

The New Zealand Government

Type of Engagement: Annual Review

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Introduction

In November 2022, the New Zealand Government (the “Government”) issued a green bond (the “2022 Green Bond”) based on the New Zealand Sovereign Green Bond Framework (the “Framework”).¹ The 2022 Green Bond aimed at financing and refinancing projects related to Clean Transportation, Energy Efficiency and Renewable Energy, Green Buildings, Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity, Climate Change Adaptation, Sustainable Waste and Wastewater Management and Pollution Prevention and Control in New Zealand. In 2023, the Government engaged Sustainalytics to review the projects financed with proceeds from the 2022 Green Bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. Sustainalytics provided a second-party opinion on the Framework in August 2022.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2022 Green Bond based on whether they:

1. Met the use of proceeds and eligibility criteria outline in the Framework; and
2. Reported on at least one of the key performance indicators for each use of proceeds category of the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Clean Transportation	<ul style="list-style-type: none"> • Reduce reliance on cars and support people to walk, cycle and use public transport • Adopt low- and zero- emissions vehicles (<75gCO₂ per km for light vehicles) • Support decarbonisation of heavy transport and freight (<50gCO₂ per passenger-km for public transport vehicles, <25gCO₂ tonne-km for freight transport vehicles and a minimum 40% emissions reduction for hybrid ferries) • Promote the shift to low- and zero-emissions transport modes (now or in the future) by delivering new and upgraded transport infrastructure, as well as maintaining existing infrastructure 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e) equivalent • Length of new or improved train lines, dedicated bus lanes, walking paths and/or cycle ways (km)

¹ The New Zealand Government, “New Zealand Sovereign Green Bond Framework”, (2022) at:

https://debtmanagement.treasury.govt.nz/sites/default/files/media/media_attachment/nz-sovereign-green-bond-framework.pdf

² Sustainalytics, “New Zealand Sovereign Green Bond Framework Second-Party Opinion”, (2022), at:

https://debtmanagement.treasury.govt.nz/sites/default/files/media/media_attachment/nz-sovereign-green-bond-framework-second-party-opinion.pdf

Energy Efficiency and Renewable Energy	<ul style="list-style-type: none"> • Improve energy efficiency and manage demand for energy • Reduce reliance on fossil fuels and support the switch to low-emissions fuels • Reduce industry emissions and energy use 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e) equivalent • Renewable energy capacity installed (MW) • Number of projects benefitted
Green Buildings	<ul style="list-style-type: none"> • Reduce carbon emissions from government buildings 	<ul style="list-style-type: none"> • Number of projects that are rated Green Star five or equivalent • Percentage of reduction in embodied greenhouse gas emissions • Percentage of construction waste diverted from landfill
Living and Natural Resources and Land Use	<ul style="list-style-type: none"> • Enhance sustainable agriculture, horticulture, forestry, fisheries, and aquaculture sectors • Accelerate agricultural emissions mitigation technologies • Transition to lower-emissions land uses and systems • Support afforestation and maintain existing forests 	<ul style="list-style-type: none"> • Area of land under restoration and/or receiving treatment (Ha) • Reduction in on-farm greenhouse gas emissions per unit of production • Reduction in farm nutrient loss and leaching per unit of production • Number of projects and/or communities benefitted
Terrestrial and Aquatic Biodiversity	<ul style="list-style-type: none"> • Restore and protect freshwater ecosystems • Restore and protect New Zealand's natural environment, including indigenous flora • Recover and preserve species, including indigenous fauna 	<ul style="list-style-type: none"> • Area of freshwater under restoration and/or receiving treatment (Ha) • Waterways fenced from livestock (km) • Number of riparian plants planted or length of riparian planting (km) • Area of wilding conifer control (Ha) • Number of projects benefitted
Climate Change Adaptation	<ul style="list-style-type: none"> • Increase infrastructure resilience to natural hazards created or exacerbated by climate change • Help regions, communities, and Māori to make better risk-informed decisions to prepare for and respond to climate change and climate related disasters • Support other countries to enhance their resilience to climate change 	<ul style="list-style-type: none"> • Length of stop-banks reinforced (km) • Number of flood defences reinforced • Number of regions, communities and/or Māori supported • Number of programmes and projects benefitted
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Improve infrastructure for drinking water, wastewater, and stormwater 	<ul style="list-style-type: none"> • Number of water assets receiving investment • Length of pipe upgrades (km)

	<ul style="list-style-type: none"> Support sustainable water storage facilities and schemes 	<ul style="list-style-type: none"> Number of water treatment plant upgrades Number of projects and communities benefitted
Pollution Prevention and Control	<ul style="list-style-type: none"> Minimise waste (including through prevention, reduction, reuse, recycling, and recovery) and waste emissions Remediate and restore contaminated land 	<ul style="list-style-type: none"> Number of new waste facilities established Increased processing capacity (tonnes) Number of data collection initiatives funded Area of land where a detailed site investigation has taken place (Ha) Area of land managed or remediated (Ha) Number of projects / initiatives receiving investment

Issuer's Responsibility

The New Zealand Government is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the New Zealand Government's 2022 Green Bond. The work undertaken as part of this engagement included collection of documentation from the New Zealand Government and review of said documentation to assess conformance with the New Zealand Sovereign Green Bond Framework.

Sustainalytics relied on the information and the facts presented by the New Zealand Government. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by the Government.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the New Zealand Sovereign Green Bond Framework. The Government has disclosed to Sustainalytics that of the total of NZD 4,161 million in net proceeds raised from the 2022 Green Bond, 78% were allocated towards eligible projects as aligned with the Framework and the remaining 22% will be temporarily invested in accordance with the New Zealand Sovereign Green Bond Framework.⁴

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁴ Pending allocation or reallocation, an amount equivalent to the unallocated proceeds will be deposited as cash in the Crown's Settlement Account with the Reserve Bank of New Zealand. The Government intends to reach full allocation within two financial years following the financial year of issuance.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2022 Green Bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the 2022 Green Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	The Government will publish an impact report two years from issuance of the green bond and annually thereafter as outlined in the Framework.	None

Appendices

Appendix 1: Allocation Reporting by Use of Proceeds Category⁵

In November 2022, the New Zealand Government raised a total of NZD 4,161 million in net proceeds through the issuance of the 2022 Green Bond. As of 30 June 2023, the total amount allocated to eligible projects was NZD 3,244 million, of which 49% of the proceeds were allocated towards financing while the remaining 51% of the proceeds were used towards refinancing.

Use of Proceeds Category	Net Proceeds Allocation ⁶ (NZD million)
Clean Transportation	1535.08
Energy Efficiency and Renewable Energy	262.54
Green Buildings	53.17
Living and Natural Resources and Land Use	43.45
Terrestrial & Aquatic Biodiversity	785.28
Climate Change Adaptation	143.91
Sustainable Water and Wastewater Management	373.07
Pollution Prevention & Control	47.16
Total Proceeds Allocated	3,244
Total Proceeds Raised	4,161
Total Unallocated Amount	917

⁵ Reported allocation is as of 30 June 2023.

⁶ New Zealand Government has confirmed to Sustainalytics that R&D expenditures are capped at 10% at a portfolio level as under the Framework.

Appendix 2: Allocation Project Details

Use of Proceeds Category	Project name	Proceeds allocated towards eligible projects (NZD million)	Total Proceeds allocated for each use of proceed category (NZD million)
Clean Transportation	Auckland City Rail Link	885.80	1535.08
	Pukekohe To Papakura Electrification Project	224.00	
	Public Transport Infrastructure projects	94.30	
	Walking And Cycling Improvements	161.70	
	Clean Transport Initiatives	97.60	
	Transport Choices Package	15.61	
	New Zealand Green Investment Finance (NZGIF)- Clean Transport Projects	13.85	
	Increased electric train capacity for Auckland Metro	25.10	
	Decarbonising The Public Transport Bus Fleet	0.53	
	Low Emission Transport Fund	16.60	
Energy Efficiency and Renewable Energy	Warmer Kiwi Homes	126.70	262.54
	State Sector Decarbonisation Fund	60.47	
	NZGIF – Renewable Energy Projects	45.25	
	Government Investment in Decarbonising Industry Fund (GIDI) ⁷	16.87	
	Community Renewable Energy, Resilience, And Innovation	13.25	
Green Buildings	Dunedin Hospital - Outpatient Building	53.17	53.17
Living and Natural Resources and Land Use	Hill Country Erosion	18.18	43.45
	Sustainable Food and Fibre Futures Fund	15.33	
	Whenua Māori Fund - Horticulture Projects	5.79	
	National Algae Research and Development Centre	2.00	

⁷ The New Zealand Government has confirmed to Sustainalytics that GIDI fund will exclude expenditures that support industrial-scale livestock management of ruminants.

	Maximising Carbon Storage	2.15	
Terrestrial & Aquatic Biodiversity	Freshwater Improvement Fund	23.17	785.28
	Essential Freshwater Fund	23.94	
	Kaipara Moana Remediation Programme	2.24	
	Public Waterways and Ecosystem Restoration Fund	21.27	
	Te Mana O te Wai Fund	16.12	
	Fencing of Waterways	16.87	
	Management of Natural Heritage	395.21	
	Conservation with the Community	74.47	
	Wilding Conifers Control Programme	57.88	
	Jobs for Nature Fund	154.11	
Climate Change Adaptation	Flood Protection Infrastructure Projects	106.86	143.91
	Water Security Programme	37.05	
Sustainable Water and Wastewater Management	Grants for Water Infrastructure and Delivery	276.29	373.07
	Infrastructure Reference Group: Sustainable Water and Wastewater Management Projects	74.68	
	Community Water Storage and Water Supply	22.09	
Pollution Prevention & Control	Waste and Resource Recovery Initiatives	34.68	47.16
	Reducing emissions from waste initiative	5.69	
	Contaminated Sites Remediation Fund	6.79	
Total Proceeds Allocated			3,244

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