

Media Release

Embargoed until 2pm, 20 May 2021

BUDGET 2021: Green investment bank receives \$300 million capital injection

New Zealand Green Investment Finance (NZGIF) has received an additional \$300 million in investment capital, increasing its total pool of investment capital to \$400 million.

As one of a global network of green investment banks, NZGIF is focused on identifying investment opportunities that help drive the decarbonisation of New Zealand's economy. By investing its capital on a commercial basis, it demonstrates and promotes the benefits of green investment to the private sector, with a view to attracting private capital to low carbon co-investment opportunities over time to grow overall investment in decarbonisation.

NZGIF has a long-term mission, recognising the scale of the challenge of attracting capital to low carbon solutions in line with New Zealand's net-zero 2050 goals. To date, its investments have supported more solar systems on roofs, more electric vehicles on the roads and more clean technology in businesses.

NZGIF has committed to five direct investments to date and has a strong pipeline of opportunities. These investments are estimated to deliver more than 300,000 tonnes of carbon reduction over the lifetime of the underlying assets, along with a range of co-benefits that enable the wider decarbonisation of the economy.

NZGIF has also announced the expansion of its current sector focus to include waste and plastics. NZGIF's other target sectors, which reflect New Zealand's unique emissions profile, continue to be transport, process heat, distributed renewable energy, the built environment and agriculture.

NZGIF Chair Cecilia Tarrant says that expanding the target sectors to include plastics and waste recognises that climate action will need to accelerate across many sectors and multiple actors, as shown in the Climate Change Commission's draft advice. "Today's announcement increases the opportunities for us to make a difference, with additional capital and a wider set of target sectors."

"This capital injection will allow us to grow our portfolio of investments, target larger transactions, and further demonstrate to private capital markets the benefits and returns from climate investment," says NZGIF CEO Craig Weise.

"With additional scale, we can continue to deliver on our mandate and be even more impactful in the market.

"This is because scale enables the delivery of greater carbon benefits and provides a platform for the future development of financial products or programmes that will drive increased private capital flows towards low carbon activity," says Mr Weise.

"We see shifts in this market, and our pipeline is healthy, so it's exciting to have the confidence of our Shareholders to support our growth."

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Note: NZ Green Investment Finance is not a registered bank.

More about New Zealand Green Investment Finance (NZGIF)

What is New Zealand Green Investment Finance?

NZGIF is New Zealand's green investment bank. We were established to accelerate and facilitate investment that can help to reduce greenhouse gas emissions in New Zealand.

Initially capitalised by the Crown, we are what is known as a Schedule 4(a) limited liability company, an independent company whose shareholders are the Ministers of Finance and Climate Change. We are governed by a board of directors and make independent investment decisions. With a broad and flexible mandate, our investments can take many forms, from debt to equity, with the ability to take risk positions that help to attract co-investors.

Read more on our website, nzgif.co.nz.

What is a green investment bank?

Globally, countries and states have established green investment banks to enable public and private investment in domestic low carbon and other environmental projects.

The mandate and scope of green investment banks can vary, but they broadly display innovative financing approaches and specialised expertise in the sector to support capital deployment. Green investment banks are generally initially capitalised by governments but operate independently in the market to mobilise private investment.

In December 2020, NZGIF joined the global [Green Bank Network](#).

What is NZGIF's purpose and objectives?

NZGIF's purpose is to accelerate and facilitate investment in greenhouse gas emissions reductions in New Zealand. Our four objectives guide us in achieving our purpose and are designed to provide institutional focus on the outcomes necessary to deliver on our purpose over time:

1. Invest to reduce emissions
2. Invest on a commercial basis
3. Crowd-in private capital
4. Show market leadership

What sectors does NZGIF target?

To meet New Zealand's climate change goals, more new capital must flow to invest in decarbonisation. With a mandate to invest in projects, companies and technologies that will reduce New Zealand's emissions, we invest in the following sectors:

- Transport e.g. electric bus deployment
- Process heat e.g. replacing commercial boilers
- Energy efficiency e.g. commercial building retrofit programmes
- Agriculture e.g. precision agriculture applications
- Distributed Energy Resources e.g. renewable energy systems to help wider decarbonisation

We now intend to expand our focus to include two new target sectors:

- Plastics e.g. bio-plastic alternatives
- Waste e.g. waste-to-energy at landfill

We consider opportunities that result in direct emissions reductions (e.g. replacing fossil-fuelled cars with electric vehicles), and opportunities that enable or support decarbonisation (e.g. electric vehicle charging infrastructure).

Why plastics and waste?

The Climate Change Commission draft advice to government has forecast a reduction in the amount of waste generated and a focus on reducing the amount of organic waste, such as food, wood and paper, that go into landfills.

Waste emissions can also be reduced by increasing the amount of biogenic methane which is captured and destroyed from landfills, through either upgrading landfill gas capture systems, or diverting organic waste from sites without landfill gas capture to those with capture.

Plastic's impact on the climate is well established, and international research indicates that plastics occupy the waste stream at end of life, and have a climate impact in extraction and production, industrial processes and product use, manufacturing, and impacts on soil and water resources.

What investments has NZGIF made so far?

NZGIF's investments to date show our ability to deploy capital in innovative ways:

- [CentrePort](#) – a \$15m green credit facility to enable decarbonisation and energy efficiency projects at Wellington's port. This relatively simple transaction has accelerated low carbon projects in a large corporate entity that has low carbon aspirations, but also significant capital requirements in other areas.
- [Thinxtra, The IoT Telco](#) – a \$1.1m equity investment in the Internet of Things company to stimulate faster adoption of IoT in New Zealand. This will enable companies to use less power and fuel to track and manage assets. NZGIF's investment expands this company's NZ-based operations to service new clients in this market.

- [Carbn Group](#) – a \$5.8m hybrid investment in Carbn’s two companies, Carbn Asset Management and Sustainable Fleet Financing (and subsequent \$10m investment in SFF), to help corporates and government agencies optimise fleet size and transition to electric vehicles. NZGIF’s investment was the catalyst for the creation of this new group of companies.
- [Energy Solution Providers \(ESP\)](#) – a \$2.7m equity investment to help ESP provide New Zealand companies with intelligent energy and carbon management solutions, using new software and technology to automate energy and carbon savings.
- [solarZero](#) – a \$10m mezzanine debt facility to accelerate the growth of ‘solar as a service’ and battery technology to help households increase renewable energy usage. Our debt facility expands an existing facility provided by Westpac, freeing up the working capital to develop new software allowing for solarZero systems to be used as a demand management tool, providing benefits to the network.

How does NZGIF estimate emissions benefits?

Each NZGIF investment has a different emissions profile based on the nature of the investee and assumptions made about the lifetime of assets. NZGIF has adopted a similar position to all six green investment bank peers surveyed in the Green Bank Network publication “[How Green Banks Assess and Report Impacts](#)”, which is to estimate the lifetime emissions reduction from an investment at the time the investment is made. Estimates made at the inception of an investment will be reviewed regularly and reporting will be via NZGIF’s Annual Report.

This estimation approach develops a counterfactual for project estimation purposes on a case-by-case basis (rather than using sector-based assumptions). The lifetime impact of a project or corporate investment is estimated, usually with reference to the useful life of the underlying assets or technologies deployed.

How are current estimates derived?

Using the approach above, we indicatively estimate our investments to date will deliver more than 300,000 tonnes of carbon reduction over the lifetime of the underlying assets, along with a range of co-benefits that enable the wider decarbonisation of the economy. These estimates are unaudited at this time, and final estimates will be reported in NZGIF’s upcoming Annual Report.