

Westminster City Council Green Finance Framework

13 MARCH 2023



Warwick Way Estate, Westminster, one of the largest rooftop solar panel arrays in Europe

Introduction to the Council

Westminster became a city in 1540 after previously being part of the county of Middlesex. Westminster City Council was then created in 1963 as the local authority for the City of Westminster, one of 33 unitary London boroughs within the Greater London area with the City of London to its East and the Kensington & Chelsea to its West. The City of Westminster covers just over eight square miles, divided into 18 separate wards, each electing 3 councillors and is situated to the north bank of the River Thames.

Westminster is home to many of the UK's landmarks which attract around 25 million visitors each year. The city is commonly referred to as the 'tourist hotspot' of the UK with iconic points of interest including Parliament, the Monarchy and Royal Parks, Soho, and London's two international shopping centres. There are 56 conservation areas within the borough which cover 78% of its area, three scheduled monuments and 11,000 listed buildings or structures (the highest number in any London borough).

Westminster's local economy hosts over 700,000 jobs with over 55,000 businesses based across the City. Amongst this, the City of Westminster is home to a highly diverse resident community of over 260,000 people, with over 50% of residents not born in the UK. The top non-UK languages spoken are Arabic, French and Spanish. In terms of age demographics, 12% of the population are 65 or older, 70% between 18-64 and 18% are under the age of 18. The City's local areas are amongst both the most and least deprived in London according to the 2015 Index of Multiple Deprivation (IMD).

Introduction to the Climate Emergency Action Plan

In September 2019, Westminster City Council declared a Climate Emergency and set out our ambition to become a net zero carbon council by 2030 and for the City of Westminster to become net zero carbon by 2040.

To inform the development of Westminster's Climate Emergency Action Plan, the Council commissioned Anthesis who gathered data to identify the main emissions sources across the Council and city. This data fundamentally underpinned the focus on actions included in the Council's Climate Emergency Action Plan.

The Council's first Climate Emergency Action Plan was adopted in November 2021 and aims to accelerate local climate action and carbon emission reductions through delivering a comprehensive set of actions split across five themes:

- Efficient buildings
- Clean and affordable energy
- Sustainable travel and transport
- Reduced consumption and waste
- Green and resilient city.

The Green Finance Framework will finance Eligible Green Projects from across the different themes, for a full set of eligible projects see page 5.

However, the Action Plan operates through a process of prioritising the delivery of actions which have the greatest impacts on carbon emissions, followed by those that reduce or substitute emissions. The Council is ensuring that offsetting is a last resort and will only be considered when other options have been explored first.

Following Westminster's change in administration in May 2022, Westminster City Council adopted its Fairer Westminster strategy. The Council defines a Fairer Westminster as 'one in which our residents are at the heart of our decision-making and help to determine the city's future' and will be achieved through delivering a:

- Fairer Council
- Fairer Communities
- Fairer Housing
- Fairer Economy
- Fairer Environment.

Although reaching net zero as a Council and city will support the holistic delivery of a Fairer Westminster through all these themes, the Council's Climate Emergency Programme directly aligns with the Fairer Environment ambition. The new administration set out a series of ambitious proposals in their manifesto to help transform the way Westminster responds to the climate crisis. The Council is eager to accelerate this work and is committed to achieving net zero by 2030 as a Council and 2040 as a city through the delivery of Westminster's Fairer Environment.



Westminster City Council employees at a community awareness event

2030 Trajectory

Westminster City Council generated almost 45,000 tonnes of carbon from buildings and activities in its baseline year from April 2018 to March 2019 and the overall organisation emissions performance has been monitored each year since.

As of the 2021/22 reporting year, the Council produced 41,399 tonnes of carbon – a 7.2% reduction on the baseline, however, emissions must be reduced by 3,700 tonnes of CO₂ (8.3% of the baseline) each year to achieve the net zero 2030 target.

The Council is currently working on a revised emissions trajectory forecast, based upon anticipated emissions savings from projects in development and in delivery. This will help the Council better understand the stepped reductions in emissions that will be delivered by projects and identify the areas where the Council will need to accelerate action to reach the 2030 target.

The Council's true pathway to 2030 will be delivered through a series of stepped savings as each carbon saving project is delivered, rather than the modelled straight line shown on the chart below by the orange line.

2040 Trajectory

The City of Westminster has some of the highest carbon emissions by local authority area in the UK, producing 2.2 million tonnes of carbon dioxide equivalent (CO₂e) in 2017. The Council monitors and calculates citywide emissions using the SCATTER* emissions measurement and modelling tool, specifically built to help support local authorities in understanding and tracking their local area emissions.

Over the period 2017-2019 (the most recent data available from SCATTER), the City of Westminster's emissions have decreased by 1.9%.

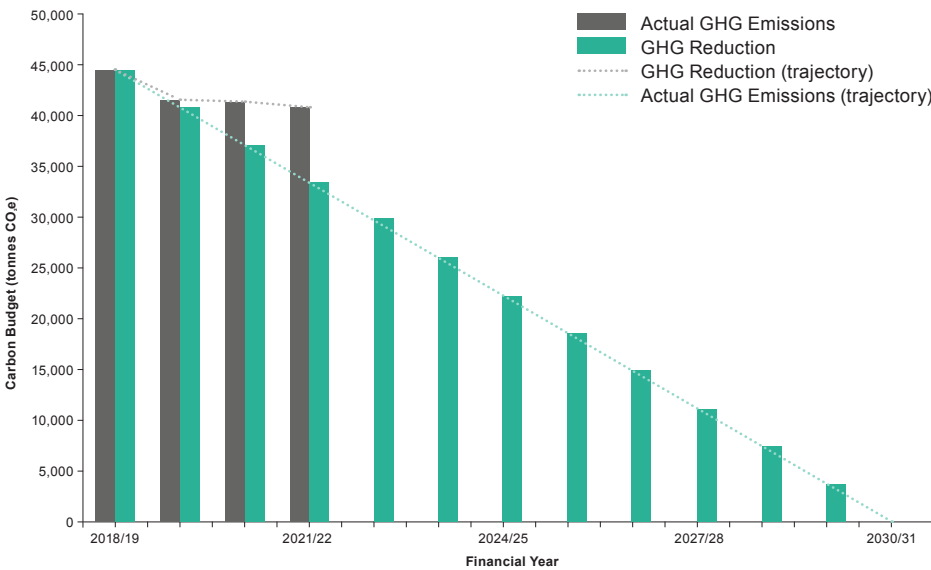
To achieve Westminster's net zero 2040 target, the city will need to save over 91,000 tonnes of carbon annually. This is equivalent to eliminating the Council's entire carbon footprint more than twice-over, every year. Based on current performance over the period from 2017, Westminster's citywide emissions have reduced by 44,000 tonnes.

City of Westminster Emissions (Scope 1 and Scope 2 only)

Year	Emissions (tCO ₂ e)	Change from 2017 baseline
2017	2,274,070	N/A
2018	2,417,333	+6.3%
2019	2,229,001	-1.9%

* SCATTER (scattercities.com)

WCC GHG Emissions Trajectory (Scopes 1-3 apportioned reduction per annum)



Green Finance Framework

The Council has prepared this Green Finance Framework (the framework) with the intention of raising capital via the issuance of a Green Local Authority Security (GLAS) in the form of bonds and P2P Loan Agreements to (re)finance Eligible Green Projects which support the delivery of the Council's Net Zero plans.

The framework provides overarching criteria and guidelines as to how the Council will issue the above products and manage them on an ongoing basis. The Council has developed the framework in line with various applicable market standards as below:

GLAS align to the International Capital Market Association (ICMA) 2021 Green Bond Principles (GBP) and Loan Market Association (LMA) 2020 Green Loan Principles (GLP) or as these principles may be subsequently amended.

The principles referenced within the framework are voluntary process guidelines and, at the date of this publication, are globally accepted as the standard guidelines. They also follow the principles underpinning the UK Government's Green Gilt and Green N&SI saving bond products.

Abundance Investment Ltd will provide assurance that the projects funded by Use of Proceeds are Eligible Green Projects and that all the Use of Proceeds are spent on Eligible Green Projects.

The Council's Section 151 Officer will hold responsibility and accountability for the framework, including all compliance, throughout the life of the GLAS.

The Council is committed to following best practice and appreciates any feedback from market participants on the approaches set out in this framework.

This framework may be updated from time to time to ensure continued alignment with voluntary market best practices and emerging standards. For instance, these documents may be amended to align with the UK Government Green Taxonomy when it is published. Any updated version of this framework will either maintain or improve the current levels of transparency and reporting disclosures, including the corresponding external review.

Considering the Social Co-Benefits of Green Investment

A just transition seeks to ensure that the substantial benefits of a green economy transition are shared widely, while also supporting those who stand to lose economically – be they, industries, communities, workers or consumers.

A rapid increase in the speed and scale of actions required to reduce the risks of climate change will create new economic opportunities, but at the same time it may move economic activity away from damaging industries and can carry costs for consumers.

We aim to identify where the challenges will occur and plan the transition, so it minimises the costs to more vulnerable sections of the community. In our reporting we will communicate mitigants that we have put in place when delivering individual eligible green projects to support a just transition.

GLAS: Green Bonds and Green Loans

This section of the framework sets out how the Council proposes to issue and manage its GLAS on an ongoing basis. Green Bonds and Loans are defined in this framework as bonds and loans established to finance Eligible Green Projects – these are projects or assets that deliver positive environmental outcomes or refinance Council debt that supports these projects or assets.

The Council developed the framework in line with the GBP and GLP and therefore the methodology includes the following four key components:

- Use of Proceeds
- Process for evaluation and selection
- Management of proceeds
- Reporting.







Use of Proceeds

The Use of Proceeds is defined in the legal documentation for each GLAS issued. It is an amount equivalent to the net proceeds (funding raised after costs) of Green Bonds and Loans issued under the framework and can only be allocated to the financing of Eligible Green Projects, (this is projects with positive environmental outcomes, which contributed to a low carbon and climate resilient future) or the refinance of corporate debt that supports Eligible Green Project.

Each GLAS will detail which specific projects, asset or project themes the GLAS is funding. Where eligible projects and assets are jointly funded between the Council and another party (e.g. Central Government), funding will be applied only to the Council's share of the eligible scheme.

Eligible Green Projects

The following tables outline the categories of Eligible Green Projects. The Eligible Green Projects are derived from the categories laid out in the ICMA Green Bond Principles, but for consistency we have cross referenced the framework established by the UK Government for the countries Green Gilt and Green N&SI savings product scheme as well as the UK Taxonomy objectives.

Eligibility sectors	UK Taxonomy Objectives	Eligibility criteria
Renewable Energy 	Climate Change Mitigation	<ul style="list-style-type: none"> Schemes generating energy from renewable sources such as wind, solar, geothermal, hydropower (provided environmental and social impact assessments are undertaken and no significant controversies are identified) and bioenergy with lifecycle emissions of less than 100g CO₂e/kWh, declining to 0g CO₂e/kWh by 2050 and only second generation biofuels are used Energy storage facilities Schemes for renewable heat such as district heating and heat pumps where energy is derived from renewable sources
Energy Efficiency 	Climate Change Mitigation	<ul style="list-style-type: none"> Schemes that reduce the energy use (heat and electricity) and therefore the carbon intensity of buildings used by the Council or buildings owned by the Council but rented out for social housing or commercial purposes Schemes that support or provide services to the private residential or commercial market to encourage or implement energy efficiency measures Schemes that utilise energy more effectively to generate heat or utilise waste heat
Clean Transportation 	Climate Change Mitigation	<ul style="list-style-type: none"> Schemes that support low and zero emission mobility, including EV charging infrastructure, EV fleet conversion, cycle way improvement, car reduction schemes and other schemes that encourage cleaner transportation
Pollution Prevention and Control 	Climate Change Mitigation Pollution Prevention and Control Transition to a Circular Economy	<ul style="list-style-type: none"> Schemes that support waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy Reduction of air and water emissions and greenhouse gas control Schemes that support the circular economy
Climate Change Adaptation 	Climate Change Adaptation	<ul style="list-style-type: none"> Schemes that deliver flood protection, resilience and other risk mitigation programmes Schemes that deliver heat protection, resilience and other risk mitigation programmes Engineering activities and technical consultancy dedicated to adaptation to climate change
Living and Natural Resources 	The Protection and Restoration of Biodiversity and Ecosystems Sustainable use and Protection of Water and Marine Resources Climate Change Mitigation Climate Change Adaptation	<ul style="list-style-type: none"> Schemes that protect and enhance terrestrial and marine biodiversity, ecosystems and natural capital Schemes that support sustainable land use and protection, including environmentally sustainable agriculture Schemes that support environmentally sustainable clean water, water storage and wastewater management Funding for environmental activities of third sector partners

Process for Evaluation and Selection

For new and existing bonds and loans, the Council will manage the eligible scheme selection process by applying professional judgement, discretion, sustainability knowledge and by considering the following objectives, features and benefits:

- Conformance with the relevant principles
- Conformance with the eligible criteria set
- Alignment with the Council's Climate Emergency Action Plan
- Broader environmental and/or social risks associated with the project.

The resultant list of eligible assets and their budgets will be provided in the Use of Proceeds details associated with an individual GLAS.

Before a GLAS is launched Abundance will validate that the Use of Proceeds only includes Eligible Green Projects. In cases where Abundance and the Council do not agree on the classification of a project as green, a third party opinion may be sort.

Management of Proceeds

To manage the risk of holding unallocated proceeds from GLAS, the combined value of the GLAS will be less than the total value of the eligible assets and any balance of funding will be met through existing funding sources.

Tracking of proceeds

The Council tracks the receipt and Use of Proceeds via its internal reporting systems, ensuring Eligible Green Projects (re)financed are appropriately identified.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, the Council has established a register that contains details (including value) of all Eligible Green Projects (re) financed by or able to be (re)financed by Green Bonds and Loans.

The Council will service its debt obligations under Green Bonds and Loans out of general cashflows and not specifically from revenues generated by eligible projects alone.

Unallocated proceeds

To the extent that Green Bond and Loans proceeds have not been allocated to eligible assets at issuance, or if during the life of the Green Bond and Loans proceeds become unallocated ("Unallocated Proceeds") (for example, because an eligible asset has been sold), the amount of unallocated proceeds shall be:

- held in temporary investment instruments that are cash, or cash equivalent instruments, within a treasury function; or
- held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to eligible assets.

Should unallocated proceeds arise for any outstanding Green Bond or Loan:

- The Council will disclose this information within the annual use of proceeds reporting
- No contractual right of review or repayment will arise, and no loss of green classification will occur.

The Council expects there to be adequate headroom of eligible assets and will endeavour to ensure that funds are disbursed to eligible assets within 24 months of the issuance of the Green Bonds and Loans.

Reporting

The Council will publish information on the Use of Proceeds as follows:

- Details of the schemes (re)financed and amount of money spent on each project
- A summary of the environmental outcomes that have been delivered by the projects

The information will be published as follows:

- Investor Update, this is the digital communication emailed to all investors in a specific GLAS
- Abundance Project Page, the same information will be published on the Council GLAS webpage so that any member of the public can view the information.

Assurance

The Council is committed to pursuing the highest standards of integrity relating to its GLAS programme. By providing an independent and third party check Abundance Investment provide assurance that the program is being delivered in line with the GBP and GLP and that the schemes selected are Eligible Green Projects.

The projects selected to be financed by the Use of Proceeds will be reviewed by Abundance to ensure they qualify as Eligible Green Projects. Where the green credentials of a project are not clear, Abundance might recommend the recruitment of a technical expert to provide an expert opinion on the qualification of a project.

Abundance from time to time will spot check the Council's programme to ensure that the updates provided are accurate and the internal systems and controls remain in place to ensure that ongoing compliance with the framework is assured.



Westminster City Council employees at the launch of the Sustainable City Charter

