

**Climate Bonds Launches Green Infrastructure Opportunities Australia and New Zealand  
New Report Identifies Large Scale Green Finance Opportunities - Potential for Green Growth**

**AUD10.2 Billion in green bonds issued to date - Need for Acceleration to Address Coming Climate Impacts**

**LONDON: SYDNEY 28/08/2018 12:00 BST 09:00 AEST:** Climate Bonds Initiative launches the [Green Infrastructure Investment Opportunities Australia & New Zealand](#) (GIIO) report in Sydney today outlining a pipeline of infrastructure investments that can be funded via green finance.

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.

The reports note that cumulative green bond issuance in Australia is AUD8.3bn (USD6.3bn) and New Zealand NZD2.1bn (USD1.5bn), for a combined total of AUD10.2bn in green bond issuance to date.

H1 2018 issuance in Australia was AUD2.6bn (USD1.95bn) up from AUD2.5bn for the corresponding period in 2017, a 5.3% increase. Australia was the second largest cumulative source of issuance within the Asia Pacific region in H1 2018, second to China and twelfth in overall world rankings. In CY 2016 Australia recorded AUD1.1bn in green bonds, in CY 2017 AUD3.3bn, a 209% increase IN 2016.

H1 2018 for New Zealand saw NZD200m (USD136m) issued.

Overall, there are a total of eleven individual issuers\* from Australia, some of whom are multiple issuers, and two from New Zealand.

Despite a challenging policy backdrop, Australia has emerged, over the last four years, as an example of world's best practice in market development, with commitment from the major banks and a diversity of green bond issuances including from two state governments, property and tertiary sectors, and also high levels of certification. New Zealand's first green issuance was in 2017.

Notwithstanding the positive directions, both nations are yet to effectively harness sufficient capital allocation to generate the volume of green infrastructure investment required to meet international mitigation and emissions commitments, whilst improving domestic climate adaptation and resilience.

Both reports released today support the two countries' respective transitions to a low-carbon economy, meeting the growing demand for green investment opportunities - including green bonds - and facilitating greater engagement between project owners and developers, and institutional investors including asset managers and superannuation funds.

The [Green Infrastructure Investment Opportunities Australia & New Zealand report](#) also explores low-carbon infrastructure opportunities on a sector-by-sector basis and is a first of its kind for Australia & New Zealand, identifying over 400 projects and assets (360 and 62 respectively) that could be considered green and qualify for refinancing, additional financing, or new financing, in the near-and medium-term future.

Almost half the projects included in Infrastructure Australia's [Infrastructure Priority List 2018](#) meet international investor definitions of 'green' although they are not always labelled as such. Similarly, just over 40% of New Zealand projects in the [Australia and New Zealand Infrastructure Pipeline \(ANZIP\)](#) could be considered 'green'.

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\* This Issuer figure aggregates three FlexiGroup ABS Trusts, two NAB related entities and two Investa property funds.

Projects aligned with international definitions of green include low-carbon transport, renewable energy, sustainable water and waste management, and low-carbon buildings. The infrastructure investment opportunities explored in the GIIO report are based on these four sectors.

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

The production of the *Green Infrastructure Investment Opportunities Australia and New Zealand* report has been jointly sponsored by ANZ, Commonwealth Bank of Australia, CEFC, Macquarie Group, NAB and Westpac.

#### **Attributable Comments:**

##### **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. 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 the finance sector 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. **Co-authors:** Rob Fowler, Kingsley Kwadwo, Oteng-Amoako, Laurent Buzenet Drogba, Andrew Whiley and Cymroan Vikas.

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, the 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.

#### **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 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 the domestic financial sector 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, albeit 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.

A robust green domestic market would see Australia 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.

#### **About the Australia and New Zealand Green Finance Country Briefing:**

Produced by Climate Bonds, the *Australia and New Zealand Green Finance Briefing* gathers and analyses every green bond issued in Australia and New Zealand to date, for a combined total of AUD10.2bn in green bonds. The *Briefing* found that 100% of issuances have received an external review with 85% Certified Climate Bonds, demonstrating best practice in the market.

Renewable energy dominates use of proceeds, but transport projects are attracting heightened green bond funding. Energy projects primarily comprise of wind and solar developments.

Issuances for green building projects have had a constant presence in the market attributed to the strength of the Green Star certification (established since 2003). Transport is a growing proportion of the allocation mix due to the two sub-sovereign bonds (95% of the first QTC bond was allocated to transport projects).

Product innovation includes the FlexiGroup green ABS for rooftop solar; Monash University's world first tertiary sector certified climate bond; and Auckland Council's NZX listed green bond.

*Australia and New Zealand Green Finance Country [Briefing](#)* notes that the nascent New Zealand market has also shown encouraging signs of implementing best practice from inception. This mix of features helps build both proof of concept and investor confidence making a sound foundation for growth.

#### **Five Areas for Discussion:**

The briefing raises five key areas for finance sector and stakeholder consideration:

- The existing potential, particularly in transport and energy for low-carbon investment
- The huge opportunity for green RMBS (Residential Mortgage Backed Securities) linked to existing and new building codes
- Green bonds as a source of long-term finance for climate resilient and adaptive water infrastructure, sustainable management and resilient agricultural practices
- Establishing green finance models to support additional recycling, reuse and waste processes
- The role of Australia's superannuation funds in driving the brown-to-green transition amongst listed companies as they respond to [TCFD](#) recommendations and reflect climate risks and opportunities in their forward capex decisions

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