towers) and cables is not reported, although it often accounts for significant emissions in the sector.

The issuer's assets are exposed to physical climate risk, particularly because they are fixed and widespread geographically. According to Arva, it undertakes risk and vulnerability assessments that include consideration of extreme weather, and which use future climate scenarios. These assessments find that increased wind, heat, rain, and snow are its most material risks. Both preventative and harm-reducing measures are implemented: Arva points, for example, to increased use of enclosed substations and underground cables.

Impacts on nature and biodiversity are incorporated into the concession process, where Norwegian authorities grant licenses for energy infrastructure. This requires carrying out environmental impact assessments (EIAs), including biodiversity and ecosystem mapping, while mitigation measures and follow-ups are determined during this process. Some projects, given

their smaller size, fall outside the concession process. Nevertheless, for these projects, Arva notes it tends to apply what it considers best practices from the concession process. Indeed, the company is working with 10 other Norwegian distribution companies to develop approaches for these projects, including how to define and apply best practices.

Eligible projects could affect Arva's relationship with local communities. Engagement with local stakeholders is mandatory in the concession process, and the company emphasizes the importance of dialogue and cooperation with local stakeholders, both in the concession process and the project building. Arva has activities in areas used for reindeer grazing and migration. This requires additional management, given the importance of reindeer to local land use and Indigenous cultural practices.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Green Loan principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2025

✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

✓ Use of proceeds

The framework's project category is assigned a Shade of Green (see the [Analysis Of Eligible Projects](#) section) and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible projects. Eligible projects relate to electricity distribution in Norway.

Arva views eligible projects as refinancing if they are reported as investments more than 18 months before their approval by Arva's green finance committee. Operational expenditure has a 36-month look-back period, while capital expenditure can be refinanced without a look-back period. Until 2028, Arva expects to direct most proceeds to the financing of new projects, while in 2028 and 2029, it expects about 60% new financing (with the rest going to refinancing).

✓ Process for project evaluation and selection

The framework outlines the process of selecting and approving eligible projects. Arva has established a green finance committee comprising members of its treasury departments and other relevant business areas, including environmental specialists. The committee will meet as needed and at least once per year.

Environmental and social risks are identified and managed through the principles contained in Arva's guidelines for ethical business conduct, which have requirements related to the environment, working conditions, and human rights, among other areas.

✓ Management of proceeds

Arva has established a green register to track financed projects. If there are unallocated proceeds, it will manage these according to its liquidity management policy, meaning they will be held as cash in deposits. Arva will not obtain loans with nongreen tranches under the framework.

✓ Reporting

Arva will report annually on the allocation of proceeds and the impacts of eligible green projects. The report will include a description of the portfolio of eligible assets, a list of eligible projects (including amounts allocated), the type of instrument used, amounts outstanding, and the proportion of proceeds used for financing versus refinancing.

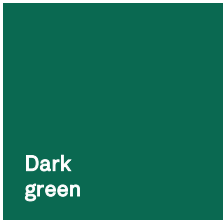
The issuer may combine impact reporting at the project category level, while the framework states that, given data limitations, calculations may be based on best available data and reasonable assumptions.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)".

Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Arva’s green financing framework, we assess the framework as Dark green.



Activities that correspond to the long-term vision of a low-carbon climate resilient future.
[Our Shades of Green Analytical Approach >](#)

Green project categories

Energy efficiency

Assessment

■ Dark green

Description

Acquisition, construction, development, expansion, maintenance, and upgrading of grid investments. This could include:

Transmission and distribution of electricity

Financing of transmission of electricity on extra high-voltage and high-voltage interconnected systems and high-voltage, medium-voltage, and low-voltage distribution systems aligned with one of the following scenarios:

- The system is in the interconnected European system.
- More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 grams of carbon dioxide-equivalent per kilowatt-hour (gCO2e/kWh); or
- The average grid emissions are below the threshold value of 100 gCO2e/kWh.

Analytical considerations

- The electrification of high emitting sectors and processes relies on modern, efficient, and reliable electricity transmission and distribution networks, among other factors. Newer and upgraded grids will likely lose less electricity than older ones, and investments are necessary to connect renewable energy sources to networks. Networks are exposed to physical climate risk and need to be managed carefully to mitigate their impacts on nature.
- We assess this project category as Dark green. Assets will be in Norway, and the Shade of Green reflects the carbon intensity of Norway's grid being one of the lowest globally, with over 95% of power coming from hydropower or wind. Also supporting the Dark green shade is the issuer's considerations of physical climate risks and potential impacts on biodiversity.
- Distribution assets can entail local environmental impacts--for example, on biodiversity if projects require clearing forests or construction of access roads--and can be exposed to physical climate risk, particularly because they are widespread geographically. EIAs are required as part of the concession process, where Norwegian authorities grant licenses for energy infrastructure, and mitigation measures and follow-ups are determined during this process. Where EIAs are not required by law, for example for some minor investments, Arva notes it tends to apply what it considers best practices from the concession process. Arva will undertake physical climate risk and vulnerability assessments on assets financed under the framework and implement relevant preventative and harm-reducing measures.
- Reducing SF6 use and emissions is a necessary priority in the sector. Arva does not purchase new parts for primary substations containing SF6 and will stop purchasing such parts for secondary substations in the next few years. It has, in addition, committed to phasing out SF6 gas beyond what is required under applicable EU legislation. Assets under the framework can also entail sizable emissions related to inputs, for example from steel (for towers) and cables. However, Arva is required to give climate and environmental considerations a 30% weighting in procurement processes, which can positively affect these emissions.
- The framework excludes using proceeds for direct connections or expanding existing ones to power production plants with lifecycle emissions above 100gCO2e/kWh.

S&P Global Ratings' Shades of Green

Assessments											
	Dark green		Medium green		Light green		Yellow		Orange		Red
Description											
Activities that correspond to the long-term vision of an LCCR future.		Activities that represent significant steps towards an LCCR future but will require further improvement to be long-term LCCR solutions.		Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.		Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.		Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.		Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.	
Example projects											
 Wind power		 Certified forestry		 New energy efficient buildings		 Fossil fuel buses		 Conventional steel production		 Oil and gas exploration	

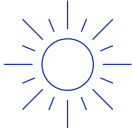
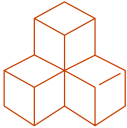
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs			
Energy efficiency				
	7. Affordable and clean energy*	9. Industry, innovation and infrastructure*	11. Sustainable cities and communities	13. Climate action

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023

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Second Party Opinion: Arva AS Green Financing Framework

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