FMO
Entrepreneurial
Development
Bank

COMBINED POSITION STATEMENT ON FOSSIL FUELS

Copyright: FMO retains all rights (including copyrights, trademarks, patents as well as any other intellectual property right) in relation to all information provided in this manual (including all texts, graphics and logos). You may not copy, publish, distribute, or reproduce any of the information contained in this document in any form without the prior written consent of FMO. However, you may print out information contained in this document for your own personal use. By accessing this document, you agree to be bound by all of the above terms and conditions.

© Copyright 2026 Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO) Netherlands Development Finance Company

FMO
Entrepreneurial
Development
Bank

Contents

1. Introduction 3
2. FMO Vision & Strategy 3
3. Introduction to the Combined Position on Fossil Fuels 4
4. FMO Position Statement on Coal 7
   4.1. Introduction 7
   4.2. FMO Approach 8
   4.3. FMO Implementation 9
5. FMO Position Statement on Phasing Out Fossil Fuels from Our Investments 12
   5.1. Introduction 12
   5.2. FMO Approach 13
   5.3. FMO Implementation 14
6. Stakeholder Feedback 22

Appendix I: FMO's Sustainability Policy Universe 23

FMO
Entrepreneurial
Development
Bank

1. Introduction

FMO is the Dutch entrepreneurial development bank. Since 1970, it has been a driving force behind investments that enable entrepreneurs to increase inclusive and sustainable prosperity in emerging markets and developing countries.

By engaging with underserved markets, FMO invests in some of the world's most challenging business environments and economies, many of which have fragile private sectors, limited job security, and high poverty rates.

2. FMO Vision & Strategy

FMO envisions a world where, by 2050, more than nine billion people live well within planetary boundaries[1].

FMO is committed to promoting inclusive and sustainable economic growth and addressing inequalities in emerging markets and developing countries—both of which are essential for reducing poverty.

FMO strives to create value, opportunities, and development impact[2] through its investments and works closely with customers and financing partners to manage—including avoiding and mitigating, and, where not possible, minimizing—potential and actual negative impacts on people and the environment. It also aims to ensure that this development impact is sustained without compromising resources for future generations.

FMO aims to maximize its development impact and contribution to the United Nations Sustainable Development Goals (SDGs) by focusing on three priorities where it can have greatest impact: SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, and SDG 13: Climate Action.

[1]For further information on FMO's vision and strategy, refer to FMO's Impact webpage.

[2]Development impact is the overall positive impact that FMO's investments and activities have, either primarily or secondarily, on people and environment.

3. Introduction to the Combined Position on Fossil Fuels

The Combined Position Statement on Fossil Fuels is an integral part of FMO's Sustainability Policy Universe—a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impact[3] across its investment portfolio.

FMO's Position Statements are supplementary to the Sustainability Policy and are not stand-alone policy documents. They provide further context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.

The Position Statements also underpin FMO's commitment to responsible business conduct by upholding high standards of ethics and integrity—including transparency and accountability in FMO's investment actions and decision-making—which safeguard its assets and reputation.

FMO's approach to sustainability is shaped by many factors and continues to evolve as part of an ongoing process. This process involves monitoring and responding to changes in the broader context in which it operates, continuously engaging with stakeholders, effectively addressing dilemmas and challenges in order to uphold its commitments, and taking appropriate steps based on lessons learned.

Consequently, the Combined Position Statement on Fossil Fuels is a living document that is regularly reviewed and updated over time[4].

[3]FMO has updated the language in the Sustainability Policy Universe to align with the terminology and definitions in the ESRS 2 'double materiality assessment' (DMA) regarding "impact" and "impact materiality." The DMA helps FMO identify which sustainability-related matters are material from an impact and/or financial perspective and therefore need to be included in its reporting under the EU Corporate Sustainability Reporting Directive (CSRD). A sustainability-related matter is considered material from an impact perspective when it relates to FMO's potential or actual—positive or negative—impacts on people or the environment over the short, medium, and long term.

[4]This Combined Position Statement was approved by FMO's Management Board on 22 December 2022. It was last updated in April 2026.

The Combined Position Statement on Fossil Fuels brings together two existing position statements to reflect FMO's comprehensive approach to phasing out fossil fuels from both its direct and indirect investments across its portfolio.

1. Position Statement on Coal — This statement outlines FMO's approach to coal-based power generation and coal mining.
2. Position Statement on Phasing Out Fossil Fuels from Our Investments — This statement outlines FMO's approach to other (non-coal) fossil fuels.

Climate Action

Through its Strategy 2030 and Climate Action Plan, and in support of Climate Action (SDG 13), FMO is committed to the goals of the United Nations Framework Convention on Climate Change Paris Agreement (Paris Agreement) and to being Net Zero by 2050[5] through a just and inclusive transition.

FMO acknowledges the significant challenges this presents across sectors and geographies; however, it also recognizes the opportunities to advance its climate objectives while supporting customers in meeting their own climate targets.

In support of FMO's longstanding commitment to climate action, its approach to coal and fossil fuels has developed over time:

- **2015**: FMO committed to excluding coal-based power generation and coal mining from further investments, and to capping indirect exposure—a commitment reaffirmed in 2017 through its Position Statement on Coal (formerly titled the Position Statement on Coal Power Generation and Coal Mining).
- **2020**: FMO committed to the EDFI Statement on Climate and Energy Finance, which references the Harmonized EDFI Fossil Fuel Exclusion List—a document outlining the fossil fuel–related activities that EDFI members[6] have agreed to exclude from both direct and indirect investments.

[5]To remain on track and achieve its goal to reach Net Zero by 2050, FMO strives to align financial flows with 1.5°C-aligned sectors and activities.

[6]EDFI is the Association of European Development Finance Institutions. For further information, refer to EDFI - The Association of European Development Finance Institutions.

- **2021:** FMO published its Position Statement on Phasing Out Fossil Fuels from Our Investments, through which it excluded further direct investments in upstream or midstream stand-alone fossil fuel–related activities beyond coal. FMO also committed to phasing out direct investments in integrated mid- and downstream fossil fuel–related activities for power generation and allowed a five-year transition period, with defined transition criteria for any proposed investment in gas-based power projects and connected transmission infrastructure, deemed critical to safeguarding energy security and affordable prices.
- **2025:** FMO updated both position statements to include references to peat to align them with its Paris Alignment commitments.
- **2026:** FMO updated its Position Statement on Phasing Out Fossil Fuels from Our Investments to end the transition period (2021–2026), which had allowed exceptions for direct investments in mid- and downstream gas-based power projects and transmission and distribution infrastructure solely connecting gas-based power to the public grid. At the same time, FMO maintained its transition criteria for distributed energy solutions by extending the transition period by an additional five years.

FMO
Entrepreneurial
Development
Bank

4. FMO Position Statement on Coal

4.1. Introduction

For the purpose of this position statement, FMO uses the term "coal" to describe both thermal coal used for power and heat generation, and metallurgical coal, used in steel production.

This position statement is applicable to FMO's direct[7] and indirect[8] investments.

Coal is a fossil fuel that is widely used for producing power and heat. On a much smaller scale, coal is also used to produce gaseous and liquid fossil fuels through gasification and liquefaction. Additionally, coal is used to produce metallurgical coal (or coke), an important input for producing steel from iron ore.

Coal use has material negative impacts on people and the environment across its value chain, including but not limited to:

- **High greenhouse gas (GHG) emissions:** Coal-based power and heat production are major emission sources and there are currently no commercially feasible or viable technologies to capture and store these emissions.
- **Highest carbon intensity:** Due to both its combustion and the energy required for mining, processing, and transport, coal generates more greenhouse gas emissions per unit of energy than any other fossil fuel.
- **Significant health and environmental harms:** Coal combustion and other stages of its value chain pose numerous safety hazards and cause severe negative impacts on human health and ecosystems.
- **Hidden economic costs:** When accounting for the costs of managing and mitigating these impacts, coal cannot be considered a cheap energy source; fully internalizing these costs in economic performance calculations would result in negative growth for many countries.

[7] Direct investments are debt and equity provided to a corporate customer into the real sector or a project.
[8] Indirect investments are debt and equity provided to financial intermediaries who on-lend or invest FMO funds into the real sector or a project.

Reflecting these impacts, International Energy Agency's *Net Zero by 2050*[9] report (2021) stated that there was no need for new investments in fossil fuel supply on the net-zero pathway—specifically, no new oil and gas fields, coal mines or mine extensions—and that demand for unabated coal must fall by 98%, to less than 1% of total energy use, by 2050. These insights supported FMO's decision to develop its Position Statement on Phasing Out Fossil Fuels from Our Investments and to further phase out fossil fuels from 2021 onward.

4.2. FMO Approach

Aligned with its Strategy 2030 and Climate Action Plan, FMO's approach includes:

- Aligning financial flows with 1.5ºC-aligned sectors and activities to remain on track and achieve FMO's goal of a Net Zero by 2050.
- Phasing out investments in fossil fuels, in line with FMO's investment restrictions outlined in this Position Statement.
- Assessing potential investments for alignment with the goals of the Paris Agreement, following its Paris Alignment Principles and Methodology[10].
- Focusing on low-carbon investment opportunities, particularly renewable energy.
- Supporting the ongoing development and innovation of low-carbon technologies.
- Encouraging and supporting customers to raise their climate ambitions, explore alternatives to fossil fuels, identify Green opportunities, and plan for the energy transition—potentially with support from FMO's Development Contribution program.
- Helping clients assess potential climate-related impacts, including both physical and transition impacts.
- Communicating transparently on its activities, the investments that meet transition criteria, and the carbon footprint of its portfolio.
- Monitoring economic and technological developments in the countries and energy markets in which it invests.
- Regularly reviewing this position statement to ensure continued relevance.

[9]May 2021IEA (2021), Net Zero by 2050, pp 20-21, IEA, Paris https://www.iea.org/reports/net-zero-by-2050, Licence: CC BY 4.0

[10]FMO's assessment approach is based on the Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New Operations (2023). Investments are considered Paris-aligned if they are not inconsistent with the host country's mitigation, adaptation, and resilience goals, as defined in the host country's Nationally Determined Contributions (NDC) and National Adaptation Plans (NAP).

FMO
Entrepreneurial
Development
Bank

4.3. FMO Implementation

FMO acknowledges the material negative impacts associated with coal-based energy production and coal mining and recognizes that no adequate measures exist to fully mitigate these impacts. FMO also notes that cost-efficient alternative energy sources are generally available.

Direct Investments

FMO will not directly finance[11]:

- Any upstream coal activities such as coal prospection, exploration, mining, or processing.
- Any production, storage and transportation activities of coal—including transport facilities primarily being built for coal transportation.
- Any power-generation-plant-based installation using thermal coal to deliver power to the public grid[12]—including co-generation and multi-fuel installations.
- Associated facilities, such as dedicated transmission and distribution lines connecting a coal fired power plant—including cogeneration and multi-fuel installations—to the public grid.
- New infrastructure or any business with planned or expected expansion of infrastructure for the use of coal for captive power and/or heat generation[13].

Indirect Investments

FMO considers financial intermediary customers[14] to be key partners and instrumental in delivering on its development impact objectives.

---

[11]This is aligned with the Harmonized EDFI Fossil Fuel Exclusion List which maintained and strengthened FMO's commitment to stop financing coal from 2015.

[12]This includes corporates that generate coal-based power to deliver to the public grid. FMO may extend ring-fenced finance to the corporate's core activities.

[13]This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

[14]Financial intermediaries to whom FMO provides indirect investments include financial institutions (i.e., debt and equity) and private equity funds.

FMO actively seeks to invest in Clean Energy Funds[15] and increasingly aims to have a "transformative" effect on financial intermediaries through a strategic approach that includes the development of product propositions, capabilities, and related financing, with the goal of achieving the same impact for end-customers. Additionally, FMO supports them on their Green Finance journey with both Green credit lines and Green guarantees for on-lending and risk-sharing for eligible Green end-customers and investment opportunities[16]. Furthermore, FMO may provide support to customers in the form of dedicated Technical Assistance to build their Green Finance capacity.

FMO may, in certain circumstances, continue to invest in a financial intermediary (i.e., a private equity fund or financial institution) with whom it already has an investment relationship and that invests in, or provides loans related to, coal-fired power projects, coal mines, and dedicated thermal coal transport and infrastructure. However, this is permitted only when these coal-related exposures represent no more than 20% of the customer's total balance sheet or total investment portfolio[17] at the time of FMO's investment.

In addition, FMO aligns its approach with the Harmonized EDFI Fossil Fuel Exclusion List and excludes certain specific fossil fuel–related activities. The following coal-related activities are excluded from new investments through both new private equity funds and new dedicated debt lending (with defined use of proceeds) through financial institutions[18]:

- Any upstream coal activities such as coal prospection, exploration, mining or processing.
- Transport and related infrastructure primarily[19] used for thermal coal for power generation.
- Construction of any new, or refurbishment of any existing, coal-fired power plant delivering to the public grid (including co-generation and multi-fuel installations).

[15]A Clean Energy Fund is a financial vehicle that invests in technologies, companies, and projects reducing GHG emissions, supporting renewable sources (e.g., solar, wind, hydro), or improving efficiency.

[16]Further information on FMO's Green Methodology and Green eligibility criteria, refer to FMO's How We Manage Impact webpage.

[17]This threshold applies to private equity funds only when the fund had already invested in coal prior to FMO's investment.

[18]Aligned with the Harmonized EDFI Fossil Fuel Exclusion List and fully effective from June 2023.

[19] "Primarily" means more than 50% of the infrastructure's handled tonnage.

- Any planned expansion of captive coal infrastructure used for power and/or heat generation[20].

FMO may also provide general credit lines (i.e., debt or equity financing) to financial institutions with existing coal exposure when the financing is ring-fenced for general corporate purposes and when the customer's coal portfolio is on a reduction trajectory aligned with the Paris Agreement. This must include a commitment to cease new financing of coal extraction and coal-based electricity generation before 2030.

[20] This does not apply to coal used to initiate chemical reactions (e.g. metallurgical coal mixed with iron ore to produce iron and steel) or as an ingredient mixed with other materials, given the lack of feasible and commercially viable alternatives.

5. FMO Position Statement on Phasing Out Fossil Fuels from Our Investments

5.1. Introduction

For the purpose of this position statement, FMO uses the collective term 'fossil fuels' to describe liquid or gaseous fossil fuels in their various stages[21].

This position statement is applicable to FMO's direct[22] and indirect[23] investments.

This position statement, which is complementary to the Position Statement on Coal, provides an overview of FMO's considerations and criteria for direct and indirect investments across the value chain of fossil fuels used for energy purposes.

Phasing Out Fossil Fuels

Energy is a driver of sustainable economic growth, and private sector financing in the energy sector can have a major impact. According to the International Energy Agency (IEA), 730 million people across the world still lacked access to electricity in 2024[24]. FMO aims to maximize its contribution to SDG 8: Decent Work and Economic Growth and SDG 7: Affordable and Clean Energy through the energy sector and is committed to financing long-term projects that power economies, promote the transition to a low-carbon system, and safeguard energy security at affordable prices for all[25].

Energy generated from fossil fuels has material negative impacts on people and the environment across its value chain, including major greenhouse gas (GHG) emissions.

[21]This includes Crude Oil, Light Crude Oil (LCO), Heavy Fuel Oil (HFO), Liquified Natural Gas (LNG), Liquefied Petroleum Gas (LPG), and Natural Gas. Diesel is included within HFO/LCO products and FMO has extended its term to include peat.

[22]Direct investments are debt and equity provided to a corporate customer into the real sector or a project.

[23]Indirect investments are debt and equity provided to financial intermediaries who on-lend or invest FMO funds into the real sector or a project.

[24]Source: IEA (2025), Access to electricity stagnates, leaving globally 730 million in the dark, IEA, Paris https://www.iea.org/commentaries/access-to-electricity-stagnates-leaving-globally-730-million-in-the-dark, Licensed: CC BY 4.0

[25]Further information on FMO's commitment to financing energy can be found on FMO's website.

Currently, there are no commercially feasible or viable technologies to capture and store these emissions.

Reflecting these impacts, International Energy Agency's *Net Zero by 2050*[26] report (2021) stated that there was no need for new investments in fossil fuel supply on the net-zero pathway— specifically, no new oil and gas fields, coal mines or mine extensions—and that demand for unabated coal must fall by 98%, to less than 1% of total energy use, by 2050.

Renewable energy technologies have become an economically attractive energy source in most parts of the world in recent years. Rapid developments in technologies such as battery storage, demand-side response, and hydrogen will eventually enable the use of green energy alternatives in most applications, largely replacing fossil fuels. However, in many markets where FMO operates—particularly those transitioning from fossil fuel-based systems to renewable-based systems—some fossil fuels are still required due to the lack of economically and technically viable renewable energy alternatives. Their use helps ensure flexible, non-intermittent power for the public grid or for distributed energy solutions.

Furthermore, FMO acknowledges that continued investment in fossil fuels may still be relevant in some cases during the transition period, as it helps build a reliable electricity sector and improve access to energy in these countries. However, FMO believes that it is only a matter of time before technological developments, along with improved market readiness for renewables and enabling technologies (e.g., batteries), could allow a full phase-out of fossil fuels.

This position statement complements FMO's strategy to support the energy transition.

5.2. FMO Approach

Aligned with its Strategy 2030 and Climate Action Plan, FMO's approach includes:

- Aligning financial flows with 1.5°C-aligned sectors and activities to remain on track and achieve FMO's goal of a Net Zero by 2050.

[26]May 2021IEA (2021), Net Zero by 2050, pp 20-21, IEA, Paris https://www.iea.org/reports/net-zero-by-2050, Licence: CC BY 4.0

- Phasing out investments in fossil fuels, in line with FMO's investment restrictions outlined in this Position Statement.
- Assessing potential investments for alignment with the goals of the Paris Agreement, following its Paris Alignment Principles and Methodology[27].
- Focusing on low-carbon investment opportunities, particularly renewable energy.
- Supporting the ongoing development and innovation of low-carbon technologies.
- Encouraging and supporting customers to raise their climate ambitions, explore alternatives to fossil fuels, identify Green opportunities, and plan for the energy transition—potentially with support from FMO's Development Contribution program.
- Helping clients assess potential climate-related impacts, including both physical and transition impacts.
- Communicating transparently on its activities, the investments that meet transition criteria, and the carbon footprint of its portfolio.
- Monitoring economic and technological developments in the countries and energy markets in which it invests.
- Regularly reviewing this position statement, including the transition period and threshold, to ensure continued relevance.

5.3. FMO Implementation

As a priority, FMO seeks direct and indirect investment opportunities that support the transition to a low-carbon economy in the countries where it operates, focusing on renewable energy as well as new technologies, developments, and solutions necessary to transition to a low-carbon system.

Additionally, to help limit greenhouse gas (GHG) emissions and further reduce fossil-fuel investments, FMO will phase out fossil-fuel-based energy from its new investments.

For an overview of FMO's investment restrictions and criteria, refer to Table 1: FMO's Investment Restrictions and Criteria for Direct and Indirect Investments in Fossil Fuels.

[27]FMO's assessment approach is based on the Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment of New Operations (2023). Investments are considered Paris-aligned if they are not inconsistent with the host country's mitigation, adaptation, and resilience goals, as defined in the host country's Nationally Determined Contributions (NDC) and National Adaptation Plans (NAP).

FMO supports customers in aligning with the Paris goals from both mitigation and resilience perspectives, helping them support their host countries' Nationally Determined Contributions (NDCs) and transition to a sustainable climate pathway, strengthen climate resilience, and improve the sustainable use of natural resources. FMO acknowledges the significant challenges this presents across sectors and geographies; however, it also recognizes the opportunities to advance its climate objectives while supporting customers in meeting their own climate targets.

Direct Investments

FMO will no longer invest directly in upstream or midstream stand-alone fossil fuel–related activities. For an overview of FMO's position, refer to Figure 1: FMO's Position on Direct Investments in the Fossil Fuels Value Chain.

FMO will no longer invest directly in integrated mid- or downstream fossil fuel activities for power generation for the public grid, including those based on natural gas.

FMO will no longer invest directly in transmission and distribution (T&D) infrastructure that solely connects power generated from fossil fuels, including gas, to the public grid.

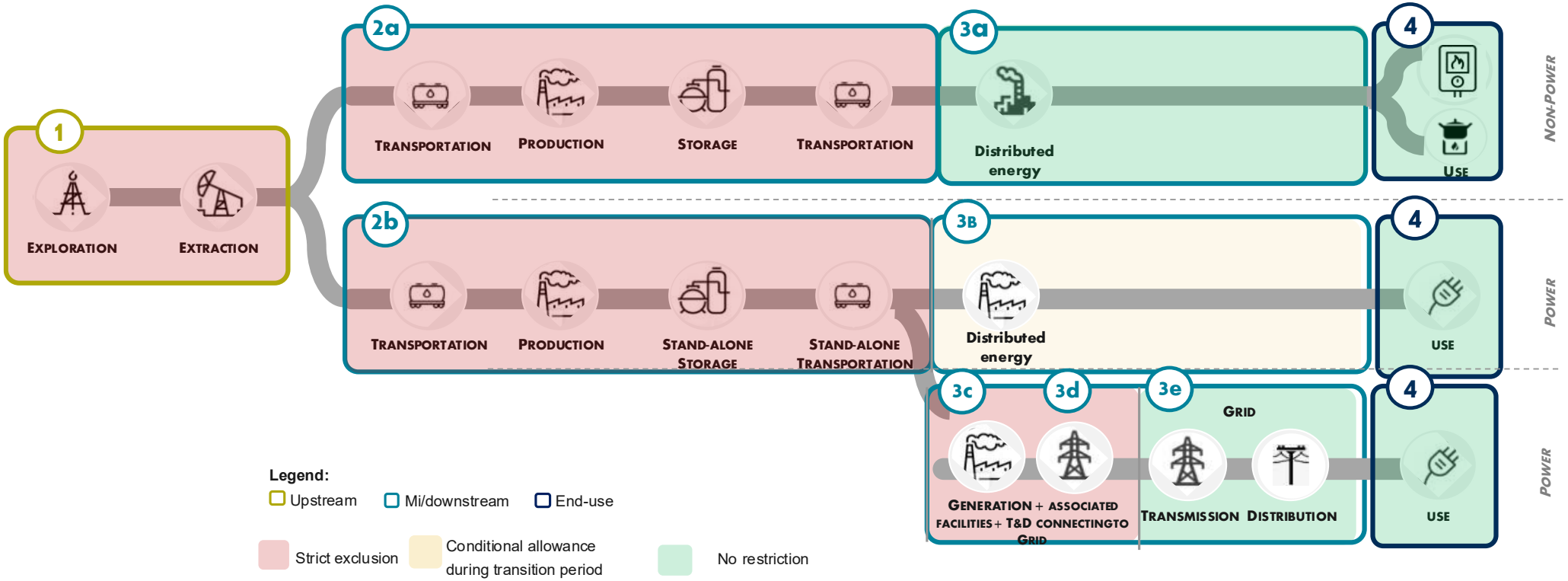
For direct investments in distributed energy solutions (i.e., off-grid, mini-grid, commercial & industrial [C&I] hybrid), as well as captive-energy solutions, FMO has applied a transition period of five years (i.e., up to 1 June 2031), during which it will only directly invest in distributed energy and captive-energy infrastructure that meets specific transition criteria. The transition criterion is that FMO requires less than 50% of energy generation may come from fossil fuels; however, neither coal[28] nor peat is permitted, with the remainder sourced from renewable energy and batteries. The majority of expected energy generation from the installed capacity of the distributed energy solution should come from renewables—although it is acknowledged that actual wind and solar production may vary each year based on wind and sunlight conditions. FMO encourages customers to transition to renewable alternatives for direct investments in industrial distributed energy solutions for non-power purposes. After the transition period, FMO will review the relevance of the transition threshold for distributed energy solutions based on technological progress and economic viability in its markets.

[28]Refer to FMO's Position Statement of Coal regarding its position on captive coal infrastructure used for power and/or heat generation.

For an overview of FMO's investment restrictions and criteria, refer to Table 1: FMO's Investment Restrictions and Criteria for Direct and Indirect Investments in Fossil Fuels.

FMO
Entrepreneurial Development Bank

Figure 1: FMO's Position on Direct Investments in the Fossil Fuel Value Chain



Indirect Investments

FMO considers financial intermediary customers[29] to be key partners and instrumental in delivering on its development impact objectives.

FMO actively seeks to invest in Clean Energy Funds[30] and increasingly aims to have a "transformative" effect on financial intermediaries through a strategic approach that includes the development of product propositions, capabilities, and related financing, with the goal of achieving the same impact for end- customers. Additionally, FMO supports them on their Green Finance journey with both Green credit lines and Green guarantees for on-lending and risk-sharing for eligible Green end-customers and investment opportunities[31]. Furthermore, FMO may provide support to customers in the form of dedicated Technical Assistance to build their Green Finance capacity.

FMO aligns its approach with the Harmonized EDFI Fossil Fuel Exclusion List and excludes certain specific fossil fuel–related activities from new investments through both new private equity funds and from on-lending with new dedicated debt lending (with defined use of proceeds) through financial institutions.

For general debt transactions with financial institutions, FMO applies investment restrictions with respect to fossil fuels including for certain peat-related activities (extraction and peat used power generation).

For an overview of FMO's investment restrictions and criteria, refer to Table 1: FMO's Investment Restrictions and Criteria for Direct and Indirect Investments in Fossil Fuels.

[29]Financial intermediaries to whom FMO provides indirect investments include financial institutions (i.e., debt and equity) and private equity funds.

[30]A Clean Energy Fund is a financial vehicle that invests in technologies, companies, and projects reducing GHG emissions, supporting renewable sources (e.g., solar, wind, hydro), or improving efficiency.

[31]Further information on FMO's Green Methodology and Green eligibility criteria, refer to FMO's How We Manage Impact webpage.

FMO
Entrepreneurial Development Bank

Table 1: FMO's Investment Restrictions and Criteria for Direct and Indirect Investments in Fossil Fuels

#	Type of Investment	Description	Investment Restrictions		
			Direct Investments	Indirect Investment Private Equity Funds & Dedicated Debt in Financial Institutions	Indirect Investment General Credit Lines in Financial Institutions
1	**Upstream:** Exploration & Extraction	Financing for the exploration and extraction of fossil fuels, including peat	No direct investment allowed	No new investments allowed in: - Oil exploration or production - Stand-alone fossil gas exploration and/or production[32] - Peat extraction	No investments allowed in peat extraction[33] For investment restrictions regarding coal, see Position Statement on Coal
2a	**Midstream & Downstream:** Production, Storage & Transportation for Non-Power Generation	Financing for the **production, storage, and transportation** of fossil fuels for **non-power generation** (including transport facilities primarily being built for fossil fuel transportation).	No direct investment allowed	No new investments allowed in: - Crude oil pipelines - Oil refineries	For investment restrictions regarding coal, see Position Statement on Coal
2b	**Midstream & Downstream:** Production, Storage & Transportation for Power Generation	Financing for the **production, storage, and transportation** of fossil fuels for **power generation**, including transport facilities **primarily being built** for fossil fuel transportation.	No direct investment allowed	No new investments allowed in: - Crude oil pipelines - Oil refineries	For investment restrictions regarding coal, see Position Statement on Coal
3a	**Midstream & Downstream:** Energy production for non-power purposes	Financing for **Distributed Energy solutions** for non-power purposes	No restrictions	No restrictions	No restrictions

[32]Gas extraction from limnically active lakes is exempted from this exclusion.

[33]FMO can work with financial institutions that receive undedicated finance from FMO (e.g., general-purpose loans, equity investments) and that have a portfolio exposure to peat activities, as long as that exposure is on a reduction trajectory that is in line with the Paris Agreement, and includes a commitment to cease the financing of peat extraction and peat-based power generation before 2030.

#	Type of Investment	Description	Investment Restrictions		
			Direct Investments	Indirect Investment Private Equity Funds & Dedicated Debt in Financial Institutions	Indirect Investment General Credit Lines in Financial Institutions
3b	**Midstream & Downstream:** Energy Production for Power purposes	Financing for **Distributed Energy solutions** for power purposes, including captive-energy solutions, that serve the operational needs of a specific site, business, or local community, rather than the public grid.	Must meet Transition Criteria.	No restrictions	For investment restrictions regarding coal, see Position Statement on Coal
3c	**Midstream & Downstream:** Energy Production for Power purposes	Financing for the **generation of power for the public grid using peat, HFO/LCO, or natural gas**, and their **associated facilities** (including integrated transport and storage).	No direct investment allowed	No new investments allowed in: - Construction of new or refurbishment of any existing HFO-only or diesel-only power plant[34] producing energy for the public grid and leading to an increase of absolute CO^2 emissions[35]	For investment restrictions regarding coal, see Position Statement on Coal
3d	**Midstream & Downstream:** Transmission & Distribution	Financing for the **Transmission and Distribution infrastructure** used to solely **connect** generating capacity based **100% on HFO/LCO, or natural gas to the public grid**.	No direct investment allowed	No restrictions	For investment restrictions regarding coal, see Position Statement on Coal
3e	**Midstream & Downstream:** Transmission & Distribution	Financing for the expansion and/or upgrade of **Transmission and Distribution infrastructure** (not solely connecting power generated from fossil fuels to the public grid).	No restrictions	No restrictions	For investment restrictions regarding coal, see Position Statement on Coal

[34]For indirect equity through investment funds, investments (up to a maximum of 20% of the fund) in new or existing HFO-only or diesel-only power plants are allowed in countries that face challenges in terms of access to energy and on the condition that there is no economically and technically viable gas or renewable-energy alternative.

[35]I.e., where energy-efficiency measures do not compensate any capacity or load-factor increase.

#	Type of Investment	Description	Investment Restrictions		
			Direct Investments	Indirect Investment Private Equity Funds & Dedicated Debt in Financial Institutions	Indirect Investment General Credit Lines in Financial Institutions
4	**End-use** Power & Non-Power Generation	Financing activities that use fossil fuel for power and non-power applications (e.g., heating or industrial processes) or that consume fossil fuel–based power from the public grid without own generation of power.	No restrictions	No restrictions	For investment restrictions regarding coal, see Position Statement on Coal

6. Stakeholder Feedback

FMO considers stakeholder feedback an integral part of policy development and strives to ensure that its policies are ambitious, relevant, realistic, and enforceable; contribute to societal needs; and underpin its license to operate.

FMO welcomes feedback on its position statements, which can be submitted by email to consultation@fmo.nl.

Appendix I: FMO's Sustainability Policy Universe

The Sustainability Policy Universe is a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impacts across its investment portfolio.

The Sustainability Policy Universe consists of the following documents:

- Sustainability Policy;
- Exclusion List; and
- Position Statements
  - Combined Position Statement on Fossil Fuels
  - Position Statement on ESG Impact and Financial Intermediaries
  - Position Statement on Human Rights
  - Position Statement on Gender Equality
  - Position Statement on Land Governance
  - Position Statement on Hydropower
  - Position Statement on Responsible Tax
  - Position Statement on Animal Welfare

The Sustainability Policy defines FMO's commitment to achieving development impact and serves as a guide for its investment decisions and actions.

The Exclusion List is an EDFI-harmonized document that defines activities that FMO will not finance or support, directly or indirectly.

The Position Statements are an integral part of the Sustainability Policy Universe and are supplementary to the Sustainability Policy. They are not stand-alone policy documents; however, they provide additional context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.