



NORGES BANK

Ministry of Finance  
Boks 8008 Dep.  
0030 Oslo

Date: 27.01.2016  
Your ref.:  
Our ref.:

## Government Pension Fund Global – Proposed amended provisions on a new product-based coal criterion in the framework for responsible investment, etc.

We refer to the Ministry's letter of 21 December 2015 on proposed amended provisions on a new product-based coal criterion in the framework for responsible investment.

The changes to the management framework are a result of the Standing Committee on Finance and Economic Affairs' discussion of the introduction of a new product-based coal criterion in Recommendation 290 S (2014-2015), and the consideration of the National Budget for 2016, where the Storting (Norwegian parliament) endorsed the Ministry's proposals for how the criterion can be operationalised.

The Ministry specifies in the letter that the criterion is to apply to mining companies and power producers that produce or use coal for energy purposes, known as thermal coal. It also specifies that the criterion covers only production: buying and selling coal, transporting coal, power distribution and power trading are not included. The Ministry also states that it is sufficient for a company to exceed one of the thresholds (revenue/activities) to meet the definition of "significant".

We note that the Ministry stresses that the wording of the criterion is intended to allow the application of the criterion to be adjusted as more experience is gained. By making the criterion general in nature and formulating it as a "may" rule, there is also scope for the use of discretion to make forward-looking assessments. The Bank should, for example, be able to use discretion when assessing how the share of renewable energy at a power producer should be taken into account in the overall assessment.



Enclosed with the Ministry's letter of 21 December 2015 are proposed amendments to the Management Mandate for the Government Pension Fund Global. The changes to section 2-5 mean that the Bank will also have to inform the Ministry about decisions on observation. Such decisions do not entail a need to update the benchmark index. We therefore assume that it should be sufficient for the Bank to inform the Ministry about decisions to exclude companies and the reversal of such decisions, and that the wording should reflect this.

We would also like to highlight an issue in the current guidelines for observation and exclusion from the Government Pension Fund Global for consideration. Section 6 (3) looks at other measures that the Bank is to consider before deciding on observation or exclusion. The wording here can be interpreted such that other measures must also be considered before reversing a decision on observation or exclusion, which we presume would not be relevant. We therefore propose that the wording is adjusted accordingly.

Yours faithfully

Øystein Olsen

Yngve Slyngstad