

2025 Green Finance Allocation and Impact Report

In 2019, Reykjavík Energy (RE) published a Green Bond Framework, under which the company issued green bonds both in 2019 and 2020. In 2021, RE expanded this framework into a Green Financing Framework enabling the use of additional financing instruments such as green loans. This revision also adopted a 'balance sheet' approach, reflecting RE's strong focus on green activities, both directly and indirectly. In October 2024 RE updated its Green Financing Framework for the second time, with the assessment conducted by Standard & Poor's Financial Services. The update incorporated a Second Party Opinion (Shades of Green) and the integration of the EU Taxonomy, evaluating the company's alignment with these standards. For more details, refer to the updated [Green Financing Framework](#) and the accompanying [S&P Global Second Party Opinion \(SPO\)](#).

In 2022, 2023, 2024 and 2025, RE published Allocation and Impact Reports for the years 2021, 2022, 2023 and 2024, respectively. During these periods, green financing was issued in the amounts of ISK 13.2 billion, ISK 10.7 billion, ISK 19.7 billion and 31,3 billion.

This report presents the 2025 allocation and impact of RE's green financing, totalling approximately ISK 27.0 billion. Of this amount, ISK 17.5 billion was raised through the issuance of green bonds for RE, while ISK 9.5 billion came from other loans. All financing with allocated impacts represented new funding. Additionally, RE refinanced existing green assets within the group for the amount ISK 2.8 billion through the issuance of loans; however, this refinancing does not generate any new impacts in this report.

RE secured two loans in 2025, as mentioned above, totaling ISK 9.5 billion. The loans are granted for designated green project within the group and are specifically linked and allocated to those projects.

The first green loan, amounting to ISK 4 billion, was granted for fiber network development. The impact in 2025 amounts to ISK 1.7 billion. The remaining balance will be used for further fiber infrastructure development in 2026 and 2027.

The second green loan, amounting to ISK 5.5 billion, was obtained to refinance projects undertaken in 2024 related to the construction, extension and operation of water collection and wastewater systems, as well as similar green projects in 2025. Only projects incurred in 2025 generate impacts in this report.

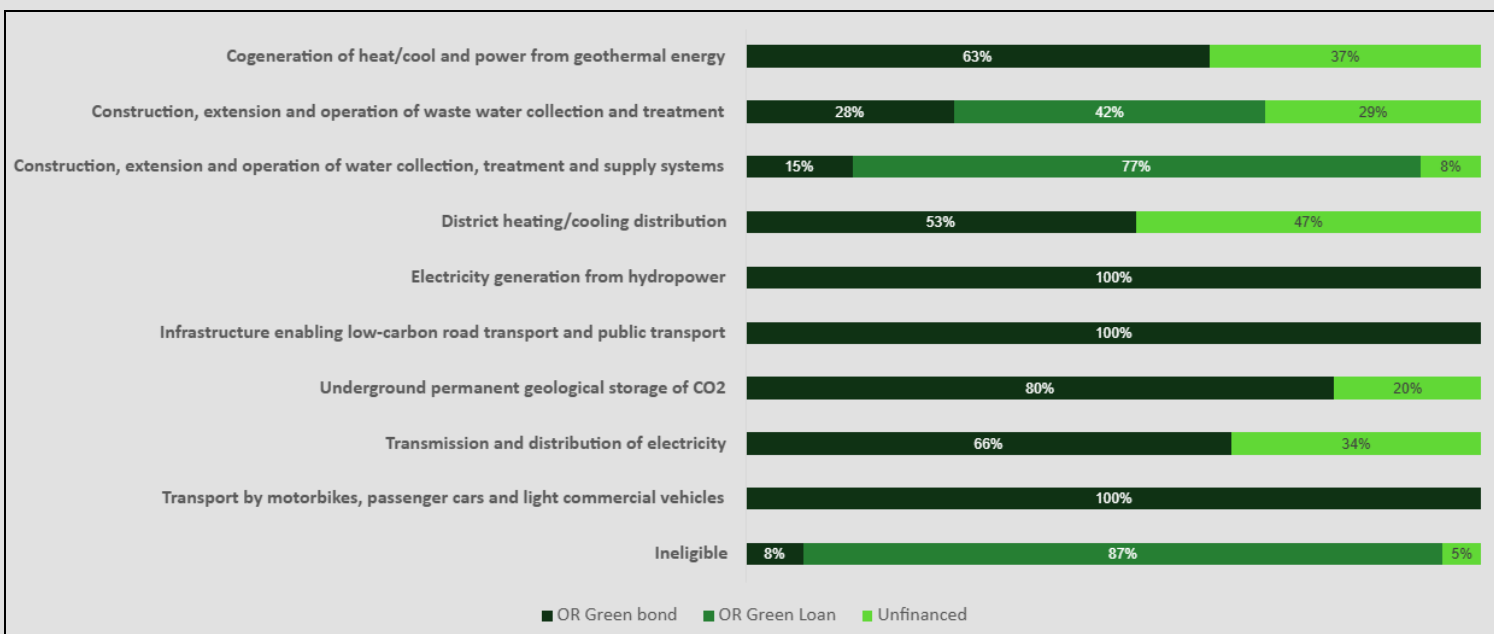
RE's financing has been allocated across its subsidiaries within the defined Project Categories, which include:

- Cogeneration of heat/cooling and power from geothermal energy
- Construction, expansion, and operation of wastewater collection and treatment systems
- Construction, expansion, and operation of water collection, treatment, and supply systems

- District heating/cooling distribution
- Electricity generation from hydropower
- Optical fiber network (EU Taxonomy ineligible)
- Infrastructure supporting low-carbon road transport and public transportation
- Transmission and distribution of electricity
- Transport via motorbikes, passenger cars, and light commercial vehicles
- Underground permanent geological storage of CO₂

The impacts of the funded assets and projects are detailed in the table below. The accompanying chart illustrates the distribution of funding across these project categories through various financing instruments.

EU Taxonomy category (code)	Indicator	Allocated impact	Impact units
Cogeneration of heat/cool and power from geothermal energy (4.18)	Renewable electricity production	92.7	GWh
	Renewable heat production	102.3	GWh
	Emissions avoided from renewable electricity production	11.862	tCO ₂ eq. avoided
Construction, expansion, and operation of wastewater collection and treatment systems (5.3)	Sewage infrastructure	5.7	km
Construction, extension, and operation of water collection, treatment, and supply systems (5.1)	Cold water infrastructure	11.5	km
Electricity generation from hydropower (4.5)	Renewable electricity production	1.2	GWh
	Emissions avoided from renewable electricity production	148.6	tCO ₂ eq. avoided
District heating/cooling distribution (4.15)	Heat distribution infrastructure	27,5	km
Optical fiber network (ineligible)	Fibre optic installed or upgraded	123.5	km
	Number of homes passed.	2533	Homes connected
Infrastructure supporting low-carbon road transport and public transportation (6.15)	Installation of public EV charging stations	152	number of EV charging stations installed
Transmission and distribution of electricity (4.9)	Electricity distribution infrastructure	42.0	km
Transport via motorbikes, passenger cars, and light commercial vehicles (6.5)	Electrification of OR car fleet	8	low-emission vehicles purchased
Underground permanent geological storage of CO₂ (5.13)	Estimated sequestered CO ₂ emissions.	9,212	tCO ₂ eq. sequestered
	Estimated sequestered H ₂ S emissions	2,498	tH ₂ Seq. sequestered



Financed project categories and asset and/or project examples

Cogeneration of heat/cool and power from geothermal energy

RE's subsidiary, ON Power, operates two geothermal power plants, which supply a significant share of Reykjavik's electricity and hot water. In 2025, the renewable electricity and heat generation attributed to new investments was estimated at 167 GWh of electricity and 347 GWh of thermal energy.

Notable project within this category is research drilling in Hverahlíð II and Meitlar. To ensure continued secure and sustainable energy supply for households and businesses, systematic efforts have been made to expand the production area in Hverahlíð to the south and to explore new geothermal areas at Norðurhálsar (Hverahlíð II) and in Meitlar. The drilling of the exploratory wells HR-01 and HR-02 in northern Meitlar is an important part of this work and marks the beginning of a new phase in the development and utilization of geothermal resources in the area.



Figure 1. Geothermal research well, HR-02. Drilled in 2025.

	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
Cogeneration of heat/cool and power from geothermal energy	2024	7,552.8	7,552.8	100%	Renewable electricity production	167*	167	GWh
					Renewable heat production	347*	347	GWh
					Emissions avoided from renewable electricity production	21,113	21,113	tCO ₂ eq. Avoided
	2025	8,006.3	4,998.5	62.43%	Renewable electricity production	148.4*	92.7	GWh
					Renewable heat production	163.9*	102.3	GWh
					Emissions avoided from renewable electricity production	19,000	11,862	tCO ₂ eq. Avoided

*Calculated using a balance sheet approach. See methodology section below.

Construction, expansion, and operation of wastewater collection and treatment systems

RE's subsidiary, Veitur Utilities, manages wastewater collection and treatment infrastructure in Reykjavík and in West Iceland. In 2025, Veitur installed 8 km of sewage infrastructure, of which 5.7 were allocated to green financing. Example assets and projects include wastewater piping and treatment plants.

Construction, expansion, and operation of wastewater collection and treatment systems	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	2,553.1	96.2	4%	Length of new piping	6.3	0.3	km
	2025	1,812.5	1,280.4	70.6%	Length of new piping	8	5.7	km

Construction, extension, and operation of water collection, treatment, and supply systems

RE's subsidiary, Veitur Utilities, manages water supply infrastructure in Reykjavík and in West Iceland. In 2025, Veitur installed 12.5 km of water supply infrastructure, of which 11.5 were allocated to green financing. Example assets and projects include the purchase of smart meters, water collection equipment and distribution pipes.

Construction, extension, and operation of water collection, treatment, and supply systems	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	2,343.6	91.9	4%	Length of new piping	12	0.5	km
	2025	2,577.0	2,363.1	91.7%	Length of new piping	12.5	11.5	km

Electricity generation from hydropower

ON Power operates a small hydropower plant, new investments are estimated to have contributed to 1.2 GWh of electricity production by the plant in 2025.

	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
Electricity generation from hydropower	2024	76.9	76.9	100%	Renewable electricity production	1.2*	1.2	GWh
					Emissions avoided from renewable electricity production	151	151	tCO2eq. Avoided
	2025	83.2	83.2	100%	Renewable electricity production	1.2*	1.2	GWh
					Emissions avoided from renewable electricity production	148.6	148.6	GWh

*Calculated using a balance sheet approach. See methodology section below.

District heating/cooling distribution

RE’s subsidiary, Veitur Utilities manage the heat distribution infrastructure in the Reykjavik capital area and in parts of West and South Iceland. Ensuring a reliable and sustainable delivery of geothermal energy to households, businesses, and industries. In 2025, it installed 52.3 km of heat distribution infrastructure (where the total network length is 3540 km). Veitur continuously monitors and upgrades its distribution system to enhance energy efficiency, reduce environmental impact, and prevent leaks. To maintain the integrity of the hot water system, Veitur conducts regular inspections, predictive maintenance, and system upgrades. The company utilizes advanced monitoring technologies, including remote sensors and data analytics, to detect anomalies and optimize performance. Additionally, Veitur invests in innovative solutions to improve energy utilization, reduce carbon emissions, and support sustainable urban development.



Figure 2. Geothermal development in Hveragerði town.

Targeted geothermal exploration and new drilling were carried out to secure sufficient hot water supply for the future, including a new borehole that strengthened supply security in West Iceland.

Veitur Utilities is drilling a new well to supply the district heating system in Hveragerði. There is already one productive well located in the geothermal park, which is used for both space heating and steam production. Hveragerði is a growing town, and Veitur is growing alongside it. The Hveragerði district heating system operates as a closed-loop system. Heat exchangers use the hot water from the well to reheat lukewarm water returning from household heating systems, making the process both efficient and sustainable.

District heating/cooling distribution	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	7,901.5	7,901.5	100%	Length of new piping	53	53	km
	2025	8,846.9	4,658.6	52.7%	Length of new piping	52.3	27.5	km

Optical Fiber Network - Ineligible in the EU Taxonomy

RE’s subsidiary, Reykjavík Fibre Network (Ljósleiðarinn), manages fibre optic infrastructure in Iceland. Fiber optic networks are recognized for their energy efficiency and capacity to support sustainable digitalization across sectors. Compared to traditional copper-based networks, fiber optics consume less energy and offer higher bandwidth, aligning with the EU’s climate goals. Although fiber optics are not considered taxonomy-eligible, they are included in Reykjavík Energy’s Green Financing Framework. In 2025, Reykjavík Fibre Network installed 130 kilometers of high-efficiency fibre optic cables, extending connectivity to 2,666 homes.

Information and communication	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	2,150.7	2,027.3	94%	Fibre optic installed or upgraded	167	157	km
					Number of homes passed.	3,552	3,339	homes
	2025	2,006.8	1,901.2	95%	Fibre optic installed or upgraded	130	123.2	km
					Number of homes passed.	2,666	2,526	homes

Infrastructure enabling low-carbon road transport and public transport

ON, a subsidiary of RE, aims to lead the transition to sustainable transportation in Iceland by establishing an extensive network of fast-charging stations for electric vehicles (EVs) nationwide. ON has developed charging infrastructure and now operates approximately 80 fast-charging stations encircling the country. To enhance accessibility, ON has introduced neighbourhood charging stations in urban areas, allowing users to charge their vehicles while attending to errands. The company has also developed digital solutions, such as the ON app, providing users with information on station locations, availability, and facilitating payments. In 2025, 152 EV charging connections were installed across Iceland.

Infrastructure enabling low-carbon road transport and public transport	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	770.7	770.7	100%	Installation of public EV charging stations	320	320	Number of EV charging stations installed
	2025	552.6	552.6	100%	Installation of public EV charging stations	152	152	Number of EV charging stations installed

Transmission and distribution of electricity

RE’s subsidiary, Veitur Utilities oversees the distribution of electricity to over half the population in six municipalities in the bay of Faxaflói. A unique feature of Veitur Utilities’ electrical grid in Iceland is its network of high-voltage cables which connects 13 substations within its distribution area. This structure ensures the reliable and efficient distribution of electricity to homes and businesses within Veitur's service area.

In 2025, Veitur installed 63.6 km of electricity distribution infrastructure (where the total network length is 7,600 km)

Veitur are carrying out major infrastructure projects, including the laying of high-voltage cables and the construction of a new substation that will form



Figure 3. Sundahöfn harbor, where Veitur is developing electrical distribution capacity to service ships.

a key pillar of the energy transition both onshore and at sea. The substation will power large new residential areas and provide adequate electricity for industrial operations and port activities at Sundahöfn as they shift to cleaner energy solutions.

In 2024, Veitur and Faxaflóahafnir entered into an agreement for the supply of 16 MW of power. Other businesses in the Sundahöfn area have also applied for substantial capacity, including for charging facilities for electric buses and heavy equipment.

Once the system is fully connected, Faxaflóahafnir will be able to offer shore power to all vessels docking at the port, significantly reducing emissions in Faxaflói Bay.

Transmission and distribution of electricity	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	4,679.7	4,679.7	100%	Electricity distribution infrastructure	98	98	km
	2025	4,780.7	3,152.7	66%	Electricity distribution infrastructure	63.6	42.0	km

Transport by motorbikes, passenger cars and light commercial vehicles

RE aligns itself with the general governmental objectives concerning the energy transition in transportation and promotes the use of renewable energy sources, in line with its sustainability and social responsibility strategy. RE is working to replace its current vehicle fleet with zero emissions vehicles with the goal of the car fleet to be fully non-emitting of GHG by 2030. In 2025 RE purchased no zero-emission vehicles. The vehicle fleet is comprised of 60% low-emission vehicles.

Transport by motorbikes, passenger cars and light commercial vehicles	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
	2024	82.6	82.6	0%	Electrification of OR car fleet	0	0	low-emission vehicles purchased
	2025	85.4	85.4	100%	Electrification of OR car fleet	8	8	low-emission vehicles purchased

Underground permanent geological storage of CO₂

Carbfix is a global leader in carbon capture and storage, sequestering carbon emissions from RE’s largest geothermal plant, Hellisheiði, which is operated by ON Power. In 2025, a total of 18,831 tonnes of CO₂ and 5,107 tonnes of H₂S were sequestered from geothermal power plants. Of this, 11,476 tonnes of CO₂ and 3,112 tonnes of H₂S were attributed to new financing (see methodology below).



Figure 4. Silverstone capture plant. The plant captures CO₂ and H₂S from Hellisheiði geothermal powerplants and reinjects it for permanent sequestration.

Notable assets financed in 2025 by ON Power include the construction of Silverstone capture plant, which will fully scale up the Carbfix technology at Hellisheiði powerplant. The Silverstone facility is the first onshore carbon capture and storage facility to be operational in Europe. The Silverstone facility uses the Carbfix CO₂ storage technology that relies on CO₂ mineralisation, which turns CO₂ into solid carbonate minerals underground via injection into reactive rocks.

	Year	Total investment m ISK	Green financing m ISK	Green financing percentage	Indicator	Total impact	Allocated impact	Unit
Underground permanent geological storage of CO ₂	2024	1,691.6	1,691.6	100%	Estimated sequestered CO ₂ emissions (in tonnes) per year.	3,398*	3,398	tCO ₂ eq. sequestered
					Estimated sequestered H ₂ S emissions (in tonnes) per year.	1,130*	1,130	tH ₂ Seq. Sequestered
	2025	3,698.1	2,968.3	80.3%	Estimated sequestered CO ₂ emissions (in tonnes) per year.	11,476*	9,212	tCO ₂ eq. sequestered
					Estimated sequestered H ₂ S emissions (in tonnes) per year.	3,112*	2,498	tH ₂ Seq. Sequestered

*Calculated using a balance sheet approach. See methodology section below.

Methodology

The impacts outlined in this report represent the positive outcomes facilitated by RE's green financing. The methodologies used for calculating avoided emissions and other impacts adhere to relevant international guidelines and standards, ensuring reliability and compliance with recognized global practices.

For the **cogeneration of heat/cooling and power from geothermal energy and electricity generation from hydropower**, the amount of renewable electricity produced is measured based on electricity sold onto the transmission network and heat produced is measured based on sales. For these categories a balance sheet approach is applied to estimate the contribution of new investments. In a balance sheet approach, the additionality of impacts from investment in the year 2025 is estimated. The amount invested in 2025 was constructed as a ratio of the end of year balance sheet value of the ON Power subsidiary (where new investments represented 5% of the total balance sheet).

OR supplies renewable electricity to users in Iceland. For the avoided emissions calculations, this is relevant because the electricity users in Iceland have been divided into two types as shown below. Both will contribute to the EU's 2030 emission reduction targets defined in the Paris Agreement but will have a different role in the EU's 2030 climate & energy framework. Methodologies used for avoided emission calculations are based on relevant international guidelines and standards.

Type 1: Industry operating within the European Union (EU) Emission Trading System (ETS), representing ~60-65% of OR's sold electricity.

- The benchmark emission factor for this group was calculated using a methodology from the International Financial Institutions (IFI)¹ using the combined margin method and the Harmonized IFI Default Grid Factors 2021 v3.1. The IFI benchmark emission factor for the year 2025 for firm energy production (which is the relevant description for geothermal energy) is estimated to be 214 gCO₂e/kWh, based on the combined margin grid emissions in EU 27.

Type 2: Other Industries and households in Iceland, representing ~35-40% of RE's sold electricity.

- The benchmark emission factor for Type 2 users was calculated using the same methodology as used for Type 1 users.
- The Icelandic benchmark emission factor for the year 2025 is estimated to be 0 gCO₂e/kWh.

Using the above methodology, the comparative weighted average benchmark according to approximate sales to ETS industries was estimated to be 133.8 CO₂eq./kWh, which is the average displaced electricity emission factor. Using RE's reported carbon footprint of 5.8 gCO₂eq./kWh²,

¹ International Finance Institution (2022). *Methodological Approach for the Common Default Grid Emission Factor Dataset*. IFI TWG - AHG-001. Version 2021 3.2

² Reykjavik Energy. *Annual Report 2024*. Reykjavik Energy. Reykjavik.

comparing this value to the benchmark to calculate, the avoided impact was estimated to be 128 gCO₂eq. per kWh produced.

Since it is difficult to measure the additionality of impacts associated with the investments made in 2025, to allocate the impacts from investment in that year, the amount invested was constructed as a ratio of the end of year balance sheet value of the ON Power subsidiary (where new investments represented 5% of the total balance sheet).

For the **district heating/cooling distribution & transmission and distribution of electricity & Optical Fiber network (ineligible)**, the length of infrastructure installed is sourced from Veitur Utilities' GIS based infrastructure management system, where all infrastructure laid during the year is updated into this system.

For **infrastructure supporting low-carbon road transport and public transportation & transport via motorbikes, passenger cars, and light commercial vehicles**, the number of eco-friendly vehicles purchased and charging stations installed are sourced from internal asset system data.

For the **underground permanent geological storage of CO₂** project category, the total CO₂ and H₂S sequestered is measured according to monitoring systems both during the capture and storage phase. During the capture phase, the CO₂ and H₂S is a percent of capture of the non-condensable gasses emitted at the Hellisheiði power station. Capture data is collected from monitors in this stage. The rate of sequestration is then measured and sequestration rates at this site been academically published.³ To allocate the additionality impacts from investment in the year 2025, a balance sheet approach is applied based on Carbfix subsidiary total balance sheet. New investments for this category amounted to 61% of the total balance sheet of Carbfix.

For the **Construction, expansion, and operation of wastewater collection and treatment systems & Construction, extension, and operation of water collection, treatment, and supply** categories, the length of infrastructure installed is sourced from Veitur Utilities' GIS based infrastructure management system, where all infrastructure laid during the year is updated into this system.

KPMG initially assisted in preparing previous years' impact reports, it provided advise on setup, methodology, and calculations of environmental/climate change impact. However, the preparation for this report is entirely performed by RE's internal experts.

³ Matter, J. M., Stute, M., Snæbjörnsdóttir, S. Ó., Oelkers, E. H., Gislason, S. R., Aradóttir, E. S., ... & Broecker, W. S. (2016). Rapid carbon mineralization for permanent disposal of anthropogenic carbon dioxide emissions. *Science*, 352(6291), 1312-1314.



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Independent Auditor's Assurance Report

To the Board of Directors of Orkuveita Reykjavíkur and Green Bond holders

Assurance scope

The scope of our work was limited to verifying that the proceeds of the Green Financing obtained were used for funding selected eligible projects as reported in the 2025 Green Finance Allocation and Impact Report.

Responsibilities of Orkuveita Reykjavíkur

The net proceeds from Green Financing is managed by the Financial Department of Orkuveita Reykjavíkur. It is the responsibility of Orkuveita Reykjavíkur to allocate the proceed to the eligible projects selected by a Selection Committee and approved by the Board of Directors of Orkuveita Reykjavíkur. The Financial Department of Orkuveita Reykjavíkur is also responsible for preparation of a Green Finance Allocation and Impact Report which is free from material misstatements, whether due to fraud or error, in accordance with the Green Financing Framework from 2021.

Responsibility of the auditor

Our responsibility is to express an assurance conclusion for the subject matter at hand and which is included in the Green Finance Allocation and Impact Report, based on the procedures we have performed and the evidence we have obtained.

We conducted our assurance engagement in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial information* issued by the IASB.

Our independence and quality control

We have complied with independence and other ethical requirements of the Code of Ethics for professional Accountants issued by the International Ethics Standards Boards for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply *ISQC 1 International Standard on Quality Control* and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work performed

During our assurance engagement we reconciled the list of funded projects to the selected eligible projects. We performed assurance procedures on accounting transactions and capital movements in the Green Account. We have also reviewed the 2024 Green Finance Allocation and Impact Report and performed assurance procedures on the completeness and accuracy of reported information as described in the Green Financing Framework.



Conclusion

Based on the assurance procedures we have performed and the evidence we have obtained, we conclude, in all material aspects, that the proceeds of Green Financing obtained has been used to fund the selected eligible projects as reported in the 2025 Green Finance Allocation and Impact Report.

Reykjavík, 6 March 2026

On behalf of Grant Thornton endurskoðun ehf.

Bjarni Már Jóhannesson

State Authorized Public Accountant