

New report identifies significant green finance opportunities for New Zealand

Auckland Launch - Green Infrastructure Opportunities Australia and New Zealand

LONDON: AUCKLAND: 29/08/2018: The Climate Bonds Initiative, a not-for-profit; which promotes investment in the low-carbon economy, will release a report on green finance in New Zealand on Friday.

Green finance supports projects that have a positive impact on the environment, with the most well-known form as a green bond. In the New Zealand market a total of NZD2.1 billion green bonds have been issued to date.

[Green Infrastructure Investment Opportunities Australia and New Zealand](#) report highlights a strong pipeline of 62 local projects and assets which could be considered green in the near future.

The report explores projects aligned with low-carbon transport, renewable energy, sustainable water and waste management, and low-carbon buildings including the Auckland Light Rail, Pukekohe electrification, the Northbank Tunnel and the Northern and Central Interceptors.

Methodology

Projects outlined in the GIIO report are aligned with international definitions of green in four sectors: low-carbon transport, renewable energy, sustainable water and waste management, and low-carbon buildings.

The Climate Bonds [Taxonomy](#) was used to identify eligible green projects under these four sectors.

To help define the scope and volume of projects, the following filters were also applied:

- For low-carbon transport - mostly major projects valued above NZD100m (in New Zealand) and AUD100m (in Australia)
- For renewable energy - only renewable energy generation facilities above 50MW
- For sustainable water and waste management - mostly major projects valued above NZD50m (in New Zealand) and AUD50m (in Australia)
- For low-carbon or green buildings - only Green Star (mostly 6-star rated) certified projects

The [report](#) shows despite the positive direction of the New Zealand and Australian markets, both nations are yet to generate the volume of green infrastructure investment required to meet international mitigation and emissions commitments and also improve climate adaption resilience.

New Zealand is showing encouraging signs of implementing best practice and certification, with two stand out issuances. In late 2017, Contact Energy's [world-first](#) 'green borrowing programme' covered debt for geothermal power assets, amounting to NZD1.8 billion. Early in 2018, [Auckland Council](#) became the first green bond issuer in New Zealand to finance electric trains and related infrastructure worth NZD200 million.

The Auckland bond was also notable for its [inaugural listing](#) on the NZX, a pointer to future green secondary market possibilities if local issuance volumes grow.

The report has been jointly sponsored by ANZ, Commonwealth Bank of Australia, CEFC, Macquarie Group, NAB and Westpac. It is accompanied by the release of the [Australia and New Zealand Green Finance Briefing](#), a full analysis of green investment in both nations to date.

Attributable Comments:

Matthew Walker, Acting Group Chief Financial Officer, Auckland Council:

“Auckland Council was very pleased to have issued the first Green Bond by a New Zealand issuer and pave the way for further Green Bond issuance to support the significant investment required in low-carbon, climate resilient infrastructure across New Zealand. The strong interest shown by investors in the issue was a very encouraging and positive signal for future green bond issuances in New Zealand.”

“Achieving a sustainable low-carbon future for Auckland and ensuring that our infrastructure is future-proofed, are integral components of the Auckland Plan 2050; our recently refreshed long-term spatial plan for Auckland. Directing capital towards more sustainable climate resilient solutions will be critical to achieving our Auckland Plan 2050 outcomes.”

Andrew Eagles, New Zealand economist & CEO of New Zealand Green Building Council:

“Clever, sustainable, pollution-busting investment is growing, because it makes good sense financially, economically, and for the environment. Some say that this is the future of finance, but the growing flow of investment suggests that the future is already here.

“This report has arrived at just the right time. Low-carbon investments are increasingly popular, and investors are now searching for third party independent certification to authenticate sustainability claims. We’re currently seeing a surging wave of interest in Green Star, a trusted verification scheme for healthy, resilient buildings.”

Christina Tonkin, Managing Director, Loans & Specialised Finance, ANZ:

“The Australian and New Zealand green bond markets are representative of global best practice. The markets are underpinned by a diversity of issuance and innovation in use of proceeds, a strong commitment towards transparency, with high levels of international certification.”

“ANZ is working with investors to build confidence in market fundamentals and directions. The scale of green infrastructure investments expected to be made in Australia, coupled with strong investor demand, make the prospects for growth in green bonds bright.”

Andrew Hinchliff, Group Executive, Institutional Banking and Markets, Commonwealth Bank of Australia:

“With record levels of transport infrastructure investment, often overlooked is the importance of the role this new infrastructure plays in reducing emissions and creating a more sustainable environment. Commonwealth Bank recognises this and is proud of its record in financing modern, future proofed transport infrastructure that promotes energy efficiency at its very core. Green bonds, working alongside traditional forms of finance, will ensure the continued funding of energy efficient infrastructure.”

Ian Learmonth, CEO, CEFC:

“As a core investor in Australia’s green bond market, we are seeing growing interest from superannuation funds and managers who want to deepen their exposure to sustainable assets. This is essential if we are to achieve our national emissions reduction goals in the infrastructure sector and beyond.”

“We are confident an increasing focus from underlying investors, along with improved sophistication and understanding of fund managers, and increased diversity of supply, can attract more investor support for this critical investment class.”

Emma Herd, CEO, Investor Group on Climate Change (IGCC):

“Low-carbon and green infrastructure will be a defining investment theme of the 21st century. But we must move to realise the opportunity. Investors backing green infrastructure projects in Australia that generate strong, stable and sustainable returns is critical.”

“Developing the real-world solutions which unlock capital and embed low-carbon at the heart of investment decisions requires the financial and corporate sectors to step up in ambition and act.”

John Pickhaver, Co-Head of Macquarie Capital, Australia and New Zealand:

“There is increasing focus in the infrastructure investment community on the opportunities that green investment brings. Across renewable energy, sustainable transport, green buildings and communities; financial investors, corporates and governments are all looking for ways to facilitate and participate in the transition to a low-carbon economy.”

Mike Baird, Chief Customer Officer, Corporate and Institutional Banking, NAB:

“Our goal is to make a positive and lasting impact on the lives of our customers, people, shareholders, communities, and our environment - and our customers are telling us they want to participate in the transition to a low-carbon economy.”

“We’re continually developing and offering innovative green finance tools that enable investors to back major renewable energy projects alongside NAB, and we find new ways to support companies that deliver green infrastructure projects around the world.”

Lyn Cobley, Chief Executive, Westpac Institutional Bank:

“Westpac recognises that climate change is an economic issue as well as an environmental issue, and banks have an important role to play in assisting the Australian and New Zealand economies transition to net zero emissions. Increasing green bonds, green loans and green underwriting is a vital part of the mix, as is supporting new issuers to come to market.”

Sean Kidney, CEO, Climate Bonds Initiative:

“Banks are involved in many financial activities and it’s vital that they are successful in the role of stimulating green investment and climate finance. The major Australian banks have done just that, leading international best practice, making benchmark size green bond issuance and supporting new issuers to market in both Australia and New Zealand. Globally, to meet the growing climate finance and resilience challenges, more of the top 200 banks should follow this example.”

“It’s also time for Australia and New Zealand corporates to signal their brown-to-green directions and enter the green bond market.”

“Institutional investors need to back new green offerings and work more actively across both finance sectors and with policy makers to turn the plethora of opportunities identified in the GIIO report into long-term national pipelines of investable, low-carbon infrastructure projects.”

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Notes for Journalists:

About the Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in low-carbon economy. More information on [our website](#) here.

About the Green Infrastructure Investment Opportunities Australia & New Zealand report: Published by the [Climate Bonds Initiative](#), the GIIO report was sponsored by ANZ, CBA, the CEFC, Macquarie Group, NAB and Westpac.

Lead author: Kristiane Davidson.

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In developing this report, Climate Bonds Initiative consulted with key Government bodies, industry, financial sector, peak bodies, NGOs and other stakeholders - in partnership with Australia’s four major banks, Macquarie Group, Clean Energy Finance Corporation (CEFC), IFM Investors, Investor Group on Climate Change (IGCC), the Principles for Responsible Investment (PRI) and RIAA.

Other organisations that contributed to the report include the Australian Water Association, Green Building Council of Australia, GRESB and New Zealand Green Building Council (NZGBC).

GIIO Australia & New Zealand is the second in a series of reports from Climate Bonds Initiative that commenced with [GIIO Indonesia](#) in May 2018. More reports investigating green infrastructure investment opportunities in SE Asian nations and other regions are planned for 2019-2020.

Download: [Green Infrastructure Investment Opportunities and New Zealand Report](#)

Download: [Australia & New Zealand Green Finance Briefing](#)

Auckland Launch: Details & registration for the 31th August can be [found here](#).

Background Precis:

Since the signing of the Agreement in 2015 there has been an increasing demand from institutional investors for investment opportunities that address environmental challenges and support sustainable development.

However, the brown-to-green transition from emissions-intensive 'brown' infrastructure to cleaner and greener assets needs to attract additional support and gain considerable investment momentum in order to meet the current Paris Agreement goals. Ensuring that all new infrastructure is sustainable, low-carbon and climate-resilient is also essential to meet the coming climate impacts as well as meeting international emissions reduction commitments.

Encouraging green infrastructure investment at a greater scale is crucial for both Australia and New Zealand to successfully make the economic transition to low-carbon economies whilst addressing challenges including urban congestion, decarbonisation of key sectors and overall climate adaptation.

To date most Australian and all New Zealand green bond issues have been Certified under the [Climate Bonds Standard](#). This reflects a strong adherence to international best practice from domestic financial sectors and helps build investor confidence.

There is a growing opportunity for institutional investors to become more active, to expand their participation in green infrastructure financing in Australia and New Zealand, building on the impressive foundation established so far, notwithstanding the relatively minor supply of non-bank ASX 100 green issuance to date.

Investing in green infrastructure helps Australia and New Zealand to reach their current climate targets and the potential ratchet up of international emissions goals. Significantly increasing capital flows into green infrastructure will spur innovation, broaden the economic base, reduce urban congestion, improve the liveability of cities and support sustainable economic development and social well-being.

A Regional Role in Green Finance:

Australia and New Zealand have the potential to be regional leaders in green infrastructure delivery. Both governments have the capacity and economic conditions to develop a medium-term sequential pipeline of green investment opportunities. Their financial sectors are well positioned to develop and subsequently export green finance expertise.

Australia benefits from an AUD2.6tn national savings pool and is also uniquely placed with superannuation funds and investment managers already having a global presence in infrastructure, debt financing, direct investment and alternative assets. New Zealand also has a growing savings and investment pool.

Robust green domestic markets could see both nations poised to become a significant source of expertise and capital flow into the region, responding to opportunity, as ASEAN nations [shift towards](#) green finance to help meet their intertwined national-development, energy, emissions and climate goals.

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