

Australian Government

Type of Engagement: Green Bond Pre-Issuance Review

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Introduction

In December 2023, the Australian Government developed the Australian Government Green Bond Framework¹ under which it intends to issue Green Treasury Bonds aimed at financing or refinancing projects and programmes to accelerate Australia's transition to a net-zero economy and enhance biodiversity and conservation efforts.

In September 2024, the Australian Government engaged Sustainalytics to review the projects which it intends to finance through the Green Treasury Bonds (the "Nominated Projects") to provide an assessment as to whether the projects comply with the Use of Proceeds, Project Selection and Management of Proceeds sections of the Framework. Sustainalytics provided a Second-Party Opinion on the Framework in December 2023.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects as to whether:

1. They are aligned with the use of proceeds eligibility criteria in the Framework
2. The commitments to select projects, manage proceeds and report on allocation and impact are aligned with the ones described in the Framework.

Appendix 2 provides a summary of the Nominated Projects.

Issuing Entity's Responsibility

The Australian Government is responsible for providing accurate information and documentation relating to the Nominated Projects, including a description of the projects. This information was provided to Sustainalytics to support its review. The Australian Government is also responsible for confirming to Sustainalytics that the processes for project selection and management of proceeds will remain aligned with the commitments in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Green Treasury Bonds. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from representatives of the Australian Government that the use of proceeds, processes for project selection and management of proceeds for the Green Treasury Bonds will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by the Australian Government with respect to the Nominated Projects. 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 Australian 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 over the assessment.

¹ Australian Government, "Australian Government Green Bond Framework", (2023), at: https://www.aofm.gov.au/sites/default/files/2023-12-05/Green%20Bond%20Framework_WEB.pdf

² Australian Government, "Second-Party Opinion Australian Government Green Bond Framework", (2023), at: <https://www.aofm.gov.au/sites/default/files/2023-12-05/Australian%20Government%20Green%20Bond%20Framework%20Second-Party%20Opinion%202023%20December.pdf>

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 Green Treasury Bonds are not aligned with the Framework.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects and assets, including description, 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.

Appendix 1: Use of Proceeds of the Australian Government Green Bond Framework

Use of Proceeds Category	Indicative Eligible Projects
Renewable Energy	<ul style="list-style-type: none"> • Low-cost financing to upgrade Australia’s electricity grid to integrate increasing renewable energy generation (Rewiring the Nation) • Finance to drive investments that add value and develop capability in renewables and low-emission technologies (Clean Energy Finance Corporation) • Support green hydrogen industrial hubs (Regional hydrogen hubs) • Deploy community batteries across Australia (Community batteries)
Energy Efficiency	<ul style="list-style-type: none"> • Low-interest loans for energy-saving home upgrades (Household Energy Upgrades Fund)
Clean Transportation	<ul style="list-style-type: none"> • Construction of core electric transport infrastructure (Lower Emission Transport Projects) • Electric vehicle charging infrastructure (Driving the Nation)
Green Buildings	<ul style="list-style-type: none"> • Support the construction of low-carbon buildings (CEFC – green buildings)
Climate Change Adaptation	<ul style="list-style-type: none"> • Support developing countries’ mitigation and adaptation plans (Supporting the Indo Pacific to tackle climate change) • Invest in rural water use, management and efficiency (Sustainable Rural Water Use and Infrastructure Program) • Support carbon sequestration on agricultural land
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Address natural resource management problems such as vegetation loss, soil degradation, introduced pest weeds and animals, water quality changes and flows and fire regime changes (Urban Rivers and Catchment Program)
Biodiversity Conservation (terrestrial and aquatic)	<ul style="list-style-type: none"> • Support the recovery of Australia’s unique plants, animals and ecological communities (Saving Koalas Fund) • Invest to protect the health and resilience of the Great Barrier Reef (Reef 2050) • Support the protection and conservation of areas important for biodiversity
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Recover environmental water for the Murray Darling Basin (Murray Darling Basin Plan)
Circular Economy	<ul style="list-style-type: none"> • Support high quality collection and sorting, recycling and markets for recycled materials • Improve design, repair, re use, substitution and refurbishment
Pollution Prevention and Control	<ul style="list-style-type: none"> • Infrastructure upgrades to minimise light and noise pollution

Appendix 2: Summary of the Nominated Projects for green bond issuances

Table 1. Nominated Projects

Use of Proceeds Category	Nominated Projects
Renewable Energy	<ul style="list-style-type: none"> Rewiring the Nation Renewable Energy Investments by the Clean Energy Finance Corporation National Reconstruction Fund Advancing Renewables Program Community Batteries for Household Solar Program Regional Hydrogen Hubs Snowy Hydro Limited Hydrogen Headstart
Energy Efficiency	<ul style="list-style-type: none"> Household Energy Upgrades Fund
Clean Transportation	<ul style="list-style-type: none"> Electric passenger rail projects Driving the Nation Fund
Climate Change Adaptation	<ul style="list-style-type: none"> International Climate Finance Programs Sustainable Rural Water Use and Infrastructure Program
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Urban Rivers and Catchment Program
Biodiversity Conservation (terrestrial and aquatic)	<ul style="list-style-type: none"> Saving Koala Fund Reef 2050
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> Murray-Darling Basin Plan

Table 2. Description of Nominated Projects

Nominated Projects	Description ⁴
Rewiring the Nation	Rewiring the Nation is the Australian Government's program to make clean energy more accessible and affordable for consumers. Under this program, the government intends to invest AUD 20 billion to modernise its electricity grid and deliver new and upgraded transmission infrastructure. ⁵
Renewable Energy Investments by the Clean Energy Finance Corporation (CEFC)	CEFC capital is supporting renewable developments alongside energy storage and grid-balancing technologies, as well as early-stage projects. ⁶
National Reconstruction Fund Corporation	The National Reconstruction Fund Corporation (NRFC) is a corporate Commonwealth entity established by the Australian Government under the National Reconstruction Fund Corporation Act 2023. The NRFC may invest in commercial opportunities for manufacturing of products related to: i) renewable energy generation, transmission, distribution, or storage; ii) reducing greenhouse gas emissions; iii) energy efficiency; iv) recycling; and v) waste reduction or resource recovery. ⁷ In relation to the NRFC, the Australian Government has communicated to Sustainalytics that financing will be limited to renewables and low emission technologies.
Advancing Renewables Program	The Australian Government has communicated to Sustainalytics that financing will be limited to the R&D projects for renewable technology by the Australian Renewable Energy Agency's Advancing Renewables Program. Financing to R&D

⁴ The information provided for the description of the projects is sourced from the Australian Government's website or provided to Sustainalytics by the Australian Government.

⁵ Australian Government, "Rewiring the Nation", at: <https://www.dceew.gov.au/energy/renewable/rewiring-the-nation>

⁶ CEFC, "Renewable energy", at: <https://www.cefc.com.au/where-we-invest/cleaner-greener-energy/renewable-energy/>

⁷ National Reconstruction Fund, "Renewables and low emission technologies", (2023), at: <https://www.nrf.gov.au/what-we-do/our-priority-areas/renewables-and-low-emission-technologies>

	will be limited to 10% of the net proceeds. Activities financed will be limited to those that fulfil the Renewables Energy eligibility criteria under the Framework. ⁸
Community Batteries for Household Solar Program	The Community Batteries for Household Solar program will install more than 420 batteries across Australia and will provide shared storage for up to 100,000 households. The batteries will store excess solar energy for families and households to use during peak times. ⁹
Regional Hydrogen Hubs	The Australian Government intends to invest more than AUD 500 million to support the development of regional hydrogen hubs, ¹⁰ including design and development studies, in Australia. ¹¹
Snowy Hydro Limited	Snowy Hydro Limited is an integrated energy provider wholly owned by the Australian government. The energy provider will develop Snowy 2.0, the largest committed pumped hydro renewable energy project in Australia, which will provide an additional 2,200 megawatts of dispatchable, on-demand generating capacity and approximately 350,000 MWh of large-scale storage to the National Electricity Market. ¹²
Hydrogen Headstart	The Australian Government intends to invest AUD 4 billion in the Hydrogen Headstart program. The program will provide revenue support for large-scale renewable hydrogen projects through competitive hydrogen production contracts.
Household Energy Upgrades Fund	The CEFC Household Energy Upgrades Fund is a specialist AUD 1 billion fund focused on helping homeowners fast track their transition to cheaper, cleaner energy – while lowering their carbon footprint. ¹³
Electric passenger rail projects	The government is working in partnership with states and territories to deliver projects which support a range of economic and social objectives, including productivity and resilience, sustainability and liveability. As per the 2024-25 Budget, the government has committed AUD 96.5 billion towards nation building projects in the Infrastructure Investment Program. ¹⁴
Driving the Nation Fund	The Driving the Nation Fund will enable Australia's shift to electric vehicles (EVs) by supporting the expansion of the national rollout of EV charging and hydrogen refuelling infrastructure as well as support investment in fleets. ¹⁵
International Climate Finance Programs	The Australian Government supports climate change action in the Indo-Pacific through its development assistance program, guided by the International Development Policy. ¹⁶
Sustainable Rural Water Use and Infrastructure Program	The Sustainable Rural Water Use and Infrastructure Program is a national program investing in rural water use, management and efficiency, including improved water knowledge and market reform, and water purchase for the environment. ¹⁷

⁸ Australian Government, "Australian Renewable Energy Agency", at: <https://arena.gov.au/>

⁹ Australian Government, "Community Batteries for Household Solar program", at: <https://www.dcceew.gov.au/energy/renewable/community-batteries>

¹⁰ Hydrogen hubs are locations where producers, users and exporters of hydrogen work side by side to share infrastructure and expertise.

¹¹ Australian Government, "Building regional hydrogen hubs", at: <https://www.dcceew.gov.au/energy/hydrogen/building-regional-hydrogen-hubs>

¹² The Australian Government has communicated to Sustainalytics that the project required an environmental and social impact assessment.

Snowy Hydro Limited, "Snowy 2.0 – Documents", at: <https://www.snowyhydro.com.au/snowy-20/documents/>

¹³ CEFC, "Household Energy Upgrades Fund", at: <https://www.cefc.com.au/where-we-invest/special-investment-programs/household-energy-upgrades-fund/#:~:text=The%20Australian%20Government%20has%20allocated,and%20battery%2Dready%20solar%20PV.>

¹⁴ Australian Government, "Infrastructure Investment Program", at: <https://investment.infrastructure.gov.au/>

¹⁵ Australian Government, "Driving the Nation Fund", at: <https://www.dcceew.gov.au/energy/transport/driving-the-nation-fund/#:~:text=The%20Driving%20the%20Nation%20Fund,as%20support%20investment%20in%20fleets.>

¹⁶ Australian Government, "Supporting the Indo-Pacific to tackle climate change", at: <https://www.dfat.gov.au/international-relations/themes/climate-change/supporting-indo-pacific-tackle-climate-change>

¹⁷ Australian Government, "Sustainable Rural Water Use and Infrastructure Program", at:

<https://www.dcceew.gov.au/water/policy/mdb/programs/basin-wide/srwuip>

Urban Rivers and Catchment Program	Projects funded under the programme will help conserve native plants and animals such as birds, platypus and native fish. They will also improve access to waterways which provide for health and social wellbeing. ¹⁸
Saving Koala Fund	The Saving Koalas Fund will provide AUD 76.9 million over 4 years (with AUD 2.5 million per year ongoing for monitoring) to support the recovery and long-term conservation of the koala and its habitats. Funding is provided through the Saving Native Species Program and the Natural Heritage Trust. ¹⁹
Reef 2050	The Reef 2050 Long-Term Sustainability Plan is the Australian and Queensland Government's overarching framework, setting out how the Great Barrier Reef will be protected and managed to 2050. ²⁰
Murray-Darling Basin Plan	The Australian Government may finance or refinance projects and programmes associated with the Murray-Darling Basin Plan to recover water by changing water usage practices through efficiency measures. Intended projects examples include upgrading irrigation systems, lining water delivery channels, installing water meters, improving water productivity in manufacturing or irrigated agriculture, and changing urban water management practices. ²¹

¹⁸ Australian Government, "Urban Rivers and Catchments Program", at: <https://www.dcceew.gov.au/environment/biodiversity/conservation/urban-rivers-catchments-program>

¹⁹ Australian Government, "Saving Koalas Fund", at: <https://www.dcceew.gov.au/environment/biodiversity/threatened/species/koalas/saving-koalas-fund>

²⁰ Australian Government, "The Reef 2050 Plan", at: <https://www.dcceew.gov.au/parks-heritage/great-barrier-reef/protecting/reef-2050-plan>

²¹ Australian Government, "Second-Party Opinion Australian Government Green Bond Framework", (2023), at: <https://www.aofm.gov.au/sites/default/files/2023-12-05/Australian%20Government%20Green%20Bond%20Framework%20Second-Party%20Opinion%202023%20December.pdf>

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine if they are projects aligned with the use of proceeds eligibility criteria outlined in the Framework.	All projects reviewed (Appendix 2) complied with the use of proceeds eligibility criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the Nominated Projects to determine if the processes for project selection and management of proceeds were consistent with the Framework.	The Australian Government has confirmed with Sustainalytics that the processes for project selection and management of proceeds for the Green Treasury Bonds are consistent with the commitments described in the Framework.	None

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