

Kingdom of Saudi Arabia

Green Financing Framework

March 2024

وزارة المالية
Ministry of Finance



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1. Kingdom of Saudi Arabia's Roadmap to a Sustainable Future

Introduction

The Kingdom of Saudi Arabia ("Kingdom" or "Saudi Arabia") is fully committed to creating a better environment for future generations and to long-term economic prosperity for the nation. The Kingdom is committed to the Paris Agreement and its implementation. Through its Vision 2030, the Kingdom has already instigated a comprehensive set of unprecedented reforms in the public sector's operating model, the economy, and society as a whole. In October 2021, the Kingdom announced its aim to reach net zero emissions by 2060 and published an ambitious Updated First Nationally Determined Contributions (NDC)¹ to the United Nations Framework Convention on Climate Change (UNFCCC) secretariat. The implementation of the Kingdom's updated First NDC is not contingent on receiving international financial support.

The Kingdom's ambition relies on all actors in the economy and comprises an innovative circular carbon economy (CCE) program.

The CCE approach strongly contributes to achieving the Kingdom's climate goals in a manner that



Enables economic diversification while taking into consideration the dynamic baseline stated in the Kingdom's nationally determined contributions



Preserves the Kingdom's leading role in promoting the security and stability of global energy markets



Takes into account the maturity and availability of necessary technologies to avoid and prevent emissions from reaching the atmosphere



King Salman Park

Robust climate action is essential for the Kingdom given both its geographic positioning, which makes its citizens vulnerable to shifting climate patterns due to global warming, and the need to diversify the economy to build longer-term resilience for the nation.

The Kingdom is developing and implementing holistic and harmonized programs, policies, initiatives, and collaboration platforms to address climate change challenges at the national, regional and global level.

Examples include the Saudi Green Initiative, the Middle East Green Initiative, the Circular Carbon Economy National Program, the National Renewable Energy Program, and the Saudi Energy Efficiency Program.



The Kingdom is also a member of, and an active participant in, major international initiatives such as the Global Methane Initiative, the Mission Innovation, the Clean Energy Ministerial, and the Net Zero Producers Forum. These initiatives span all sectors of the economy and are carried out by a wide array of both public and private sector entities.

As per its Updated NDCs, the Kingdom aims to reduce, avoid, and remove GHG emissions by 278 million tons of CO₂eq annually by 2030. This target is a sizeable increase versus the previous target (130 million tons of CO₂eq annually) published in the Kingdom's Intended NDC (INDC)², demonstrating the highest possible ambition from the Kingdom.

¹ Kingdom's Updated First NDC:
<https://unfccc.int/NDCREG>

² Kingdom's INDC:
<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Saudi%20Arabia%20First/KSA-INDCs%20English.pdf>



Saudi Arabia's Vision 2030

To chart a path for economic diversification and ensure sustainable access to natural resources, the Kingdom has embarked on its Vision 2030 agenda. Vision 2030 is a sustainable vision for the future of Kingdom of Saudi Arabia with sustainability at the heart of everything the Kingdom does, from policy development and investment to planning and infrastructure. By creatively and responsibly addressing the energy and climate challenges of today, Vision 2030 inspires others around the world to share in building a sustainable tomorrow.

Vision 2030 focuses on enhancing productivity, increasing the contribution of the private sector and empowering the third sector. The Vision is based on three pillars – Vibrant Society, Thriving Economy, and Ambitious Nation.

Vibrant Society

Working towards creating a foundation which ensures citizens enjoy a high quality of life in a natural environment which is preserved and protected.

Achieving environmental sustainability through protecting natural resources is a key Vibrant Society objective.

Thriving Economy

Investing directly in the tools to diversify the economy: skill development, small and medium enterprises (SMEs) equal opportunities in employment, and development/expansion of new growth economics sectors.

Developing a sizeable renewable energy market is a key objective for the Thriving Economy pillar.

Ambitious Nation

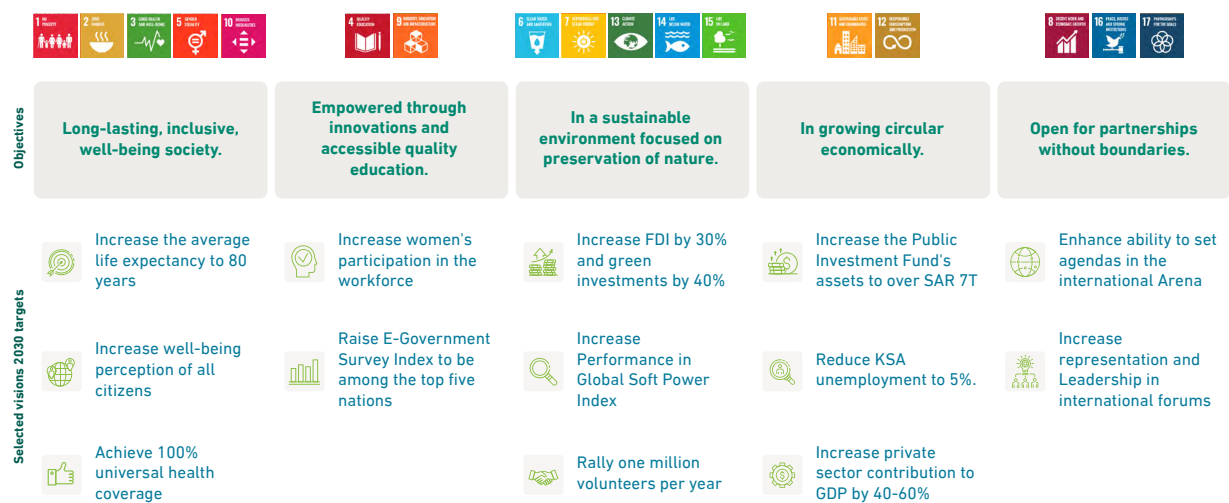
Implementing standards of transparency and accountability so that the nation is effectively governed.

Being responsible in business and protecting vital resources are key objectives to the Ambitious Nation pillar.

Under Vision 2030 the Kingdom has already launched a comprehensive and unprecedented set of reforms in the public sector's operating model, the economy, and the society as a whole which have contributed to diversifying and increasing the resilience of the Saudi economy.

These reforms are designed to the same level of ambition and as a complementary to the UN Sustainable Development Goals (SDG). The Vision 2030 and SDG targets are interrelated and complementary in nature. They share a common goal of promoting sustainable development. The Vision 2030 targets set the framework for the achievement of the SDG targets by creating a roadmap for sustainable development and growth. The achievement of one set of targets leads to the simultaneous achievement of the other set.

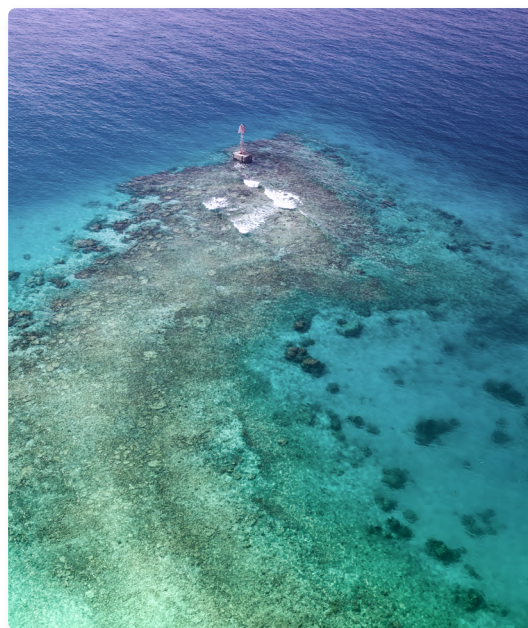
The interrelated nature of the Vision 2030 and SDG targets is shown in the figure below:



The Kingdom's Measures to Deliver on Climate Ambitions

Physical, economic and social factors are the main determinants of the vulnerability of a country to climate change. The Kingdom is significantly at risk in all three aspects. As an arid country with a harsh climate and sensitive ecosystems, The Kingdom is particularly affected by climate change. About 76% of its area (including 38% of deserts) is non-arable land. The average annual rainfall in the Kingdom is low and renewable surface water resources are limited while the Kingdom lacks rivers and lakes. Groundwater from local aquifers (mostly non-renewable) is the major water supply source for domestic, agricultural and industrial purposes. As a consequence, water scarcity is common and changes in the water balance will have serious implications for the desert ecosystem, agriculture, industry as well as other sectors.

Oil production, processing and exports are the primary economic activities of the Kingdom of Saudi Arabia. The reliance on finite resources puts at risk its ability to maintain a high level of growth compatible with further socio-economic development in the long run. Hence, economic diversification is a key factor influencing the stability and sustainability of the Kingdom's economy while preserving the Kingdom's leading role in promoting the security and stability of global energy markets.



Shallow waters of Persian Gulf, Saudi Arabia.

Therefore, the Kingdom has embarked on a comprehensive and highly ambitious set of measures to realize its climate ambitions, including through using the CCE Framework.

Endorsed by the G20 leaders, the CCE is a comprehensive framework that aims to close the loop and prevent emissions to the atmosphere by leveraging all technologies. The CCE is based on the “4Rs” (Reduce, Reuse, Recycle, and Remove). **The Kingdom is taking ambitious steps in order to deploy CCE at the national level and address GHG emissions.**

Climate Mitigation Measures



Energy efficiency

To reduce emissions, the Saudi Energy Efficiency Center runs an Energy Efficiency Program targeting three main sectors that account for 90% of the national energy demand: industry, buildings and land transportation. Initiatives such as improving heavy-duty transport efficiency, economizing energy in residential use and improving the thermal efficiency of power generation, transmission and distribution, are key components of this program.



Renewable energy

To tackle domestic emissions, Saudi Arabia is adopting a diversified energy model, to include cleaner energy sources for domestic power generation. The Kingdom has set an ambitious target to increase renewable energy to around 50% of the energy mix by 2030.



CCUS

Research, development and large-scale deployment of Carbon Capture, Utilization and Storage (CCUS) technologies will be crucial for the global community to meet the Paris Agreement goals. The Kingdom is planning to build upon its experience in CCUS technologies such as the CO₂ Enhanced Oil Recovery (EOR) project as well as carbon utilization, reusing materials and associated emissions at their highest value for as long as possible, recycling materials and associated emissions, and removing non-recyclable materials and fugitive emissions.

To advance the uptake of CCUS technologies and scale up its deployment, the Kingdom also plans to develop CCUS hubs in locations concentrating on the manufacturing industry, in locations with a proximity to sinks and transport infrastructures. The Kingdom aims to reach 11mm CO₂ of annual CCUS capacity by 2035³.



Hydrogen

The Kingdom is developing a National Hydrogen Strategy to chart pathways to become a global leader in the hydrogen industry. Using its high-yield solar and wind resources, the Kingdom is uniquely positioned to be at the forefront of green hydrogen production. In addition to green hydrogen, due to the abundance of natural resources, underground carbon storage capacity and CCUS technology expertise, the Kingdom has the potential to become a world leader in blue hydrogen.

As of 2023, eight pilot projects or hydrogen fuel-cell based vehicles, buses, trains transportation applications, and sustainable jet fuel production have been launched domestically.



³ Saudi Arabia Voluntary National Review 2023: <https://hlp.fun.org/sites/default/files/vnrs/2023/VNR%202023%20KSA%20Report.pdf>



Management of Methane Emissions

The Kingdom is also committed to reducing and managing methane emissions as a measure of climate action. As such, it is committed to the **Global Methane Pledge initiative**⁴, and will collaborate with other countries to help reduce global methane emissions by 30% by 2030, relative to 2020 levels.

Climate Adaptation Measures



Adaptation and raising resilience

The following adaptation contributions are expected to support Kingdom's efforts to address climate change and increase resilience to the impact of climate change: Integrated Coastal Zone Management Planning (ICZM), Early Warning Systems (EWS), Integrated Water Management Planning and Infrastructure and Cities Designs.



Adaptation measures with mitigation co-benefits

Kingdom's ambitious afforestation plan

Essential to the Circular Carbon Economy approach is the removal of carbon dioxide through nature-based solutions. The Kingdom's afforestation plan involves planting 10 billion trees domestically (through the Saudi Green Initiative), and 40 billion additional trees across the Middle East (through the Middle East Green Initiative).

Oceans, seas and marine resources management

The Kingdom of Saudi Arabia continues to support international and regional trends to protect the marine and ocean environment and to reduce the sources of marine pollution. It seeks to improve the marine environment for its role in development. The Kingdom will implement coastal management strategies that are designed to reduce coastal erosion, increase the sinks for blue carbon, maintain related ecosystems and address the threats that climate change poses for marine livelihoods.

Biodiversity and reduced desertification

The region suffers from desertification, which is accelerating due to climate change. The Kingdom undertakes measures to enhance desertification management. For example, promoting the stabilization of sand movements around cities and roads while increasing sinks' capacity through using green belts as barriers, developing and enhancing arid and semi-arid rural areas through various natural resource conservation activities, and biodiversity and ecosystem-based adaptation efforts.

The Kingdom also aims to raise the percentage of protected areas to over 20% by 2030 and to more than 30% of its total land area over the coming decades, representing roughly 600,000 square kilometers, exceeding the current global target of 17%.



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⁴ Global Methane Pledge initiative:
<https://www.globalmethane.org/>

The Cornerstone for the Kingdom of Saudi Arabia's green ambitions

The Saudi Green Initiative (SGI) and the Middle East Green Initiative (MGI)



Under the patronage of His Royal Highness (HRH) Crown Prince Mohammed bin Salman, the Saudi Green Initiative accelerates the Kingdom's climate agenda by unifying all sustainability efforts in the Kingdom to address the challenges of climate change.

SGI brings together environmental protection, energy transformation and sustainability programs to work towards three overarching targets to achieve a common goal of a green future.

Reducing Emissions

With an ultimate aim of reducing, avoiding, and removing GHG emissions by 278 million tons of CO₂eq annually by 2030 and aiming for net zero by 2060.

Greening Saudi

Targeting to plant 10 billion trees across the Kingdom through a mass scale afforestation programme and rehabilitating 40 million hectares of land.

Protecting Land and Sea

Safeguarding the ecosystem by protecting 30% of terrestrial and marine areas by 2030.

In a whole-of-government approach, SGI works with entities and organizations across the Kingdom to amplify their existing climate actions and create opportunities for new initiatives. SGI also bridges the gap between public and private sustainability efforts, identifying opportunities for collaboration and innovation.

As of 2023, the SGI has launched 77 initiatives to deliver on its goals. So far, these initiatives have helped power 150,000 homes with clean energy and develop 11.4 GW of renewable energy capacity. Under the SGI, 10 million smart electricity meters have been installed, helping cut 1.8 million tons of CO₂ emissions every year. Agricultural water consumption has been reduced by 9.6 billion cubic meters. Significant steps to green the Kingdom have been taken by planting 18 million trees, rehabilitating 60,000 hectares of degraded land, and cultivating 250,000 shrubs in ALUla nurseries in 2022 alone. The Kingdom's commitment to preserving the land and sea has resulted in an area spanning 66,000 km² being protected so far, with USD25 million invested specifically for the conservation of the Arabian leopard, and more than 1,200 animals being successfully reintroduced back into their natural habitats in 2022⁵.

The launch of the Middle East Green Initiative takes the Kingdom's climate ambitions one step further, with the goal of acting as a catalyst to drive climate action in the region and beyond. Underpinned by the three strategic environmental aims of knowledge transfer, environmental stewardship, and forward-thinking innovative climate solutions, MGI unveiled a number of initiatives that bring together regional and global leading stakeholders in emissions reduction, largescale afforestation, and energy access. **These include:**

- Launching a Regional Initiative for Clean Fuel Solutions for cooking to more than 750 million people worldwide and establishing a Regional Investment Fund for Circular Carbon Economy (CCE) technology solutions, with the Kingdom contributing approximately 15% of the total SAR 39 billion investments needed.
- Targeting to plant 50 billion trees across the Middle East (including the 10 billion in the Kingdom).
- Cleaning plastics from oceans, in partnership with the Alliance to End Plastic Waste, to accelerate improvement of global waste management.

Environmental Centres



The Ministry of Environment Water and Agriculture established the environmental fund to contribute to the financial sustainability of the environment sector and provide the enablers needed for its advancement. The Centres provide monitoring, reporting and feedback mechanisms for environmental activities in the country, aiding transparency, accountability and governance.

 المركز الوطني للتطوير النباتي National Center for Vegetation Development	 المركز الوطني للاوفاء على الالتزام البيئي National Center for Environmental Compliance	 المركز الوطني لتنمية الحياة الفطرية National Center for Wildlife	 المركز الوطني للأرصاد National Center for Meteorology	 موان المركز الوطني لإدارة النفايات National Center for Waste Management
The National Center for Vegetation Development	The National Center for Environmental Compliance	The National Center for Wildlife	The National Center for Meteorology	The National Center for Waste Management



⁵ Saudi Arabia Voluntary National Review 2023: <https://hlpf.un.org/sites/default/files/vnrs/2023/WNR%202023%20KSA%20Report.pdf>

2. Kingdom of Saudi Arabia Green Financing Framework

The Paris Agreement aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty. The Agreement identifies that one of the main three levers to reach this aim is by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. This aim is fundamental in informing global finance green principles.

In line with the Paris Agreement, the Kingdom recognizes the CCE approach, which was endorsed by G20 Leaders, as a comprehensive framework that guide green projects investment as it focuses on enabling the management of emissions while utilizing resources in a sustainable manner. The fundamental goal of the CCE is to prevent atmospheric carbon dioxide and other greenhouse gas emissions through the four Rs (Reduce, Reuse, Recycle, and Remove). The Kingdom recognizes that the CCE is consistent with global green finance principles.

The Kingdom will require large amounts of investment, stemming from both the public and private sectors, to finance climate commitments.



The Ministry of Finance (MoF) aims to coordinate these investments.



The National Debt Management Center (NDMC), in line with its mandate of securing financing for the government, is responsible for communicating on these investments to fixed income investors through this Green Financing Framework.

The Framework is a major step in demonstrating leadership in sustainable finance within the region, and with this, the Kingdom aims to encourage more public and private initiatives towards climate and environmental finance.

The Kingdom of Saudi Arabia has established its Green Financing Framework (the “Framework”) in accordance with the Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), as published by ICMA⁶. Under this Framework, the Kingdom will be able to issue Green Bond(s) / Sukuk. In alignment with these Principles, for each Green Bond / Sukuk issued, the Kingdom asserts that it will establish the following arrangements, as set out in this Framework:



1. Use of Proceeds

An amount equal to the net proceeds of any Green Bond/Sukuk issued by the Kingdom of Saudi Arabia under this Green Financing Framework will be allocated to finance new or re-finance existing projects/expenditures⁷, in part or in full, which qualify under the eligible green project categories as set out below.

Eligible expenditures falling under this framework are intended to:



Promote the Kingdom’s pathway to cleaner energy transitions and diversification of its economy, and protection of its natural environment in both urban and rural areas.



Support the achievement of objectives set forth under Vision 2030 commitments, the Saudi Green Initiative, Circular Carbon Economy (CCE) national program, and the Nationally Determined Contributions (NDC) under the Paris Agreement.

The eligible expenditures can include investments expenditures, operating expenditures, tax expenditures (including taxes foregone), and subsidies, insofar as any expenditure contributes to the Kingdom’s climate change mitigation and adaptation policies.



⁶ ICMA Green Bond Principles 2021 (with June 2022 Appendix 1): <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁷ Existing projects/expenditures refer to projects which have been undertaken up to 36 months before the issuance of any Green Bond/Sukuk.

1. GBP project category – Environmentally sustainable management of living natural resources and land use

The Kingdom's future is dependent on the protection of its natural environment. One of the key objectives under the 'Ambitious Nation' pillar of the Saudi Vision 2030 is "Being responsible in business and protecting vital resources". In line with this, the Kingdom has already identified areas for SGI's new initiatives that are targeted to meet the overall objective of the Kingdom to increase total protected areas to over 20% by 2030 and to 30% over the coming decades.

Turning the desert green and rehabilitation of millions of hectares of land over the coming decades will also act as a natural carbon sink and help to improve air quality, reduce sandstorms, combat desertification, and lower temperatures in adjacent areas.

Institutional Framework for Environmental Protection in the Kingdom:

- 1 The Kingdom's Environmental Law⁸ will be applicable to all the projects under this project category.
- 2 The National Center for Vegetation Cover and Combating Desertification (NCVCCD) has responsibilities for the sustainable management of forests, rangelands, and national parks; protection of vegetation in all landscapes; and combating desertification. NCVCCD includes a technical directorate of forests charged with designing forest sector reforms.
- 3 The National Biodiversity Strategy and Action Plan provides a framework for the conservation and sustainable use of the country's biodiversity. The strategy sets out a range of goals and targets aimed at conserving biodiversity and includes measures to promote the sustainable use of natural resources, strengthen the management of protected areas, and enhance public awareness about biodiversity conservation.
- 4 The Environment Fund contributes to the financial sustainability of the environment sector, providing enablers and supporting the operational budgets of centers, related programs, studies, and initiatives. The Fund supports the use of environmentally friendly technologies, improved environmental performance, and environmental rehabilitation programs.
- 5 The Special Force for Environmental Security (SFES), established in September 2018 under the Ministry of Interior, helps raise environmental awareness. It enforces environmental regulations through environmental security monitoring, recording and investigating environmental complaints, and referring complaints to the relevant authorities.

This category includes the following eligible green assets/expenditures:

- Environmentally sustainable forestry (including afforestation or reforestation under the Saudi Green Initiative and the Middle East Green Initiative).
- Preservation or restoration of biodiversity and natural landscapes.
- R&D related to management of living natural resources and land use.
- Increased green cover in urban centres.

Alignment with the UN SDGs:



⁸ Environmental Law:
<https://www.mewa.gov.sa/en/InformationCenter/DocsCenter/RulesLibrary/Docs/Environmental%20Law.pdf>



2. GBP project category – Energy efficiency

The Kingdom's energy sector is vital in order to provide affordable and clean energy within the country and globally. Therefore, the Kingdom has a responsibility to excel at energy efficiency and is implementing a wide range of policies, measures and initiatives in order to actively reduce energy use across the various sectors. The Kingdom's energy efficiency programme ("Saudi Energy Efficiency Program") is a key component for all sectors to achieve Kingdom's NDC commitments in line with the country's Net Zero ambition. Within this programme, there is a heavy emphasis on improving the energy efficiency of buildings. This ranges across government buildings, to commercial and residential, with an emphasis on helping buildings to be more resilient and efficient with regards to extreme weather conditions faced by the Kingdom.

This category includes the following eligible green assets/expenditures:

Energy efficiency of buildings:

These projects will meet a minimum standard of 30% or more improvement in energy intensity to be eligible.

Example green assets/expenditures:

Buildings: One of the approaches to improving the energy efficiency of buildings is to install more energy efficient appliances, which results in at least a 30% improvement in energy efficiency. The High-Efficient Air Conditioner initiative (HE-AC) is an example. Developed as a result of established regulations and extensive awareness campaigns, this project promotes lower AC consumption, motivating end-users to purchase high-efficiency split ACs. Since the launch in 2018 and full roll-out in 2021, more than 300,000 ACs have been financed under the scheme benefitting over 70,000 end users and reducing emissions by approximately 78,000 tCO_{2e}. All the measures in a building would need to result in a minimum of 30% improvement in building's energy efficiency in order to be eligible.

Alignment with the UN SDGs:



3. GBP project category – Renewable energy

The Kingdom has a very ambitious target to derive 50% of its domestic electricity generation from renewable energy sources by 2030. To achieve this, the public and private sector of the Kingdom will invest SAR 380bn (c.USD101bn) into renewable energy production by 2030 across the public and private sector. This means a target to install approximately 70GW of renewable energy by 2030, of which approximately 40GW will come from solar power.

This category includes the following eligible green assets/expenditures:

Renewable energy generation: Financing renewable energy projects to increase the share of renewable energy usage in the Kingdom of Saudi Arabia. Eligible renewable energy sources include: solar, CSP, onshore wind, geothermal and hydrogen produced from renewables⁹, in addition to any technology of electricity generation that does not cause carbon emissions or emissions which are below 100gCO₂/kWh.¹⁰

Renewable energy technologies: Incentives to promote the above renewable technologies¹¹.

Infrastructure linked to renewable energy: Renewables infrastructure (including related investments linked to the construction and operation of energy storage¹²)

Alignment with the UN SDGs:



⁹ Using the electrolysis process that is powered by clean energy sources that is subject to the maximum emissions threshold of 100gCO₂/kWh

¹⁰ The threshold of emissions equal to or below 100gCO₂/kWh applies to all references of Renewable Energy used in this framework.

¹¹ Subject to the same maximum threshold of 100gCO₂/kWh

¹² Energy storage would be considered eligible for funding if fed or charged with renewable energy sources, while connected to the grid. Renewable energy is defined as energy sources with emissions below 100gCO₂/kWh.



4. GBP project category – Clean transportation

Transport is the third-largest CO₂ emitting sector in the Kingdom. To address this Kingdom is promoting the adoption of electric vehicles (EVs) as part of its efforts to increase the use of clean energy. The government has launched various initiatives to support the development of the EV market, including the establishment of charging infrastructure and the promotion of EVs through financial incentives and subsidies. The Saudi Electric Vehicle Alliance promotes the use of electric vehicles and has taken steps to encourage the use of public transportation, bike-sharing, and other sustainable transportation options. The Ministry of Energy and Ministry of Economy and Planning are employing Behavioral Economics strategies through various initiatives to assist electricity customers in enhancing their consumption habits.

This category includes the following eligible green assets/expenditures:

Financing electric vehicles and the related infrastructure including EV charging stations

Alignment with the UN SDGs:



5. GBP project category – Pollution prevention and control

The Circular Carbon Economy Approach adopted by the Kingdom is driven by the 4Rs (Reduce, Reuse, Recycle, and Remove) of its Circular Carbon Economy (CCE) Framework. Within the CCE framework the Kingdom is committed to closing the loop to not only reduce emissions through energy efficiency and the use of renewables, but also to reuse, recycle and remove carbon emissions entirely from its economy.

The Kingdom is also aiming to become a leading hydrogen producer and exporter by 2030. The Ministry of Energy's National Hydrogen Strategy envisages a number of measures including the construction of a green hydrogen plant in NEOM.

This category includes the following eligible green assets/expenditures:

Blue hydrogen: Projects that meets a minimum GHG emission reduction threshold of 70% compared to hydrogen produced from fossil fuels without carbon capture with maximum lifecycle emissions of 112.8gCO₂e/MJ, resulting in a maximum output of 3.6kgCO₂e for each kg of hydrogen.

Research and development projects related to Direct Air Carbon Capture (DACC): DACC removes CO₂ from ambient air, having the potential to create net negative emissions (if CO₂ is sequestered); in contrast, point source carbon capture captures CO₂ from industrial facilities before it is released into atmosphere, having potential to create net-zero emissions (if CO₂ is sequestered).

Alignment with the UN SDGs:



6. GBP project category – Sustainable water and wastewater management

Water scarcity in the region presents various challenges to the economic and social growth of the Kingdom. The Saudi National Water Strategy 2030 aims to address all the key water challenges in the Kingdom, leveraging previous and on-going studies, and reform the water and wastewater sector to ensure sustainable development of water resources while providing affordable high-quality services. Strategic programs are backed by initiatives including new regulations, innovation and capacity building, and service quality.

Desalination of seawater provides about 70% of potable (domestic) water supply in the Kingdom and is therefore an essential component of life for the residents of the country. The Kingdom is taking a number of steps in deploying desalination technologies to minimize the GHG emissions in the form of co-benefits from this sector leading to saving of energy from this sector.

This category includes the following eligible green assets/expenditures:

Wastewater treatment: Construction, extension and operation of wastewater and sewage water treatment plant:

- **The net energy consumption of the waste water treatment plant equals to or is lower than:**

35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10 000 p.e.;

25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10 000 and 100 000 p.e.;

- **20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100 000 p.e.**

Water treatment: Construction, extension and operation of water collection, treatment and supply systems where the average energy consumption of the system is a maximum of 0.5 kWh/m³ per cubic meter of produced water supply.

Desalination plants: Desalination plants using renewable technologies, with power consumption below 2.27 kWh/m³ and targeting to reach below 2 kWh/m³.

Sustainable solutions: Solutions to reduce water shortage, such as rainwater harvesting and infrastructure to reduce water leakage and improve water use efficiency.

Alignment with the UN SDGs:



7. GBP project category – Climate change adaptation

Taking into account the environmental factors of the region, the Kingdom of Saudi Arabia is continuously investing considerable efforts and resources in activities that help protect and renew its natural environment including biodiversity of land, seas and coastlines. In its NDC, Saudi Arabia identifies both measures aimed at adaptation and raising resilience and adaptation measures with mitigation co-benefits. Adaptation measures also contribute to economic diversification.

This category includes the following eligible green assets/expenditures:

Climate resilient activities:

- Activities or measures related to enhancing resiliency, managing risks associated with and reducing reduce the impacts of extreme climatic events in vulnerable areas, such as flood, drought, extreme weather events etc.
- Measures supporting the monitoring and prediction of weather and environmental conditions

Treated Sewage Effluent (TSE): Reinjection of TSE into groundwater as per the Kingdom's standards

Artificial Aquifer Recharge and Storage (AARS) of desalinated water to recharge groundwater

Operation and Maintenance of the hydrological network and monitoring wells in the Kingdom

Alignment with the UN SDGs:



8. GBP project category – Terrestrial and aquatic biodiversity

The Kingdom is continuously investing considerable efforts and resources in activities that help protect and renew its natural environment including biodiversity of land, seas and coastlines.

The Kingdom will implement coastal management strategies that are designed to reduce coastal erosion, increase the sinks for blue carbon, maintain related ecosystems and address the threats that climate change poses for marine livelihoods.

This category includes the following eligible green assets/expenditures:

Conservation and protection of coastal, marine and watershed environments

Alignment with the UN SDGs:



Excluded Projects

For each Green Bond/Sukuk issued, the Kingdom of Saudi Arabia asserts that it will not use the proceeds for:

- Alcohol, weapons, tobacco, gaming¹³, or palm oil industries
- Child labor or forced labor



¹³ Refers to forms of entertainment involving financial gain and loss based upon risk.

2. Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Kingdom of Saudi Arabia Green Bond/Sukuk are allocated to new expenditures or existing projects/expenditures that meet the criteria set out above in Use of Proceeds (Section 2.1).

The Kingdom of Saudi Arabia has established a Main Committee ("Sustainable Financing Committee") to oversee the Kingdom's green bonds/sukuk issuances. It has also established a sub-committee ("Projects and Monitoring Committee") reporting to the Sustainable Financing Committee.

The Sustainable Financing Committee will be responsible for:

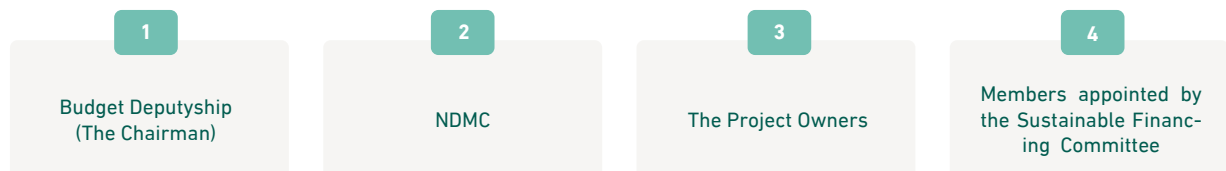


The Sustainable Financing Committee consists of key/permanent ministries (listed below), with flexibility to add others.



- Any other Members appointed by the Committee.
- Individuals outside the Committee may be invited to attend the Committee's meetings without having the right to vote.

The Sustainable Financing Committee will be chaired by the Minister of Finance, with Committee meetings held at least twice a year, at the beginning and half of each fiscal year. The Chairman nonetheless may call extraordinary meetings. Additionally, the Kingdom has formed one sub-committee, the Projects and Monitoring Committee, which will report to the Sustainable Financing Committee. The sub-committee is composed of the following members:



Subject to the Chairman approval, individuals outside the sub-committee may be invited to attend the sub-committee's meetings without having the right to vote.



The sub-committee will meet on a quarterly basis. The Chairman nonetheless may call extraordinary meetings. The sub-committee is vested with the following powers and responsibilities:

1. Identify eligible projects to be allocated for the Kingdom's Green Financing Framework,
2. Review and verify that the eligible projects meet the eligibility criteria as set out in the Committees Regulations,
3. Submit for approval to the Sustainable Financing Committee the eligible projects to be included in the Kingdom's ESG program¹⁴,
4. Review and monitor the allocation of the proceeds of the issued Kingdom's ESG Program,
5. Review and recommend updating the Framework and/or Committees Regulations if necessary.
6. Recommend for approval to the Sustainable Financing Committee the replacement of any expenditure which is no longer eligible with other eligible projects expenditures.
7. Prepare and validate the annual reporting as described under 'section 4. Reporting' of this Framework.
8. Notifying the Sustainable Financing Committee of any compliance breaches
9. Receiving regular reports from the relevant stakeholders to perform its assigned tasks.
10. Devise risk strategies and the mechanism to ensure effective risk management of risks related to the Program.
11. Submit its risk assessment to the Sustainable Financing Committee on a periodic basis as set by the Sustainable Financing Committee.
12. Any other duty as mandated by the Sustainable Financing Committee.
13. Perform the tasks necessary to achieve the Committee purposes in accordance with the regulations governing it.

The above-mentioned roles and responsibilities have been outlined in detail in an internal document, 'Committee Regulations', that has been drafted by the NDMC. The Sustainable Financing Committee has been mandated with overseeing the complete implementation of these 'Committees Regulations'.

3. Management of Proceeds

The Kingdom of Saudi Arabia, acting through the Ministry of Finance, will be responsible for the issuance of Green Bond/Sukuk. The net proceeds will be allocated to eligible budgetary programmes in the General Budget of the Kingdom of Saudi Arabia, within two budget years following the issuance of any Green Bond/Sukuk. The total expenditures required for the eligible programmes will equal or exceed the net Green bond/Sukuk proceeds.

Pending its allocation to eligible green projects, The Kingdom of Saudi Arabia will temporarily hold an amount equal to the unallocated proceeds of any Green Bond/Sukuk issuance in line with its Treasury Policy. The Ministry of Finance will oversee the allocation and tracking of expenditures on eligible green projects up to an amount equal to the net proceeds of Green Bond/Sukuk issued.

In the event where some expenditures would be withdrawn from the portfolio of eligible expenditures, the Kingdom of Saudi Arabia will reallocate on a best effort basis the proceeds to other eligible expenditures which are compliant with the eligibility criteria, as soon as reasonably practicable.

4. Reporting

An annual allocation report will be made publicly available within one year of issuance of any Kingdom of Saudi Arabia Green Bond/Sukuk, which details the allocation of the net proceeds from any outstanding issuance. The allocation report will include the following details:



In addition, it will provide impact reporting on the expected environmental impacts of the eligible green projects. The impact report will be made available at least on a biennial basis, subject to the availability of the relevant data.

Potential key environmental impact indicators include but are not limited to:

Environmentally sustainable management of living natural resources and land use / Terrestrial and aquatic biodiversity

- Number of biodiversity projects being undertaken
- Area converted to sustainable management practices (km²)
- Areas under restoration/rehabilitation (km²)
- Areas conserved &/or recovered (km²)
- Water loss reduction

Energy Efficiency

- Amount of CO₂ emissions avoided / reduced (tCO₂e)
- Amount of energy saved (MWh)
- Energy efficiency or intensity improvements (%)



¹⁴ Kingdom's ESG Program refers to the Kingdom's green government debt issuances programme

 **Renewable energy**

- Amount of renewable energy generated or used (MWh)
- Amount of energy saved (MWh)
- Amount of CO₂ emissions avoided / reduced (tCO₂e)

 **Clean transportation:**

- Number of electric vehicles
- Number of EV charging stations
- Case studies

 **Pollution prevention and control**


- Amount of CO₂ emissions avoided / reduced (tCO₂e)
- Annual Hydrogen production

 **Sustainable water and waste water management**

- Biochemical oxygen demand in rivers
- Population connected to wastewater treatment with at least the second degree of treatment

 **Climate change adaptation**

- Consumption of CO₂ equivalent per kw / hour
- Tons of CO₂ per year reduced

 **Terrestrial and aquatic biodiversity**

- Area of land affected / protected
- Number of biodiversity projects being undertaken
- Qualitative description in the form of case studies

5. External Review

The Kingdom aims to adhere to the highest standards in terms of external review of its Green Financing Framework. The Kingdom will follow a two-step approach to verification:

Second-Party Opinion (Pre-issuance verification)

The Kingdom of Saudi Arabia has appointed Moody's Investors Service to provide an external review on the Kingdom of Saudi Arabia Green Financing Framework, and confirm its alignment with the ICMA GBP. This Second Party Opinion (SPO) document will be made available on Ministry of Finance's website.

Post issuance external verification

The Kingdom of Saudi Arabia's annual reporting will also be subject to external verification by an External Reviewer. The auditor will verify:

- The compliance of assets financed by the Green Bond/Sukuk proceeds with eligibility criteria defined in the use of proceeds section in this Framework
- Allocated amount related to the eligible green projects financed by the Green Bond/Sukuk proceeds
- The management of proceeds and unallocated proceeds amount

The external auditor's report will be published on the Ministry of Finance's website.

3. Amendments to this Framework

The committee will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Kingdom and Moody's Investors Service. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. Any bonds or Sukuk subsequently issued will be subject to the updated and amended Framework. The updated Framework, if any, will be published on Ministry of Finance's website and will replace this Framework.



4. Disclaimer: Green Financing Framework

This Framework contains certain forward-looking statements that reflect the Kingdom of Saudi Arabia's current views with respect to future events and the financial and economic performance of the Kingdom of Saudi Arabia (the "Kingdom"). These forward-looking statements are based on the Kingdom's current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of the Kingdom to control or estimate precisely. You are cautioned not to place undue reliance on the forward-looking statements (as well as information and opinions) contained herein, which are made only as of the date of this document and are subject to change without notice. The Kingdom does not undertake any obligation or responsibility to release any updates or revisions to any forward-looking statements and/or information to reflect events or circumstances after the date of publication of this Framework. The information contained in this Framework does not purport to be comprehensive and, unless differently specified in this Framework, has not been independently verified by any independent third party.

This document is not intended to be and should not be construed as providing legal or financial advice.

There is currently no clear definition (legal, regulatory or otherwise) of, nor clear market consensus as to what constitutes, a "green" or "sustainable" or equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label, nor can any assurance be given that a clear definition or consensus will develop over time nor if a definition or consensus develops, that it will not change over time. Accordingly, no assurance is given that the eligible expenditures or projects will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, nor that it will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similarly labelled performance objectives (together, "Investor Requirements"). Investors should have regard to the factors described in this framework and determine for themselves the relevance of such information for the purposes of an investment in any green financing, before deciding to invest. In the event that any green bonds/sukuk are listed or admitted to trading on a dedicated "green", "sustainable", "social" or other similarly labelled segment of a stock exchange, securities market or index or given any other similar accreditation (a "Green Listing"), no representation or assurance is given by the Kingdom or any other person that any such Green Listing satisfies any present or future Investor Requirements. Furthermore, it should be noted that the criteria for any Green Listing may vary from one stock exchange, securities market or index to another. No representation or assurance is given or made by the Kingdom or any other person that any Green Listing will be obtained in respect of any green bonds/sukuk or that any Green Listing that is obtained will be maintained during the life of the green bonds/sukuk.

While it is the intention of the Kingdom to apply an amount equivalent to the proceeds of any green financing to eligible green expenditures and to report on the eligible green expenditures as described herein, there is no contractual obligation to do so. There can be no assurance that any such eligible green expenditures will be available or capable of being implemented in the manner anticipated and, accordingly, that the Kingdom will be able to use the proceeds for such eligible green expenditures as intended. Furthermore, no assurance is given that any projects or uses the subject of, or related to, eligible green expenditures will be completed as expected, that the stated aims and/or impacts of any projects or uses the subject of, or related to, any eligible green expenditures will be met, or made, nor that adverse environmental, social and/or impacts will not occur during the implementation of such projects or uses. None of these events, nor a failure by the Kingdom to allocate the proceeds of any green financing to eligible green expenditures, nor to report on eligible green expenditures as described herein, nor a failure by a third party to issue (or its withdrawal of) an opinion or certification in connection with any green financing, nor the failure of any green financing to meet Investor Requirements, nor a failure to obtain or maintain any Green Listing, will constitute an event of default or breach of contract with respect to any green financing. Any such event may have a material adverse effect on the value of the relevant investment and/or may have consequences for investors with Investor Requirements.

This Framework does not constitute a recommendation regarding any securities of the Kingdom. This Framework is not, does not constitute, nor should it be interpreted as, or form part of, any offer or invitation to underwrite, subscribe for or otherwise acquire or dispose of, any solicitation of any offer to underwrite, subscribe for or otherwise acquire or dispose of, any securities issued or to be issued by the Kingdom in the United States of America (the "U.S.") or any other jurisdiction. Any decision to buy or invest in securities shall be made solely and exclusively on the basis of the information set out in the pertinent prospectus or equivalent or related documentation filed or otherwise made available to prospective investors by the Kingdom. Thus, this Framework does not constitute a prospectus or other offering document and no securities have been or will be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state of the U.S. or any other jurisdiction.

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