

# Hon James Shaw

Minister of Climate Change

Associate Minister for the Environment (Biodiversity)



19 May 2021

Cecilia Tarrant  
Chair  
New Zealand Green Investment Finance Limited  
*By email to:* <sup>[39]</sup>

Dear Cecilia,

## **2021/22 Letter of Expectations for New Zealand Green Investment Finance Limited**

I'd like to thank you, as well as the rest of the Board for all of your work in the last year, particularly the pivoting that was required due to the COVID-19 pandemic. Going forward I'd like to build on this work by setting out my expectations for New Zealand Green Investment Finance (NZGIF).

This Government is committed to building an inclusive, sustainable, and productive New Zealand economy with trade, investment and innovation at its heart. This commitment is even more crucial now in dealing with the economic consequences of COVID-19. We are committed to resolving key long term challenges facing the country including sustainable economic development, decent jobs paying higher wages, a healthy environment and a fair society and good government. This Government views tackling climate change as not just an opportunity to help save the planet but also an opportunity to create jobs and help our economic recovery.

### ***Role of NZGIF***

NZGIF is part of a wider climate change policy programme that includes New Zealand's international climate change leadership, the Climate Change Response (Zero Carbon) Act and the strengthening of the New Zealand Emissions Trading Scheme. This Government is also developing a comprehensive strategy for funding and financing the transition to a low emissions and climate resilient economy. I ask that NZGIF works with officials to play a constructive role in the climate funding and financing work programme to ensure that your market experience and green investment capability can be leveraged.

As well as NZGIF's already identified areas for investment, we would like the Board to develop a broader range of investment sectors. We expect target investment sectors to encompass waste and plastics, and that a specific focus should be placed on pursuing opportunities in public transport decarbonisation. We feel that there are commercially viable opportunities in these sectors that fit with NZGIF's purpose.

The Crown alone cannot achieve the transition to a low emissions economy. NZGIF represents an important objective, to unlock private finance to deliver the necessary investments to achieve our carbon zero obligations. We recognise that experience to date has required significant prioritisation of investments as you optimised a limited capital base. We have provided significant additional capital funding to increase the scale and impact of your investments. We consider this an important aspect of building momentum for the climate change challenges to come.

While NZGIF should operate with an objective of financial sustainability, your primary purpose is not profit maximisation. NZGIF will differ from private sector financial institutions in that it has a public policy purpose where considerable value is to be placed on the externalities associated with its financing activities. These external benefits include emissions reductions, demonstrating the viability of investment into lower emissions technologies, capability development and leveraging private sector funds into lower emissions business activities.

We consider that consistent deal flow is essential if NZGIF is to successfully accelerate low emissions investment. We expect NZGIF to grow its presence in the market and work with the investment community and all market participants, across government and the private sector to form deep capital markets for climate related investments and investment programmes. This market leadership role should actively seek to develop transparent pipelines of investible opportunities and enable financial products that can 'crowd in' additional private sector co- investment.

### **Governance**

While acting as an independent decision-making body, NZGIF should operate within the parameters set for it by the Government and be transparent and accountable for its decisions. The Board should draw on relevant guidance and incorporate the principles of best practice corporate governance in providing oversight and direction to NZGIF's activities.

NZGIF should ensure that operational decisions enable it to achieve its mission in a cost- effective manner, including by exploring opportunities to collaborate and partner with relevant agencies.

General expectations for the Crown's Commercial Portfolio are contained in the Owner's Expectations Manual (OEM). The OEM, and updates, can be found on the Treasury's website <https://treasury.govt.nz/publications/guide/owners-expectations-manual>

Ministers expect that directors and the management of the companies are familiar with the OEM to ensure shareholder expectations are being met.

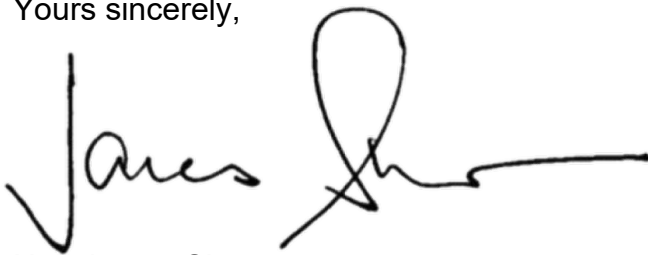
***Diversity and engagement***

Consistent with government support for increased diversity and gender balance on Boards, entities are encouraged to support diversity and inclusion in the workplace and in leadership.

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact Oliver Martin at the Treasury.

I would like to thank you, and the Board for your continued efforts, and I look forward to being kept informed of investment progress.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Shaw', with a large loop at the top and a long horizontal stroke extending to the right.

Hon James Shaw  
**Minister for Climate Change**

*For and on behalf of shareholding Ministers*

cc: *Craig Weise, Chief Executive, NZGIF*