Sustainable Business & Finance

When will we act?

New Zealand on the line in Dubai at COP28

INSIDE

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Photo AP

The climate agenda heats up

The *Herald*'s 2023 Sustainable Business and Finance report comes at a time when persistent "cost of living" pressures have resulted in a marked slide in the urgency with which nations are tackling the climate change imperative.

This is unfortunate. But when revenues are crimped and costs rise, many firms also refocus their attention, to first, staying "in business".

Neither have climate change initiatives had much airtime during the recent New Zealand election campaign.

They have been subsumed by other issues.

But they must come to the fore again after Prime Minister-elect Chris Luxon announces his Cabinet once the current negotiations between National, Act and New Zealand First are concluded. Critical to progress is exactly which politician will hold prime portfolios such as Climate Change, Transport, Energy and Agriculture.

The transport and agriculture sectors, in particular, are where major reductions need to be made in New Zealand's greenhouse gas emissions profile.

Even more critical is the policies that will be favoured by the new Government.

An early insight into this comes from Chapman Tripp's Kate Wilson Butler in her assessment of the likely direction of the new Government on climate change.

Businesses will be also looking out for some early insights to assess how the new Government's strategies will align with their own climate-conscious strategies.

The catastrophic events of Cyclone Gabrielle and the Auckland Anniversary floods earlier this year serve as stark reminders of the urgent need for effective adaptation to climate change.

On this score, the new Government will have to make fundamental choices as to how much adaptation is led by local authorities and how much by central government.

This will have major budget implications into the future if New Zealand finds itself in the path of more disruptive weather — as seems likely.

Looking ahead to 2024, it is clear many New Zealand firms are refocusing their business practices in the wake of technological advancement and consumer preferences for sustainability-conscious products. This is particularly obvious in New Zealand's prime agriculture sector.

Green finance is also steadily expanding in New Zealand with a greater appetite from firms to make headway in decarbonising their businesses with the assistance of well-targeted funding that is geared to results.

The Institute of Directors — which brought the World Economic Forum's Chapter Zero Chapter to New Zealand — has also become a rallying point for directors to drive progress in the companies they govern. It's not simply about ensuring directors are prepared to strategically identify climate risks and ensure sustainability reporting when it comes to reporting financial results, but to ensure change happens. Enjoy the report.

Fran O'Sullivan

Executive Editor
Herald Business Reports

We are running the most dangerous experiment in history right now, which is to see how much carbon dioxide the atmosphere can handle before there is an environmental catastrophe.

Elon Musk, CEO of Tesla, X (formerly Twitter) and SpaceX

Inside Sustainable Business & Finance

Sustainable Business and Finance Report

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Sustainable Business & Finance

NZ on the line in Dubai for COP28

Sustainable Business & Finance
Fran O'Sullivan

Whoever Prime Minister-in waiting Chris Luxon sends up to Dubai for COP28 as his Climate Change Minister will face a rude awakening.

New Zealand political leaders have talked a big game on climate change. But their optimistic words have yet to be matched by sufficient major reductions in greenhouse gases emissions in the pipeline, at a sufficient tempo for this country to meet its Paris Agreement commitments.

The first Global Stocktake (GST) of the Paris Agreement will conclude this year. Foreign affairs officials portray this as an opportunity to look at how New Zealand is progressing and what we need to do about it.

"By identifying gaps in the climate response, we have an opportunity make decisions to course-correct and get back on track to meet the goals of the Paris Agreement.

"Other key outcomes will include constructing a framework for the global goal on adaption, and work on a fund and funding arrangements for loss and damage. Work on a wide range of issues will be undertaken, including climate finance, agriculture, just transition, mitigation and carbon markets."

But the brute reality is that New Zealand is not on track to reduce its greenhouse gas emissions by 30 per cent below 2005 levels by 2030.

This is the Nationally Determined Contribution (NDC) which we agreed to as part of the Paris Agreement.

The Global Stocktake will show New Zealand has great deal of work to do.

There is a cost to tardiness. If we do not make sufficient moves within the country it will face costly action to invest in offsets elsewhere — up to potentially $23.7 billion by 2030.

The Paris Agreement took effect in 2020. New Zealand's commitments to reduce greenhouse gas emissions, our NDC, kicked in from 2021.

The UN Framework Convention on Climate Change (UNFCCC) was established in 1994 to curtail "dangerous" human interference with the climate system. The 198 countries that have since ratified the convention are known as Parties to the Convention (COP). It's at their annual COP meetings — like the one due to happen in Dubai from November 30 to December 12 — that world leaders, ministers and officials take decisions on the global response to the climate crisis including the implementation of the Paris Agreement.

COP28 is being held in Dubai this year.

Irony abounds

It is a matter of acute irony that COP28 will be held in Dubai, a city that made its wealth from the ultimate fossil fuel — oil.

The United Arab Emirates does not levy income tax on individuals. Its capital, Dubai, boasts the second-highest number of five-star hotels in the world and the tallest building, the Burj Khalifa, which is 828m tall.

This is also the tower where Dame Jacinda Ardern's image, embracing a Muslim woman in the wake of the Christchurch mosques terrorism attack, was lit up large.

The UAE, as host, is expecting more than 80,000 delegates — and a significant business presence including from New Zealand. COP is increasingly becoming a platform for countries, NGOs, businesses, youth, and indigenous organisations to run side initiatives and events that seek to get ahead of the global rules, showcase world-leading climate action, clean tech businesses and innovative transition tools.

Often more than three quarters of the 30-40,000 participants at COP are not negotiators.

Sultan al-Jaber, the oil executive picked to be president of this year's COP28 meeting, had himself spent years advancing his nation's fossil fuel interests. It's not been plain sailing for the UAE.

Reports underline that tense negotiations at the final meeting on an international climate-related loss and damages fund — to help poor countries hit hard by a warming planet — ended with participants agreeing the World Bank would temporarily host the fund for the next four years. The United States and several developing countries expressed disappointment in the draft agreement, which will be sent for leaders to sign at the COP28 climate conference.

Agribusiness rap?

There are some positives for New Zealand businesses to highlight in Dubai. Fonterra has partnered with Nestlé to develop the country's first net zero carbon emissions dairy farm.

The "Net Zero Milk" project looks to increase awareness and adoption of low carbon techniques and technologies that the wider farming sector can implement in order to decarbonise the industry.

After running for five years, the project will assess the new dairy farm's total carbon output, looking to reduce emissions by 30 per cent by mid-2027 and achieve net zero emissions in 10 years' time.

Fonterra CEO Miles Hurrell observes that New Zealand, which is the world's leading dairy export producer, already provides some of the most sustainable nutrition in the world through its pasture-based dairy system.

Hurrell is looking to the partnership to further reduce emissions, increasing the country's low-emissions advantage over the rest of the world.

New Zealand has the lowest carbon footprint for milk in the world, but dairy makes up about 50 per cent of the countries agricultural livestock emissions, a quarter of which comes from dairy biological emissions (N2O and methane).

The Ministry of Primary Industries has also formed a partnership — AgriZeroNZ — between agribusiness and the government to act as a catalyst and investment fund with an ambition to reduce agricultural emissions by 30 per cent by 2030.

The Government is a 50 per cent shareholder, in partnership with ANZCO Foods, Fonterra, Rabobank, Ravensdown, Silver Fern Farms and Synlait.

With access to over 70 per cent of New Zealand's farms, the partners bring real clout to their task.

Sustainable Business & Finance

A bold vision for our future

Jo Kelly looks out into 2035 with a timely thought experiment

Progress is much, much too slow. The glass half empty scenario is increasingly likely.

Jo Kelly

It's 2035. The world has bent the curve on emissions and is on track to avert the worst effects of climate change. Global collaboration and massive economic reforms introduced during the previous decade in Europe, Australia and the US have underpinned climate policies that became more stringent over time. This subdued physical risks, unleashed innovation, creativity, and technology. The global financial system remained relatively stable. Capital is flowing effectively to support sustainable economic activity.

Aotearoa NZ is thriving

We reflect on the extreme weather events of 2023 that cost the economy billions and brought the realities of climate change into stark focus. Some were paralysed by the enormity of the task. Others were galvanised. Iwi, public and private sector leaders got together and developed an ambitious and comprehensive framework for reducing barriers and driving investment into sustainable activities.

The Australians went first. On November 2, 2023 its Treasury released its first national sustainable finance strategy, strategically positioning Australia as a renewable energy superpower in the race to a net zero economy. Alongside Singapore, which had released its own Finance for Net Zero Action plan that year, the three aligned to position the region as a robust market and credible destination for investment. This led to substantial flows of international capital making its way to Aotearoa.

What did we do right?

● **Bold vision and decisive action**

Political leaders laid out a compelling, bold vision for the future of the country. They understood the role of global capital markets in achieving the vision, and the role of government in enabling capital markets to drive long term outcomes.

Iwi, public and private sector leaders took decisive action to avoid exponential future costs, developing ambitious, co-ordinated, science-based policies and plans to transition the economy. They built robust environmental information architecture and co-invested strategically into green infrastructure, sustainable land use, technology and innovation. This created jobs, supported resilience and maintained the country's international reputation.

● **International alignment**

Aotearoa NZ's reporting frameworks kept pace and harmonised with global developments. Climate risk disclosures flowed through large companies and financial institutions, which in turn required smaller companies to provide environmental/social data.

Regulators and capital providers used this information to determine which companies were likely to be viable in a low emissions economy.

Beginning in 2023, the International Sustainability Standards Board and the European Corporate Sustainability Reporting Directive drove the convergence of global metrics.

Directors saw the writing on the wall. They accepted that their businesses depend on nature and people, and the stability of our planet. This became a matter of fiduciary duty.

● **Reducing NZ's risk profile**

In the early stages of retreat by the insurance industry, 2024 saw iwi, public and private sector leaders come together to prepare for uninsurable markets and align on principles for adaptation and managed retreat. From here, financial institutions began to price climate related risk more transparently.

Major banks set sector level decarbonisation pathways and developed products encouraging climate mitigation measures such as home fit outs, electric cars and business transition projects. Eventually, green mortgages, like those offered in the UK, provided house buyers preferential terms when their property met certain environmental standards. In turn, this improved societal resilience and adaptability to extreme weather events. While "sustainable finance" was still a small proportion of overall finance. the tide was beginning to turn in global capital markets.

● **Trade and capital flows**

Recognising its own key net zero transition sectors, Aotearoa New Zealand developed definitions used by major banks for lending to sustainable and regenerative agriculture.

This gave banks and investors a common understanding of what is sustainable. Financial products were developed and capital flowed toward building a resilient, competitive agriculture system. The country's primary economic drivers shifted. By lining up with international taxonomies and expectations, Aotearoa NZ gained an advantage in international trade relationships.

● **Investing at home**

The Government avoided sending billions of dollars to other countries to meet its Nationally Determined Contributions to the Paris Agreement. We identified many low emissions opportunities in energy, transport and agriculture, and our local public and private capital providers participated fully in these opportunities, alongside our global capital partners.

Big picture initiatives, like Recloaking Papatuanuku, uplifted local communities, created jobs, improved biodiversity and optimised land-use through a set of visionary strategies developed in partnership between iwi, business and community leaders.

Did this really happen?

Not yet. But it has started. In 2021 the Sustainable Finance Forum's 2030 Roadmap for Action identified 11 recommendations to develop a more equitable, inclusive financial system that drives sustainable outcomes for Aotearoa NZ.

It was developed in consultation with more than 200 market participants. The Centre for Sustainable Finance was established by financial institutions and philanthropic funders to maintain and track progress toward the Roadmap.

As its Chief Executive, I see encouraging developments every day that are moving us in this direction.

But progress is much, much too slow. The glass half empty scenario is increasingly likely.

In December the United Nations Global Stocktake will assess progress since the 2015 Paris Agreement to limit global temperatures within liveable limits. Aotearoa New Zealand's international obligations will continue to grow, while our domestic response has stalled.

Without an ambitious vision for the future and a credible plan to fund and finance it, Aotearoa NZ will be left behind by its international counterparts. We are at a turning point.

There is plenty of capital available. We need our leaders across Government, businesses, iwi and communities to help us all step positively and firmly into a better future for our country and our planet.

● *Jo Kelly is the Chief Executive of the Centre for Sustainable Finance: Toitū Tahua.*

Sustainable Business & Finance

Sustainability: is it at risk of becoming a fair-weather friend?

Ahead of COP28, **Tim McCready** looks at some recent trends that are giving "sustainability" a mixed outlook.

Sustainable Business & Finance
Tim McCready

It was only 10 months ago that New Zealand suffered two of its most costly weather-related disasters.

The Auckland Anniversary floods and Cyclone Gabrielle resulted in insurance claims of more than $2 billion. Climate change was a top concern of the nation. Ipsos' NZ Issues Monitor ranked it the fifth most significant concern for New Zealanders in February and May 2023.

But you just have to look to the recent election to see how much has changed since then.

Climate change was barely mentioned on the campaign trail or during the debates by the two candidates vying to be Prime Minister.

By August, the Ipsos survey saw climate change slip out of the top five concerns for New Zealanders and making way for worries about the cost of living, crime, housing, healthcare and the economy.

This is a trend seen globally, where soaring inflation and the cost-of-living crisis has seen consumers shift to cheaper and often less sustainable products and services, and their attention shift away from the climate.

EY's Future Consumer Index, which surveyed 21,000 consumers across 27 countries, found that affordability was the top priority at 35 per cent (up from 25 per cent in October 2022). Of the five consumer segments, 'planet first' saw the biggest decrease, falling from 25 per cent in 2022 to 16 per cent this year.

With more immediate challenges pushing climate action further down the priority list, it is at risk of becoming a fair-weather friend. The irony of that is noted.

Other trends making impacting sustainability efforts include:

Anti-ESG: a true movement or simply politics?

Criticism of sustainable and environmental, social and governance (ESG) investing has gained momentum recently, particularly in the United States as it has become increasingly politicised.

Simultaneously, there has been a notable increase in the amount of 'anti-ESG' funds, defined as those that invest in assets that were traditionally excluded by socially responsible funds and often aligned with politically conservative values.

Flows into anti-ESG funds peaked in the third quarter of 2022, according to American financial services firm MorningStar. Over 80 per cent of the US$377m raised that quarter flowed into the first fund of Strive Asset Management — an investment firm founded by Republican presidential candidate and pharmaceutical entrepreneur Vivek Ramaswamy to counter the "woke" investment practices of more established ESG-focused firms like BlackRock.

In his campaign launch video, Ramaswamy criticised "the woke left" and its focus on diversity, denouncing policies from left-leaning politicians used to address the Covid-19 pandemic, gender issues and climate change.

Another Republican presidential candidate, Florida governor Ron DeSantis, also took aim against ESG investing this year, signing a law that prohibits the state's public or state-controlled funds to invest based on ESG factors. The anti-ESG legislation is set to be a model for other Republican-led states, prioritising financial returns for state funds and state pensions and preventing the issuance of green bonds.

Even BlackRock CEO Larry Fink, a longtime proponent of investing with ESG standards in mind, said in June that while he hasn't changed his position on ESG, he has stopped using the acronym following its weaponisation by the far left and the far right of politics.

More recent data from MorningStar reveals that anti-ESG funds have fallen dramatically from last year's peak. The firm suggested in its headline that "anti-ESG might be over before it even got going." It is also worth recognising that the surge of investment into anti-ESG remains miniscule compared to the vast pool of ESG assets.

Bloomberg Intelligence estimates these will reach US$50 trillion in 2025.

Without a doubt, the question over whether anti-ESG is a genuine shift in investment philosophies or merely a reflection of political discourse will linger. The US presidential election is set down for November 5 next year.

Anti-ESG: is it a true movement or just simply politics? Ask Vivek Ramaswamy, Ron DeSantis or Larry Fink.

Greenhushing: is silence the new strategy?

Most of us are familiar with greenwashing, where companies and brands exaggerate or even fabricate their commitment to sustainability and eco-friendly practices without substantiating their claims.

It has become a growing concern as consumers and investors increasingly seek genuinely environmentally responsible options.

In response, it has given rise to a contrasting phenomenon: greenhushing. In this case, businesses make a deliberate choice to downplay or even hide their sustainability initiatives and credentials.

One reason for this is the ongoing political hostility over climate change. Advocates for stronger environmental action are pushing for even further efforts, and those with opposing views are boycotting firms for even acknowledging climate change should be factored into business decisions.

Meanwhile, some firms are greenhushing as a protective measure against scrutiny. The heightened emphasis on verification and transparency means that loudly announcing sustainability efforts invites increased attention and the possibility of criticism.

With governments and regulatory bodies cracking down on greenwashing and demanding companies substantiate the claims they make, there is a growing number of businesses staying quiet about their efforts as a prudent course of action amid the risk of a potential lawsuit.

While other companies choose to under-report their sustainability efforts to avoid being asked for ever-expanding amounts of data and the associated expense associated with verification.

Greenhushing can be seen rippling through sustainable funds as well. US-based fintech consultancy Broadridge identified 44 sustainable funds that dropped the word "sustainable" from their fund in the first half of 2023, contrasting with 2022 where 99 funds added the word to their name.

This is linked to the European Securities and Markets Authority signalling that greenwashing has become a major concern for policymakers and it may move to regulate the use of firms using ESG or sustainability-related terms to avoid funds obtaining an unfair competitive advantage.

Artificial intelligence: a climate hero or enemy?

No discussion of current trends impacting business would be complete without the mention of artificial intelligence (AI).

It has quickly emerged as a powerful tool for myriad industries seeking to adapt and mitigate the impacts of climate change and accelerate the transition to a more sustainable and resilient future.

AI-informed precision agriculture can help to optimise resource use, reduce waste, and enhance crop yields. The energy sector is being made more sustainable with AI forecasting for renewable energy sources, grid optimisation and demand-side management. AI-powered logistics and traffic management can help reduce transport emissions and improve fuel efficiency.

In the construction and real estate industry, AI can track the use of a building and use historical patterns to adjust lighting and air conditioning. It can help to identify where it makes economic and climate sense to make upgrades to buildings.

However, there is an often-overlooked counterpoint: these technologies also contribute significantly to greenhouse gas emissions. Data centres rival the aviation industry in their carbon footprint and consumer significant amounts of water.

As technological developments progress, the demand for energy to continue to train and operate these systems is only set to increase. As AI becomes more deeply ingrained in the world around us, finding sustainable energy solutions to power it will be an increasing challenge. But never fear: AI will undoubtedly help us solve it.

Sustainable Business & Finance

Climate governance hots up

Climate dinosaurs are almost extinct and directors' focus is turning to good governance writes **Kirsten Patterson**

When I started at the Institute of Directors (IoD) in 2017, one of my first crisis meetings was over whether the director community was ready for a climate change edition of *Boardroom* magazine.

At the meeting we also grappled with whether we should put a dinosaur on the cover — a tongue-in-cheek nod to both entrenched climate denialism and the possibility of extinction.

The consensus view was a resounding "maybe". But we pushed ahead on both fronts. I got a few handwritten letters about that issue of the magazine and some late night emails — both positive and negative.

Today, it seems crazy that just six years ago we were discussing whether or not climate change was a governance issue.

If you want an idea of how the climate conversation is progressing in boardrooms, the growth of the IoD's Chapter Zero New Zealand governance initiative suggests we have evolved significantly.

Chapter Zero is a Climate Governance Initiative (CGI) project backed by the World Economic Forum (WEF). There are 26 chapters across 50 countries, and more will join.

I approached the forum about hosting a chapter here, which we launched in March 2022. It is focussed on providing knowledge to directors, alongside tools and insights from home and abroad, to help them make better climate governance discussion for their organisations and communities. This initiative is of huge importance to New Zealand's prospects of meeting our climate targets and building a climate-resilient economy.

Kirsten Patterson CMInstD is chief executive of the Institute of Directors

Growth in supporters was slow at first but we have seen an acceleration this year. We had around 850 supporters in March 2023, one year from launch. That shot up to around 1,200 in July and had risen to 1,476 by late September.

Climate Change Minister James Shaw has appeared at our events. This year, both then Prime Minister Chris Hipkins and National leader Christopher Luxon (perhaps with the election in mind) spoke at our events.

Climate governance is increasingly recognised as vital, and understanding the risks and opportunities is becoming a boardroom priority.

> I've been told I am running a 'woke kindergarten' at the IoD, which I think is better than running a sleepy rest home.
>
> Kirsten Patterson

Chapter Zero NZ engages with and supports the 10,500-plus strong IoD membership. We also welcome non-member directors and all of our tools, guides, resources, news and webinars are openly available to the public at www.chapterzero.nz

We have an open door policy. We believe our 1,476 supporters have an impact greater than the number might suggest. IoD members sit on a median of three boards, so that reach is often tripled. And all directors on the boards our supporters are on, also likely sit on three boards. So knowledge and ideas can spread fast.

The IoD's Chapter Zero NZ cannot tell directors that they should move this factory away from this river at this time. We cannot tell directors that this international market will opt to only accept net-zero goods from this date. Our contribution is to point directors to the types of questions they ought to ask, in relation their organisations, and to help them bring those questions to board discussions in order to make great decisions.

Directors have a fiduciary duty to their organisations — they are required under the Companies Act to consider the success and sustainability of their business model. Chapter Zero will help them understand what that duty might look like in the face of climate uncertainty.

Climate governance is a relatively new addition to the list of director responsibilities and it stimulates all sorts of opinions and debates.

Some feel it is part of a "woke" agenda. I've been told I am running a "woke kindergarten" at the IoD, which I think is better than running a sleepy rest home.

In an area of divergent views and strong emotions, Chapter Zero NZ is a safe space in which we can hold serious discussions about climate governance.

Throwing stones is not going to fix the climate crisis. Someone has to bring businesses, scientists, climate activists, the government and the public together on this. Someone has to create a platform for change.

Bringing climate to the fore in governance is incredibly important if Aotearoa New Zealand is to meet its net zero aspirations. We are headed into a once-in-a-generation change to the way our world is structured. This is going to require global, organisational and human change. And that's going to require all of us and especially corporate leadership from the top.

Chapter Zero NZ aims to be transformative for the governance community, so they can be transformative — for New Zealand.

Sustainable Business & Finance

An undeniable imperative

A Blue/Yellow/Black coalition — where will the cards fall on climate change, asks **Kate Wilson Butler**

As we await the final shape of the coalition deal between National, Act and New Zealand First, we already know that the climate crisis will be an undeniable imperative for the incoming and all subsequent New Zealand governments.

Front and centre for the National Government will be climate adaptation — including managed retreat, building critical infrastructure resilience, and crisis response in the face of more frequent and severe weather events.

There is a broad consensus across the political spectrum that these are necessities. There may be divergence, though, on the detail of cost allocation and on the use of statutory powers to compel managed retreat.

The question of mitigation — how the country goes about reducing its emissions, and how quickly — is less clear cut. National, for example, has publicly reiterated its support for the Zero Carbon Act's emissions reduction targets and budgets, while Act wants the legislation to be repealed.

Prime Minister-in-waiting Christopher Luxon has said that any government he leads will meet all of its emissions budgets, although he has yet to articulate a detailed plan to course-correct our present reduction track which is 114 million tonnes short of hitting the 2023 target.

All three prospective coalition partners see a role for the Emissions Trading Scheme (ETS) but none has declared a position on specific operational changes, including amendments consulted on by the Labour Government in June which would limit the ability to use carbon forests to offset emissions. There will also be scope for disagreement on how strong the ETS price signal should be, particularly following the July 2023 policy setting change that substantially tightened the ETS unit supply and increased prices.

How ETS revenues are to be used will also be a big question, with a signalled move away from central government support for private sector decarbonisation.

As climate change is hardly a defining issue for either Act or New Zealand First, however, National may have a reasonably free hand in determining the incoming government's climate response.

So, what was National offering the electorate in terms of climate change policy in the run-up to October 14? And how might that be modified by the interests of Act and New Zealand First?

Chris Luxon launched Air New Zealand's first annual sustainability report in 2015. The then Air NZ CEO committed the airline to ambitious targets. "The reason to do it is because a) it is the right thing to do, but b) we are actually future-proofing and de-risking the business." As Prime Minister he now has to ensure New Zealand makes progress on its Paris Agreement targets to reduce emissions.

> As climate change is hardly a defining issue for either Act or New Zealand First, however, National may have a reasonably free hand in determining the incoming government's climate response.
>
> Kate Wilson Butler

- National will defer the inclusion of agriculture into the ETS (or an alternative pricing structure) until 2030 (five years later than the current deadline) but will require farm level emissions reporting by 2025.

The "carrot" is that it will provide financial assistance to farmers to lower their carbon profile, and remove the "ban" on genetic engineering and genetic modification technologies.

As Act and New Zealand First are engaged in a white-knuckle battle for the rural vote, the prospect of further deferrals or other forms of policy softening cannot be ruled out.

- National will close the Climate Emergency Response Fund, set up by Labour in 2021 to funnel income received through the ETS into emissions reduction initiatives. Instead, those unallocated funds and future ETS revenues will go to the Government to be directed toward income tax cuts.
- National will abolish the Government Investment in Decarbonising Industry (GIDI) Fund — a proposal that is causing some disquiet among would-be recipient businesses that will otherwise struggle to raise capital or make the business case for capex to invest in decarbonisation.
- National will repeal the feebate programmes under which "clean car" discounts are funded through fees on high emitting vehicles (the infamous "Ute Tax"). A higher than anticipated uptake of EVs and hybrids since the fund's introduction in 2021 meant that it has needed to be topped up by around $200 million. Instead, National plans to encourage electrification of the fleet by investing $250 million over four years in EV charging infrastructure.
- National has also committed to abandoning the Lake Onslow battery project in favour of an 'Electrify New Zealand' strategy aimed at doubling renewable generation by providing a more enabling and truncated consenting process.

While there will be some changes in approach and, perhaps, in ambition on climate change under a Luxon-led Government, it appears likely that the architecture created by the Zero Carbon Act — with its long-term emissions targets, carbon budgets, and independent Climate Change Commission — will remain broadly intact.

That will be welcome news for the various business groups that have called for policy stability across election cycles.

Whatever the shape of policy, the reality is that the transition to a low carbon economy is now largely being driven from outside the domestic regulatory realm. At the national level, for example, Free Trade Agreements (FTAs) require New Zealand to uphold environmental standards and our most recent FTA, with the European Union, obliges us to effectively implement the Paris Agreement.

Meanwhile, many of our largest enterprises are already investing in decarbonisation and disclosing and managing their climate-related risks, not just to comply with regulation but also to continue to attract international investment, access debt capital and meet customer and wider stakeholder expectations.

These rapidly evolving international benchmarks will dictate the playbook for New Zealand companies seeking to borrow in global markets and to sell to the world — a set of levers out of the hands of a government of any stripe.

- *Kate Wilson Butler is Director of Climate, Sustainability and ESG at Chapman Tripp.*

Sustainable Business & Finance

Speed is crucial as we build renewable energy

Sustainable Business & Finance
Bill Bennett

Breaking consenting barriers to enable investment in renewable energy

New Zealand needs to get a move on building renewable energy capability if we are going to meet the government's deadline of being net carbon zero by 2050.

At the same time there is an increasing pressure on businesses to reduce emissions. That means using renewable electricity to replace oil or coal. And it means building more solar, wind, thermal or even hydrogen-based capacity.

MinterEllisonRuddWatts partner Stephanie de Groot says: "There is a movement from businesses who need to show they are taking positive steps towards improving their environment, social and governance (ESG). It's being driven by customers and stakeholders, but there is also a regulatory perspective with mandatory climate-related disclosures."

> We know the regulatory system drives change, but it's also the consumers and the investors who are equally driving change.
>
> Stephanie de Groot

She says sectors of the business community are focusing on ESG (environment, social and governance) outcomes and if they can use more renewable energy, or invest in renewables, that helps deliver on their wider goals. "We know the regulatory system drives change, but it's also the consumers and the investors who are equally driving change."

While we are heading in the right direction, de Groot says, we need to deliver renewable energy capability and infrastructure at unprecedented levels and speed.

She quotes a report from the Climate Change Commission which notes that New Zealand needs to add an additional terawatt hour of renewable generating capacity every year from 2025 on. That's the equivalent of building two large scale wind farms a year.

To put this in context, the most generating capacity New Zealand ever built in a year was during the 1970s when 400 megawatts were added.

de Groot says the consenting process is a potential barrier. There are several aspects to the process which can lead to delay. "Historically under the RMA (Resource Management Act) there is a notification aspect to the process where a resource consent application can be notified to the public. That enables people to get involved by making submissions and then requesting hearings. They have appeal rights as well.

"There is criticism that this can slow down consenting. On the flip side, however, having affected parties involved in the process means that the environmental effects of a project get tested to a greater extent than if people weren't involved."

People might argue they don't like the visual impact of a wind farm or the potential loss of amenity. Likewise, there can be objections about the effect of a geothermal site on the local groundwater or cultural values.

Some of the consenting issues are difficult. "One of the big issues arising from building solar farms is that they can often be constructed on highly productive land that could be used to support other sectors. It's a finite resource."

Scott Thompson, who is also a partner at MinterEllisonRuddWatts as well as the firm's energy lead says: "When you have carbon commitments to meet and infrastructure deficits to address you need consenting processes to be efficient."

He says a considerable amount of carbon ends up in the atmosphere because of consenting delays which is costly in other ways: "The longer we take to decarbonise our energy system, the higher the costs because we have to pay for carbon offsets to keep, for example, the coal and the gas generators fired up."

New Zealand has a good track record with renewable electricity generation, but the total energy consumption is relatively lower in terms of renewable resources. Thompson says much of our energy consumption comes from transport with oil and industrial processes powered by coal or gas fired boilers. "At some point all these processes will be electrified, replaced with electricity-powered heat pumps, and transport will move to electric vehicles and green hydrogen.

"This is why we need to move fast to develop a lot more renewable generating capacity. With that comes the need to build out our transmission and distribution network to enable all the new electricity generation."

Depending on the complexity, the nature of the site and whether there are legal appeals, it can take a couple of years for a renewable energy project to progress through the consenting project.

However, there are examples that take much longer.

There is another brake acting to slow the development of key infrastructure projects such as renewable generation plants. Thompson says: "It's difficult to build things at pace and at scale without a pipeline in place. The government has been working with infrastructure industry bodies to address this issue. There is an opportunity to cement this with the new government."

He says there also needs to be work on getting a better procurement fmodel for the sector. "We need to get contracts that are fit for purpose. We want to be able to deliver projects on time and on budget, that's even more important now because there is so much to build. If you don't get the settings right, it can lead to enormous disputes which decimates productivity and cost."

> When you have carbon commitments to meet and infrastructure deficits to address, you need consenting processes to be efficient.
>
> Scott Thompson

This has come to the fore as a problem because many of today's projects are bigger and more complex. They often involve overseas contractors who face regulatory settings that are unique to New Zealand. They can also face unfamiliar site locations, especially for wind farms, and the contractorsmay not be familiar with the risks.

de Groot says it's important to emphasise that both the previous government and the incoming National, Act, NZ First parties have all identified that consenting challenges are an issue.

"The previous government consulted on proposals to change the system to help speed things up.

"There have also been recent policy and regulatory changes to help. Change has happened and is continuing."

She says the fast-track consenting process has made a difference. "There was one developed in the wake of Covid to help speed economic recovery with fast-track consenting of, mainly, large scale developments. It was not only for renewable energy although a lot of renewable projects have benefited from this process."

This was separate to the standard consenting process under the Resource Management Act.

"It limits public participation and appeal rights, often the projects don't go to a hearing," de Groot explains.

While the Covid-19 Recovery (Fast-track) Consenting Act 2020 has since been repealed, a similar process has been put into the new Natural and Built Environment Act, which replaces the RMA. National says it will repeal the Act, but it also says it wants to reform consenting rules for renewable energy generation projects, so the fast-track may be retained.

Scott Thompson is Partner and Energy Lead for MinterEllisonRuddWatts. Stephanie de Groot is a Partner at MinterEllisonRuddWatts.

Infratil's global reach in a renewable energy future

NZ is well-advised to adopt an incentive scheme to speed up the development and distribution of alternate green power

Sustainable Business & Finance
Graham Skellern

New Zealand should follow the American tax credits scheme to develop renewable energy projects and expand the transmission grid, says Infratil chief executive Jason Boyes.

"We could accelerate the energy transition so much more if we look at what the US has done, and change our mind around incentives in a richer way to get more innovative and independent thought," says Boyes.

"New Zealand has an unsubsidised mindset which puts it at a disadvantage in attracting investment capital compared with the rest of the world.

"Fortunately, we have plentiful (hydro) renewable power. If you are known to have abundant renewable energy, then this will attract all kinds of investment. Globally, we are seeing plenty of money going into building renewable generation but not for transmission," Boyes says.

Last year the United States government passed the Inflation Reduction Act designed to mobilise private capital for developing and deploying clean energy technologies and meeting the country's climate goals.

It was the largest climate investment in US history, and the act provides tax credits of up to 30 per cent for qualifying investments in wind, solar, energy storage and other renewable energy projects.

There are other bonuses for companies to locate in under-served communities where job creation and their investments can produce higher economic returns. US Secretary Janet Yellen described the initiative as "modern supply-side economics" with government action promoting long-term growth while addressing climate change or inequality.

Boyes says there is a real case for more energy transition support and building out the transmission grid in New Zealand with an open-access incentive scheme that looks like the Inflation Reduction Act.

Europe has a grants-based scheme administered by government entities, and this creates an administrative overhead. The process is slower, Boyes says. Often it comes down to who is best at lobbying, and doesn't go to the highest economic outcome."

The US approach is more successful. It is an open access tax system, anyone can get a credit, and it doesn't matter where they are.

"The incentive scheme has the effect of pulling in capital for lower cost projects at the highest profit."

Boyes says there has been some targeted grants in New Zealand (to Fonterra and NZ Steel) but the present system provides a constraint in adding alternate power fast enough to the transmission grid. "If we don't do anything, people will struggle to achieve outcomes quickly and this tends to push additional investment to existing large-scale players (like Transpower) who will do it at their own pace. There is a real opportunity, in transmission, to put in a scheme that helps smaller distribution companies make investments. "

Boyes says putting in a system to invest at the right time and at the right pace is complex but not impossible. "You have some fantastic people in the lines companies here who are thinking about these things.

"New Zealand does need alternate power. Methanol will be used in the ships coming to New Zealand, sustainable aviation fuel is important for a remote country, and hydrogen has a role in replacing gas."

He says transmission is heading towards a fully digital-enabled network with more sources of generation orchestrated through technology. There could be small community-based batteries that can be switched on and off to control the power load.

● *Infratil is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

The Longroad to solar investment

Utilities investment company Infratil is making use of the Inflation Reduction Act. Longroad Energy — Infratil and New Zealand Super Fund each have a 37.1 per cent shareholding — has started building Sun Streams 4, a 1200 MWh storage project in Maricopa County, Arizona.

It is Longroad's third solar storage project in the Sun Stream complex and has the potential to power 120,000 homes. Sun Streams 4's output will be bought in a long-term agreement by Arizona Public Service and will help support the reliability of the distribution system, particularly during the peak of the summer months.

Paul Gaynor, Longroad chief executive, said Sun Streams 4 is the company's largest project to date in both megawatts and investment capital. "It is one of our first projects to incorporate provisions from the historic Inflation Reduction Act."

Longroad is focused on renewable energy projects. It has developed or bought 4.9GW of renewable energy projects across the US (including five projects totalling 1.6GW which are currently under construction) and has raised over $12.8 billion of equity, debt, and tax equity to support completion of its portfolio.

It owns 3.1GW of wind, solar, and storage projects and operates and manages a total of 5GW on behalf of third parties. It has taken a 50 per cent stake in Valta Energy, a California-based developer and operator of distributed generation projects. Valta, founded in 2009, has more than 200MW of contracted solar assets in development or operation, and Longroad has an option to invest more equity capital within the next three years.

Longroad's rationale for the investment is to grow its exposure to the rapidly growing US distributed generation sector, through an established development, ownership and operation platform.

Valta is presently building a hydrogen fuel cell station in California to power electric vehicles and buses. The green hydrogen is produced on site through the use of electrolysers and solar power charged batteries.

"It's an attractive tax credit scheme," says Boyes. "The Inflation Reduction Act has provided incentives for alternate renewable energy production and created investment opportunities."

Infratil is reviewing opportunities in hydrogen, sustainable aviation fuel, e-methanol and carbon capture, and Boyes says "we are at least 12 months away from making an investment."

Boyes said there are venture capital companies in the United States that have developed a technology and run a successful pilot scheme, but don't have enough money to scale up into a commercial business.

They have reached the end of their venture capital phase and need to sell to a private equity firm or list on the sharemarket. "Going to an initial public offer is not an option in the present market, and this provides an interesting set of opportunities — to provide funding of say US$100 million for the next phase of their business.

"We see the potential in leading a funding round and getting a foothold in alternate energy technology that will be important for decades to come," says Boyes.

Renewables make up 26 per cent of Infratil's portfolio worth more than $9b. Digital with CDC Data Centres and One NZ (formerly Vodafone) is the biggest investment sector with 53 per cent; healthcare with Qscan and Retire Australia makes up 14 per cent; and airports 7 per cent through Infratil's 66 per cent stake in Wellington Airport.

Infratil has the globe covered in terms of renewable energy. It has a 51 per cent holding in New Zealand electricity generator Manawa Energy; 95 per cent in Singapore-based Gurin Energy which is developing and operating wind, solar and storage projects through Asia; 73 per cent in Australian developer Mint Renewables; 40 per cent in Zurich-based Galileo Green Energy with large-scale projects in Britain, Italy, Spain, Germany, Poland and Sweden; and the 37.1 per cent in the Boston-based Longroad Energy.

Infratil, with more than 6000 staff in its portfolio, has a renewable energy presence in 17 countries and has achieved 5750GWh generation, enough to power 800,000 average homes. It has a renewable generation pipeline of 30GW across four continents.

Established in 1994, Infratil recently released its inaugural *Sustainability Report*, focusing on four pillars — environmental, social and governance (ESG), leadership, climate and nature, and people.

All portfolio companies have a Code of Ethics or Code of Conduct and a diversity policy. The companies participate in the Global Real Estate Sustainability Benchmark assessments. Infratil is one of the first financial institutions in New Zealand to commit to setting science-based targets (SBTi) for corporate climate action.

Sustainable Business & Finance

Get moving on future-

'We try to look after all the small things so the big things take care of themselves'

There's no quick fix for sustainable investment — just ask Nigel Brinkworth, who is a third-generation dairy farmer from Walton, just outside of Morrinsville.

It involves making sensible decisions for the long-term, he says.

"It's far better to spend the money in the right place to get the best value out of it, rather than throwing money at things and then realising you could have done them in a far more efficient way down the track," Nigel says.

Nigel and his wife Krystle Bennett believe in future-proofing their business through a "nature-first" approach, and take part in Fonterra's Tiaki Sustainable Dairying Programme.

Westpac is assisting them through a discounted interest rate on a Sustainable Farm loan. Through the Fonterra programme, Nigel and Krystle are able to meet a lot of the environmental targets prescribed by the Sustainable Farm Loan, and the pair believe it's a "no brainer" to utilise the benefits.

Many other farmers are also using the whole-of-farm loan to help improve their sustainability, with Westpac now lending over $1b through Sustainable Farm Loans.

Nigel and Krystle's most recent investment has included acquiring land nearby with a large built-in feed pad, allowing efficient, clean and comfortable feeding for their cows, with less waste. They're now building a connecting bridge between the adjacent farms, which is nearing completion. The additional infrastructure will allow the couple to grow their autumn calving herd, which is less stressful on the animals than spring calving, and builds drought resilience.

"The climatic conditions in autumn are so much better for the cows. Despite the extra feed costs to supplement them during the following winter milking, the benefits of calving in March are worth taking advantage of, as the cows are healthier," Krystle says.

"Because they're fully in milk through the wettest part of the season they are coming to the shed, they're fully fed, they're happier too.

"They're not weighed down by being heavily pregnant, so they're far happier through the harsher elements," Nigel says.

The couple still use spring calving to help balance out their cash flow, but calving down more of the herd through autumn means they're keeping the cows happy and reducing animal health costs. Nigel says "we need to be progressing forward and making ourselves not just more environmentally friendly, but more efficient and flexible with how the weather patterns are and will be behaving moving forward."

proofing Kiwi business

Companies that ignore environmental or social impacts are finding it harder to attract talent and capital, writes **Catherine McGrath**

Recent months have been full of uncertainty as the election loomed, bringing a potenttial change of government, leading many businesses to hit the pause button on investment decisions.

But now it's time to look ahead and get moving on putting in place your plans for the future — and sustainability is hopefully a central part of that.

The trendline is clear: our export customers want to know they're buying sustainably-sourced goods. At the same time, investors want to reduce their exposure to potential stranded assets and other climate-related financial risks and increase their exposure to low emission growth opportunities. And young talent is drawn to companies that are serious about sustainability.

These are a long-term global trends that are likely to intensify in the years and decades to come.

Sustainability isn't the abstract concept it may have been perceived to be 10 years ago. It's a transparent, data, product and stakeholder-driven approach aimed at addressing material environmental and social challenges — for the good of individual businesses and society.

Increasingly, companies that ignore their environmental or social impacts are finding it harder to attract talent and capital. Conversely, many case studies have shown companies which integrate sustainability across the business deliver superior shareholder and stakeholder value over time.

Some uncertainty around climate change policy is likely to remain in

> For most businesses, climate change comes with a mixture of risks and opportunities. To maximise the opportunities, it's critical to implement a plan.
>
> Catherine McGrath

the coming weeks and months, but the long-term drivers will remain the same.

Under a National-led government, the goal to reach Net Zero by 2050 hasn't changed. National has been open that it intends to get there in a different way than Labour and the Greens.

We will have to wait for the detail including whether a shorter timeframe for action (2030) and support for businesses to invest will form part of that policy. We know that when the agriculture sector will face an emissions price it will be pushed back.

However, the long-term drivers for action on these issues go well beyond domestic politics. Regardless of who is in government, we face the same increasing demands from customers, supply chains, investors lenders and regulators — here and abroad. Even our EU Free Trade Agreement contains enforceable outcomes on climate action.

At the same time, the severe weather events of this year have shown the value — and necessity — of increasing the climate resilience of homes, businesses and infrastructure.

For most businesses, climate change comes with a mixture of risks and opportunities. To maximise the opportunities it's critical to implement a plan. In most cases this will require investment.

This investment will be welcomed and rewarded by investors and banks which are increasingly aligning lending with the expected transition to a low emissions economy.

We know that incentivising the prioritisation of sustainability and resilience works. Customers with these loan products are making real change and setting their businesses up to thrive. We're keen to help when it comes to strategic long-term planning for your business — because we know that when businesses and communities thrive, the economy thrives, and we thrive as well.

We encourage businesses to think about infrastructure and change projects through a long-term lens and with sustainability front of mind.

At Westpac, we can see our customers starting to embrace this mindset and make these changes.

We met our 2025 sustainable finance target two years early, enabling over $11.7b of sustainable lending and bonds by the end of September 2023. This includes over $1b of lending through our new Sustainable Farm Loan, which takes a whole-of-farm approach to sustainability. We've also launched a Sustainable Business Loan that helps customers invest in projects that improve the environment, help adapt to climate change, and deliver positive social outcomes.

Our sustainable loans also support our customers to be more resilient in the face of adverse weather events arising from climate change. And we're supporting them to take a more nature-centric approach to adaption and resilience.

In cities, investments in multifunctional green spaces, river restoration and urban park development — like Walmsley Park in Auckland's Sandringham — help slow water flow using plants and nature to act as a giant, city-wide sponge, while also increasing ecological and community value.

On farm, investing in different crop varieties, protecting wetlands, or planting native forest can significantly improve the value of a farmer's property and reduce the impact of future wild weather on operations.

Another year of severe weather events both at home and abroad have brought these conversations to the fore. Quite simply, we can't rely on sandbags to protect us any longer. We need to invest in sustainability and resilience now, so that together we can minimise the effects of weather-related events and build stronger businesses and communities.

- *Westpac NZ is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Sustainable Business & Finance

An enduring local partnership

Tim McCready looks at ICBC NZ's decade-long sustainable journey in New Zealand

ICBC NZ is deeply focused on long-term growth through infrastructure development and committed to being a cornerstone partner in New Zealand's progress towards its emission reduction targets.

Kevin Xu, Deputy Head of Corporate & Institutional Banking of ICBC NZ, says that by providing funding in utilities, ports, highways, airports and the energy sector, the bank envisions an enduring relationship with the local economy, firmly grounded in sustainable financial practices.

This aligns with the bank's commitment to environmental sustainability and the pivotal role of infrastructure in shaping a greener, more efficient world.

This year marks the 10th anniversary of ICBC operating in New Zealand as a fully owned subsidiary of the Industrial and Commercial Bank of China, the world's largest bank by total assets.

Since its establishment in 2013, ICBC NZ has been involved in several major infrastructure projects, including the Hobsonville Point Schools public-private partnership, supporting Tainui Group Holdings (the commercial arm of the Waikato-Tainui iwi) through a banking syndication to support the development of the Ruakura Superhub, and participating in Napier Port's capital investment programme.

ICBC NZ also acted as mandated lead arranger and joint sustainability co-ordinator for the $400m funding package for Wellington City Council's new sludge minimisation facility.

ICBC NZ acted as lead arranger and joint sustainability co-ordinator for Wellington City Council's new facility at Moa Point.

The facility will be adjacent to the existing wastewater treatment plant at Moa Point and will use chemical and mechanical processes to handle and dispose of wastewater sludge. It is expected to provide significant environmental benefits through an 80 per cent reduction in the volumes of solid waste sent to landfill by 2026 and up to 60 per cent reduction in emissions.

The transaction, supporting the sponsor, Crown Infrastructure Partners, is the second application of the funding tools created under the Infrastructure Funding and Financing Act 2020 and the first to utilise a contractual structure that efficiently accommodates both fixed rate and floating rate lenders.

ICBC NZ recognises that funding sustainable projects like these require a long-term commitment and innovative funding models, and it is keen to see more opportunities arise in New Zealand it can be part of.

"As part of our efforts to be a long-term bank here, we are continuing to build our capacity, our team, and our infrastructure here," says Xu.

"We want to be involved in more opportunities — areas like renewable energy, including solar farms, offer exciting potential."

Due to its significant international operations, the bank can leverage its global network and share relevant expertise and funding models that have been successful in China and elsewhere around the world to make projects financially viable and appealing for investors in the long run.

> We want to be involved in more opportunities — areas like renewable energy, including solar farms, offer exciting potential.
>
> Kevin Xu

"Building sustainable infrastructure typically necessitates both additional operational expenditure (Opex) and substantial capital expenditure (Capex)," says Xu.

ICBC NZ is committed to providing the financial backing necessary to support this critical investment."

Xu emphasises ICBC NZ's commitment to encouraging sustainability within its clientele, pointing to the bank's support in helping corporates transition their conventional loans into sustainability-linked loans with science-based, ambitious targets.

He says for ICBC NZ, sustainable finance extends beyond financial transactions.

It encompasses a commitment to encourage corporate clients to develop their own sustainability operating frameworks. This approach not only ensures sustainable business practices, but also allows clients to pass on the benefits of sustainability to their own stakeholders."

Looking beyond direct environmental sustainability, ICBC NZ is also keen to support people-related businesses, such a schools and aged care facilities.

"These are all areas of infrastructure that will provide fundamental support to New Zealand and ultimately help its economy," says Xu.

A decade on from its establishment in NZ, ICBC says it will continue to be a bridge that facilitates trade and investment between NZ and China.

"By supporting local businesses exporting to China and aiding Chinese businesses and investors interested in New Zealand, ICBC is able to accelerate international partnerships that contribute to sustainable economic growth and cultural exchange, while providing the much-needed impetus to deliver a greener future," says Xu.

● *Industrial and Commercial Bank of China (New Zealand) is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Sustainable Business & Finance

Carbon-neutral: the tipping point

Bill Bennett talks to the company that is committed to minimising the impact of our collective waste

Economic activity generates waste. Waste Management managing director Evan Maehl says there is no getting away from it.

"There's a strong correlation between consumption and GDP, and consumption always means waste. Some of it can go down the recycle path, but it is still waste".

Minimising the impact is Waste Management's business.

The company collects a million tonnes of waste each year. It recycles more than 20 per cent of it and has become New Zealand's largest composter in the process. It also turns waste into power, and it operates the nation's largest fleet of commercial electric vehicles.

Maehl says there is an intense internal focus on carbon. Every manager in the company that has a financial target also has a carbon budget that is measured monthly. The business has committed to being carbon neutral by 2050.

"Everything you do has an impact on carbon. Away from our landfill emissions, about 80 per cent of our carbon comes from diesel. We look at moving to LED lighting and managing our internal waste consumption, but diesel is where we can make the biggest difference."

In 2016, Waste Management decided to shift from diesel power to using electric trucks. At that time there were few options. "We did a global search and found no-one was selling electric trucks off the shelf," says Maehl. "So, we went to a company in the Netherlands called Emoss that did diesel to electric conversion kits. A lot of companies said they did this, but Emoss had trucks operating on the road in Europe."

At first, Waste Management sent its trucks to Europe to be converted. This allowed Emoss to learn about the vehicles and the company's specific needs. Now Emoss sends conversion kits to New Zealand and Waste Management does its own conversions.

Today it has 32 electric trucks on the roads. Maehl says by the end of the year there will be 52. The company switched to electric vehicles for its sales team which brings the total electric fleet to around 90. He says he is still waiting for a suitable replacement for the company's utes.

The EV market is still evolving. When it started moving over to electric, Waste Management struggled to buy the Nissan Leaf cars it needed because New Zealand supplies were constrained. The company visited the last Brisbane truck show before the Covid-19 pandemic and found just a single electric vehicle, this year there were 25 different models.

There's a way to go yet.

Waste Management operates 900 trucks. About 80 per cent of these are perfectly suited to current electric technology. They operate from the company's base and travel less than 200km in a day which means they can be recharged overnight. Maehl says electric vehicles lose some of their payload as they carry heavy batteries, but the emissions savings are substantial. For the 20 per cent of the fleet that is harder to switch to EV, Waste Management is considering hydrogen power, but the technology isn't suitable yet.

While electric trucks cost more up front, there is less to go wrong, so they last longer than conventional trucks. And there are savings on diesel; Waste Management consumes a million litres of diesel each month.

Waste Management's first electric truck has been operating for six years. In that time, it has done 150,000 km. "If it was a diesel truck, it would have had its brakes replaced six times. It hasn't been done once in that time because it uses regenerative braking. People tend to fixate on EV battery life, but the truck has had zero battery degradation. It has battery packs with telemetry on each cell," Maehl says. "If there is a bad one, we simply pull it out and replace it."

The company's focus on electric vehicles is deliberate.

Transportation makes up around 30 per cent of New Zealand's gross carbon emissions. Landfill sites account for 3.4 per cent of the total. Waste Management is the largest Class One landfill operator and accounts for 0.14 per cent of New Zealand's emissions.

Waste Management managing director Evan Maehl with one of the company's electric vehicles, and in the EV truck conversion workshop.

> There's a strong correlation between consumption and GDP, and consumption always means waste. Some of it can go down the recycle path, but it is still waste.
>
> Evan Maehl

Circular economy

Waste Management is wedded to the idea of the circular economy. The company's landfills are a long way from what most New Zealanders think of when they hear the term.

"People have this idea of the local tip where you turn up with a trailer and push off your rubbish then scurry around looking at what's there," says Maehl.

"This might be what you see at a council tip, although thankfully most of them have closed. Our landfill sites are nothing like that. We have modern engineered landfills. They are fully lined and capped as we go so that nothing can escape out.

"We process the leachate and more importantly, we captured the biogas. Right from the beginning of the landfill, we have gas wells going down into the landfill. The landfills are under a slight negative pressure, which sucks that biogas out. We then put this through generators and turn that into electricity. Our landfills produce 25 megawatts of power."

Maehl says Waste Management captures 95 per cent of the methane emitted at their landfills.

That's using the Ministry of the Environment's calculation and the process is audited each year by PwC. At the company's Redvale site near Dairy Flat, gas and heat are pumped to a local aubergine grower. Waste Management also uses the power for its electric vehicles.

Waste Management has been capturing gas and generating electricity from waste for more than 25 years. When the company listed on the NZX, the US Waste Management business was an investor and injected its intellectual property. Maehl says the landfill operation is world class.

It's not just about greenhouse gas emissions. "When organic waste arrives at the landfill it is around 80 per cent water. We capture the leachate to ensure it doesn't stay in the landfill. Instead, we treat it to make it safe," he says.

"After we close a landfill, we cap it. There is roughly a metre of clay at the bottom, around the sides and at the top. It is like a big, closed pot. There is a 30-year aftercare period.

"We carry on capturing gas and generating electricity. Over time it becomes inert. Then that land becomes available for parks, recreation and other uses."

- *Waste Management is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Sustainable Business & Finance

Making an investment in

There is growing interest from private sector investors in climate investment opportunities

Four years after launching, New Zealand Green Investment Finance (NZGIF) has become the largest direct investor in new New Zealand companies and technologies intent on reducing carbon emissions and meeting the country's climate goals.

"One of the powerful things about the organisation is the breadth and flexibility of the investments we can pursue," says Jason Patrick, NZGIF's chief investment officer.

"One of the things we like to talk about concerning climate change policy and investment is that if we are going to do something about the problem, then we need to pursue every solution.

"We are focused on several sectors – agriculture, transport, built environment, energy, industry and waste – and we always seek to attract additional private capital to the investments we pursue.

"We can bring to the table initiatives that mainstream investors can't today – this is one of the ways we build the market for climate investment in New Zealand," says Patrick. "There's no lack of need for decarbonisation funding."

NZGIF, the Crown-owned green investment bank, was established in 2019 and received an additional $300 million in the last budget, taking its total investment capital to $700m. Some $400m has already been committed to more than 20 investments ranging from solar systems and electric buses, to renewable energy infrastructure and methane inhibitors.

NZGIF's investments are made on a commercial basis – it doesn't offer grants, subsidies or concessionary terms but instead provides tailored capital solutions to support decarbonisation initiatives.

"We invest in scalable companies, technologies and projects that are commercially-ready and offer low carbon benefits for New Zealand," says Patrick. "Our investments can range from senior debt through to equity with the ability to offer terms and tenor that help attract co-investors." He says there is growing interest from private sector investors in climate investment opportunities, and "we can structure investments so that they work for our partners."

NZGIF considers investment on a case-by-case basis. "Businesses and technologies within each sector are at different stages of maturity," says Patrick. "For mature businesses and technologies, senior debt may be all that growing companies need.

"For less mature businesses, we often consider venture capital equity, structured debt and hybrid instruments.

"If a new business went to a major bank, it may be able to get a loan, for say, five years. But five years may not be workable for the new business models and technologies we need for decarbonisation, and we can provide lending for 10 or even 20 years for the right opportunities," says Patrick.

Patrick says when NZGIF takes an equity position it prefers to be a significant minority shareholder.

NZGIF

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investments ranging from solar systems, electric buses to renewable energy infrastructure and methane inhibitors.

"But we can play a role by helping with governance, strategic direction and decarbonisation approach."

Patrick has been a director of ESP (Efficiency, Sustainability, Performance), Carbn Group Holdings and Internet of Things telco Thinxtra, and chair of TNUE (Total Nutrient Use Efficiency). He joined NZGIF in 2019 after being managing director of Real Options International, an investment management firm specialising in the energy and low-carbon market, and BioCarbon Group, a direct investment firm backed by Auckland-based Macquarie, the International Finance Corporation and Global Forest Partners LP. Both businesses were based in New York.

Patrick has an MA Economics from New York University, a Master of Environmental Management from Yale University and a Bachelor of Science from the University of California, Berkeley.

He was also a vice-president at Bank of America Merrill Lynch where he led investment and marketing of environmental and renewable power commodity products.

Patrick and his team have been busy assessing smart new businesses and technologies capable of meeting the climate change challenges in an effective way. Or as Patrick puts it: "Changing the way we all live in society."

NZGIF provided a $10m debt facility for Christchurch-based Solagri Energy to help finance up to 120 solar arrays over the next three years and help decarbonise New Zealand farms. These arrays are expected to avoid 36,100 tonnes of carbon dioxide emissions over the life of the assets.

Solagri provides a solar-as-a-service offering tailored specifically for dairy farms. The arrays are normally ground mounted on a quarter hectare close to the dairy shed and provide the farm with low-cost electricity and long-term energy security.

Solagri currently has eight systems at different stage of consenting and construction, with more development in the pipeline.

Patrick says one of the exciting things about Solagri's service is that they install, own and maintain the solar arrays, including insurance, cleaning and monitoring of the equipment, with no upfront costs to the farmer. This removes a significant cost barrier to transitioning to solar energy and allows for more predictable energy budgeting. The investment should accelerate the rollout of solar arrays across the country."

NZGIF has also turned its attention to methane emissions. It has made a $2.5m equity investment in Waikato-based Ruminant BioTech during a capital raising round that also involved United States climate-focused fund Regeneration.VC. The investment will accelerate Ruminant Biotech's business development programme, help set up manufacturing and get its product to market faster.

Ruminant Biotech is developing a slow-release, biodegradable methane-inhibiting bolus for livestock.

The bolus, or ball, with active ingredients is swallowed by the animal and sits in the stomach for up to six months. The ingredients are released over time and have the effect of reducing methane emissions.

Initial trials show Ruminant Biotech could deliver a 70 per cent methane emission reduction per treated cow over six months, and the company is aiming to launch its bolus as a commercial product in 2025.

NZGIF has also taken a $2.5m equity stake in TNUE, which aims to produce a new fertiliser that significantly reduces nitrous oxide gas emissions, using a novel control release membrane technology.

This investment will help TNUE build a processing plant near Taupō and is expected to open by the middle of next year.

NZGIF has additionally provided a $15m working capital facility to Lodestone Energy, based in Auckland. It is building five solar farms in Kaitaia, Dargaville, Whitianga, Edgecumbe

A milestone for solar energy

Graham Skellern

The country's solar energy sector has been boosted by a capital injection of nearly $200 million for new development.

New Zealand Green Investment Finance (NZGIF) has led a $170m capital raise for its newly-created solar finance programme – attracting $90m from global asset managers First Sentier Investors and Natixis Investment Managers, as well as $80m of its own investment.

Societe Generale acted as arranger and green loan co-ordinator for structuring NZGIF's issuance and corporate green financing framework.

NZGIF Solar Finance is NZGIF's first private debt placement with international co-investors, and provides the long-term, fixed rate debt that is required to accelerate distributed solar in New Zealand.

"Bringing new investors of this quality into the New Zealand market is a big milestone," said Jason Patrick, NZGIF chief investment officer.

Access to debt finance that meets operators needs has been a major barrier to developing solar generation projects in New Zealand, he said.

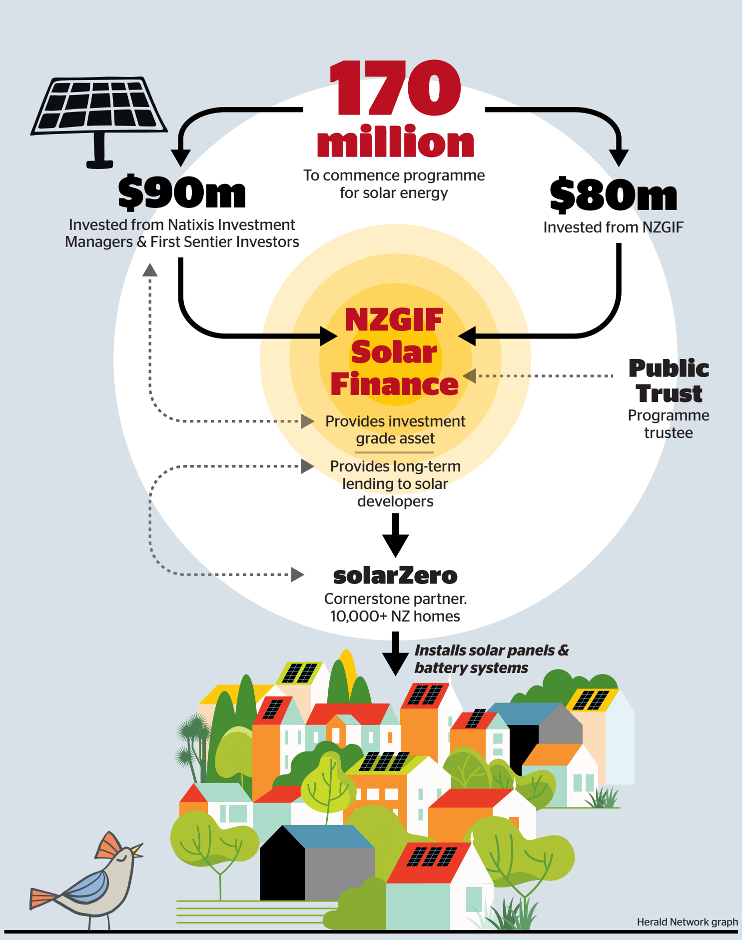
"Replacing short-term floating debt with longer-term fixed rate debt will allow providers to accelerate solar energy access to New Zealanders."

Essentially, the programme is a repeatable financing solution for the solar sector which has the potential to transform New Zealand's energy landscape through grid-connected solar farms and distributed installations on homes, schools, farms and businesses.

The NZGIF programme is also the first issuance by a New Zealand-based financial institution to secure Climate Bonds Initiative certification, the global standard. The Climate Bonds Standard and Certification Scheme has rigorous certification criteria to ensure bonds and loans are consistent with the 1.5 degrees Celsius warming limit in the Paris Agreement.

Patrick said NZGIF Solar Finance will work with developers across New Zealand to finance and grow their portfolio.

Environmental regulation



Herald Network graph

Once the portfolio matures, NZGIF will filter and organise loans by eligibility criteria, wrap the loan in a credit-enhanced financing structure, secure Climate Bonds Initiative certification and then place the portfolio with institutional investors to provide attractively priced long-term debt.

New Zealand's largest residential power purchase agreement portfolio, managed by Auckland-based solarZero, will be the first partner in the finance programme.

solarZero, incorporated in 2008 with offices in Christchurch, Nelson and Auckland, is in the top five fastest growing green companies in New Zealand. solarZero has distributed its systems to more than 9000 customers, generating 98.4GWH of solar energy and preventing 12,107 tonnes of carbon from entering the atmosphere.

Matt Ward, solarZero chief executive, said the financing is long term, matching the duration of the company's underlying customer contracts and is a rarity in the New Zealand market.

"It provides greater financing certainty and improved operational cash flow which will allow us to accelerate the roll-out of residential solar and battery solutions across the country," said Ward. The new programme will also help develop solarZero's virtual power plant technology seen as a critical ingredient in New Zealand's transition to 100 per cent renewable energy by 2030.

Patrick said solarZero is the first cornerstone partner of NZGIF Solar Finance and "we expect other New Zealand-based providers to be able to access the programme soon".

solarZero is majority-owned by the world's largest asset manager BlackRock through its Climate Infrastructure franchise. Charlie Reid, APAC co-head of BlackRock Climate Infrastructure, said the finance programme was a great example of collaboration to mobilise capital at scale to support an orderly energy transition.

The investment by Sydney-based First Sentier Investors and Natixis Investment Managers, with headquarters in Paris and Boston, adds further international credibility to the programme. First Sentier, owned by Mitsubishi UFJ Trust and Banking Corporation, has about US$150 billion (NZ$258b) in assets under management and Natixis US$1230b, making it the second biggest French manager by market share.

Craig Morabito, First Sentier senior portfolio manager of global credit, said the structure of this transaction was innovative and "we liked that this initiative took a whole-of-country approach to reducing emissions associated with electricity usage".

Angus Davidson, Natixis Asia Pacific head of private debt real assets, said "our focus remains on arranging and investing in attractive infrastructure debt assets with strong underlying trends. Distributed renewables and storage are compelling markets, particularly in New Zealand".

In other solar investments, NZGIF has provided a $10m debt facility for Christchurch-based Solagri Energy to finance some 120 solar arrays on dairy farms across the country over the next three years.

NZGIF has also provided a $15m working capital facility to Lodestone Energy to support the building five solar farms in Northland, Coromandel and Bay of Plenty, generating 199MW of renewable energy.

changing the way we live

and Waiotahe. When completed, Lodestone's solar farms will generate renewable energy of 199MW, enough to power 50,000 average homes, and the company will become the largest independent solar energy generator in the country.

There will be 360,000 solar panels on 350ha of land feeding into the national power grid.

Patrick says the working capital will assist development of Lodestone's next phase of projects.

An element of the facility will be used for a letter of credit to enable construction of connection assets by Transpower for the Waiotahe solar farm, near Ōpōtiki.

NZGIF is also financing further energy connections in the under-resourced Eastern Bay of Plenty.

Eastland Generation has a $25m lending facility from NZGIF to fund connections for the new 49MW TOPP2 geothermal power station at Kawerau, as well as upgrade the existing grid connection of the nearby Te Ahi o Maui 26MW geothermal plant. Patrick says NZGIF's tailor-made funding will support Eastland Generation and subsequently the energy resilience of the Eastern Bay of Plenty, benefiting industry and farming in the region.

In transport, NZGIF has provided a $50m capital expenditure facility alongside other major investors for Kinetic, Australasia's largest bus transport operator, to help decarbonise public transport in New Zealand.

This will support the aquisition of more than 150 zero-emission buses and avoid more than 100,000 tonnes of carbon dioxide over the life of the assets.

In January Kinetic opened Australasia's largest fully electric bus depot at Panmure in Auckland.

> We can bring to the table initiatives that mainstream investors can't today — this is one of the ways we build the market for climate investment in NZ. There's no lack of need for decarbonisation funding.
>
> Jason Patrick

The first 35 electric buses are among 152 the company will deliver in partnership with Auckland Transport over the next two years.

Kinetic has also delivered electric buses in Tauranga, Wellington and Christchurch.

But buses and other electric vehicles need charging stations. NZGIF has provided a $1m debt facility for Thundergrid to accelerate the roll out of EV charging infrastructure and other services such as scheduling cheaper charging during off-peak times.

Patrick says the investment is an important step in encouraging more New Zealanders to consider switching to EVs.

"One of the most common reservations is whether they'll have problems finding a place to charge their car. That's why building an EV charging network is so critical to helping decarbonise New Zealand's transport sector."

Hamilton-based Kayasand is focused on reducing carbon emissions in concrete production by as much as 20 per cent. NZGIF made a $3.5m equity investment in the company in May this year. A further $1.8m of private investment was secured, bringing Kayasand's capital raise to $5.3m.

Kayasand, a distributor of advanced concrete production technology, is opening its first V7 high-technology manufacturing demonstration plant in New Zealand.

The plant uses waste products such as recycled glass, concrete and slag, and turns them into premium aggregate for concrete.

There's no shortage of investment possibilities. Patrick says "we are keeping our sights on the policy goal of net zero emissions by 2050.

"There's a lot more to come, both via the new capital we are utilising and recycled capital from our existing initiatives.

"We are making inroads and I think New Zealand can meet the net zero target. Other countries don't have some of the benefits New Zealand has such as a renewable electricity base.

"There's more widespread understanding of the climate problem — and the emissions trajectory is lower now than it would have been if we weren't pursuing it. It's an exciting opportunity for New Zealand.

"You'll see a lot more from NZGIF as we continue to grow — broader and deeper investments across our economy driving more capital with our partners. We're excited to be a part of the solution," says Patrick.

● *New Zealand Green Investment Finance is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Māori leaders debate access to capital at Infinz

Helmut Modlik

In the past three years, Ngāti Toa has quadrupled its total net assets under management. "We have not asked ourselves — not once — 'What can we do to make money?'," says Helmut Modlik, CEO of Te Rūnanga o Toa Rangatira, the iwi's operating arm.

Modlik was on a panel debating 'Māori leadership in sustainable finance, intergenerational investment and investing for social outcomes' at Infinz's recent conference.

"The only thing we've ever asked ourselves is what can we do to enhance the wellbeing, prosperity among our people and all of the manuhiri who live on our whenua."

He added Maori have endured the better part of 180 years of economic marginalisation and dispossession. "So, there is a gap in respect of competence that we're catching up on. There is a gap in respect of wellbeing and familiarity with the wider economic machine and all the actors and stakeholders and roles. And the how is always in connection with the worldview and the values that our people gave us."

Modlik is keen to look at partnership opportunities with Crown agencies to further the iwi's social outcomes-based agenda. "The real gold is in the identification of sustainable and competently managed, governed and delivered real economic activity that fits with, from our point of view, that sustainable framework of intergenerational sustainability." He cautioned, "it's a damn good idea if you want to engage with the Māori community that you come in with your eyes wide open . . .

"We're relationship people, we're not transactional people. Iwi by definition is an intergenerational endeavour.

"I've been vexing over the predispositions of our capital markets for 35 years. We still don't have really a set of capital market actors that are operating, in my view, in a very sophisticated way, to bank or invest in a growing economy that isn't just fundamentally tied to property."

June McCabe

Ngāi Tahu and others at the big end of town have set the pace of recognition by the markets. But there are many still sitting in the middle or at the lower end without such wonderful endowments to leverage and grow from.

"Some who didn't get as much cash, as in our iwi, but the little cash we had we invested in and never, never touched it at all, so to hold it."

Insights from June McCabe, an independent director at Devons Fund Management and chair of Te Rarawa's commercial arm.

McCabe's affiliations are with Ngāpuhi, Te Rarawa, Te Aupōuri, Ngāti Kaharau and Ngāti Kahu.

She has long been at the forefront developing models so iwi can access capital to develop collaboratively owned assets.

McCabe has collaborated with Adrian Orr at the RBNZ. It is slow progress getting the banks to move.

"We are all at a different point in time. But what we do think about a lot is, if the Māori economy as we understand it today is $70 billion, which is the number that gets bandied around, with growth projections to $100 billion, that's by default not design.

"Imagine if by design, we can lift those metrics, but not for the sake of just lifting the metrics, but for the sake of dealing with social issues and community issues.

"We're sitting here at the moment going, okay, we've now got to a point, how do we start to build services businesses?

"And how do we take some of these kids who are sitting in South Taranaki which has real poverty and has a real disadvantage in the quality of the education opportunities and education.

"How do we create services businesses in those communities to provide jobs, to provide pathways for people, to provide educational opportunities?"

McCabe says the focus on government funding is problematic. "What's sustainable to me is cash that comes from what we can create internally."

Andrew Knight

Andrew Knight has led the creation of pan-iwi collaborative vehicles to create scale, instill professional management and make an impact.

Knight believes New Zealanders need a collaborative society where we work together. "The 'co' bit of collaboration or co-governance has been an ugly word, recently, but collaboration is a step towards partnership."

As chair of Taranaki Iwi Holdings, Knight has overseen the creation of housing funds, which "look a lot like a property fund". This has paved the way for iwi to collaborate, leverage up and get bank funding.

"We were very conscious about creating a structure that the banks and other financiers would be comfortable dealing with."

It has also paved the way for Government to see they could trust the partnership.

"I just want to shout out to the Reserve Bank for its initiative in 2022 and for its ongoing work in this space.

"And for the work we're doing in the Iwi Leaders Forums to try and build on that and to create an intermediation, because we're not getting that intermediation from banks.We have to create that intermediation ourselves, which is how do we work more collaboratively among ourselves to plug and play into those opportunities.

"Everything we do from a finance point of view in our Taranaki iwi holdings is based on our settlement money, but that's just a part of what we've been trying to do for generations, which is build a sustainable community.

"Sustainable communities require health, education, communities that can bond culturally aligned.

"All of those things need to come together, and they need to come together with the tools that enable that. And finance is one of the tools. All of those steps took time, but they came with scale, came with collaboration."

— Fran O'Sullivan

Sustainable Business & Finance

‘The whole world wants it’

Sustainability is the thread that must run through everything, RDT’s Alex Cutler tells **Bill Bennett**

Alex Cutler is RDT Pacific’s CEO. She is also the company’s chief sustainability officer. Combining the two roles means she can lead the company with a long-term perspective as it works with clients simplifying complex property asset investments and developing projects.

It is an unusual blend of roles, but maybe one that will become more common in the future. Cutler says: “Sustainability is the thread that must run through everything. It is a fundamental core to all that we do. It needs to be.”

Generation sustainability has gone from being an innovative idea influencing the construction sector to an essential component of any significant project. “It has become ubiquitous. The whole world wants it. International investors demand it, local customers ask about it at the start of conversations. It is now a requirement when government departments look at a property and property funds insist on it.”

For Cutler, sustainability goes beyond climate change and carbon zero goals. “I come from a world where sustainability has a broader interpretation. In the building and construction sector, sustainability tends to mean environmental. But it is not just that. It is also economic. It’s about social and cultural.

“When I describe sustainability to people, I talk about it being like an extra lens in your glasses that you can apply to your decision making. You introduce a long-term lens and ask, where are we going to be in 10 or 20 years’ time, what about 50 years? What if you apply a different time horizon when building, say you design for 200 years instead of for 50 years?”

There’s another way of looking at this. Cutler says we are going to be living with the projects that are being built today for 50 to 100 years. “How we place buildings into the environment, where you place them in relation to things like transport has a massive impact on the wider built environment and how well it all functions.

“It is important that we introduce these pieces of intelligence into the conversation so that we can influence clients to think about such matters as well as, for instance, the number of car parks they are putting in”.

RDT also develops social and cultural sustainability. “A great example of social sustainability is the work by our team to integrate te ao Māori in the built environment.”

The Mānawa Bay outlet mall being developed at Auckland International Airport illustrates the wider view of sustainability. RDT is working to develop and implement a sustainability framework for the project which aims to be New Zealand’s most environmentally sustainable retail building.

“Auckland Airport was already a client. It had an existing sustainability strategy for the whole organisation, and we were asked to create a sustainability framework for the development.

“There are standard things you do at the start of a piece of work. One of them involves mapping all the different stakeholder groups and assessing the engagement channels you have with these groups.”

Cutler says stakeholder engagement is a critical piece of social sustainability.

Another aspect of starting a project is materiality. This is understanding the impacts the development will have. Cutler says this work means developing a framework for addressing the impacts both during the build and then later during the building’s operating life.

Mānawa Bay is going to be a five Green Star building. The Green Star system is an independent certification system for measuring a building’s environmental performance. A five Green Star building is excellent, six Green Star buildings are world class.

RDT is working to develop and implement a sustainability framework for the Mānawa Bay outlet mall being developed at Auckland International Airport.

I come from a world where sustainability has a broader interpretation. In the building and construction sector, sustainability tends to mean environmental. But it is not just that. It is also economic. It’s about social and cultural.

Alex Cutler

Earning the highest ratings means influencing how tenants operate inside the completed building and including features that help them achieve sustainability. This includes dealing with matters such as dealing with waste.

One aspect of social sustainability involves responsibilities around human rights. Cutler says the building and construction sector can play a role. “At the moment some of the best practices are in Australia. It might, for example, be a requirement in some projects there to include a statement about modern slavery.”

This may sound distant from the sector here in New Zealand, but she says some institutional investment funds operating in Australia are “extremely aware of their responsibilities when it comes to modern slavery in the supply chain. This is starting to impact some of the work we do. It means investigating where in the world a product is made and what are the labour or human rights issues in those countries.”

RDT Pacific is best known as the project manager behind large construction projects. It has worked on office buildings, hospitals and warehouses. It is also a quantity surveyor. In the last five years the business has expanded its scope to include advising companies on making large asset decisions.

Cutler says that project managers usually get involved quite late in a process when some of the decisions have already been made. That makes it hard to get the best outcomes. “We’ve realigned what we do strategically to influence the earlier part of the process. We’ve found that if you ask a different set of questions early in the piece you can end up with a different outcome to, say, a new building”.

This requires a strong, long-term relationship with customers. Cutler says it has worked for many years for a large proportion of its clients.

Getting involved in the pre-planning of a project makes it far easier for RDT to help a client build a new building with a high green star rating.

It’s possible to do this later, but that comes at a higher price and can involve compromises.

At times this can mean not constructing a new building. She gives the example of a tertiary education institute that has a piece of land in its portfolio and perceiving that it may need a new building to perform a specific role. “We tell them we’ll look at all the space, the whole portfolio and we may be able to offer a space rationalisation instead. Sometimes we do ourselves out of a job.”

Integrating te ao Māori in the built environment

A te ao Māori programme at RDT Pacific in 2021 inspired Miko Brouwer, who heads the company’s Hamilton team, to approach a group restoring a local river. Pūniu River Care is an established marae-based river care group in Te Awamutu. The group invited local whanau and rangatahi to take part in the clean-up.

Cutler says the relationship Brouwer had with the group led to RDT being asked to help with strategy. “Normally we just influence the building, but in this case we helped develop a strategic approach to the whole organisation, how it could grow and become more commercial.

“It was about the investment in the long-term relationship. We have internal project management training sessions that we run. Some of their people joined training sessions. And we had an intern who was a young engineering student who joined our Hamilton office for a holiday period. This was creating a long-term partnership approach to our client.

“It wasn’t just transactional, with us giving some advice it became a way of building our company into the fabric of the local community.”

She says the experience means the business has a better cultural understanding of the hapū and the local iwi. “We know our place, where we can contribute, local protocols, and the right way to approach the situation.”

Sustainable Business & Finance

The pressure is growing

Belinda Mathers onsite assessing a recently Toitū carbon reduce certified organisation TDX and its CEO Colm Hamrogue. Toitū certified organisations are required to measure their carbon emission to international standards and evidence reduction efforts to stay on programme.

Investors can face a reputational risk if they put their money into businesses that have a negative climate impact, writes **Bill Bennett**

"There are many pressures on businesses", says Toitū chief science and advisory officer Belinda Mathers. "They face challenges staying profitable at a time when there are cost increases and other problems to deal with. Which means they could view their work dealing with climate change as an add-on. But that's not what we are seeing. At least not at the best performing companies."

That's because there is a correlation between taking climate action and performance. She says: "The most efficient organisations are low carbon organisations. Most activities that create emissions cost money. Which means emissions reductions often fund themselves over time.

"We have organisations that work with us to do exactly this. They might, say, decide not to spend on carbon credits this year and instead put that money aside for emissions reductions projects. This makes them more efficient over time."

Toitū's role is to give businesses the science and tools they need to improve their carbon and environmental performance. It is a company owned by Manaaki Whenua – Landcare Research, a government-owned Crown Research Institute.

"We've been certifying companies for 20 years now. We started before the standards were written; we were working on frameworks rather than standards in the early days. Some clients have been with us for 15 plus years, measuring their footprints and reducing emissions over time.

"One of our key differentiators is that we are not just about measuring; we are absolutely about emissions reduction. If organisations are not achieving a reduction over time, then they can't remain in our programmes. If they're not going in the right direction, then we will suspend them from our programmes."

There are organisations and industry sectors that Toitū chooses not to work with. "We don't want to find an organisation is pinning its entire sustainability story around reducing greenhouse gas emissions when it is making major negative impacts elsewhere".

Toitū is the only accredited greenhouse emissions programme in Australasia. It has been accredited since 2008 by JASANZ, the independent, third-party joint accreditation system of Australia and New Zealand.

This gives it internationally recognised accreditation that aligns with overseas standards.

The framework Toitū uses to measure greenhouse gases and carbon emissions is built on ISO standards. This is widely recognised as international best practice. It means that if a supermarket from overseas wants to buy meat from a certified New Zealand business such as Silver Fern Farms, it can be sure the certification is validated and not mere greenwashing.

Mathers says this essential because: "We're not going to greenwash our way out of climate change. Nor are we going to measure our way out of climate change. We must actually reduce emissions and be really clear that that's what we are doing."

> We don't want to find an organisation is pinning its entire sustainability story around reducing greenhouse gas emissions when it is making major negative impacts elsewhere.
>
> Belinda Mathers

The pressure on businesses and organisations to reduce emissions is real and growing.

Mathers says it comes from company boards, investors and government departments.

At the same time there is another source of pressure from suppliers, customers and other stakeholders who themselves want to make better decisions for the environment and that extends outside their own organisations.

Measuring and reporting on carbon emission often starts with larger companies and those smaller organisations who want to make a difference. As they require their suppliers to provide information, over time it works down the value chain to smaller businesses. Some of the pressure on New Zealand businesses comes from overseas. "Danone, Nestle and other big companies that use a lot of our dairy products demand that kind of information so they can do their own value chain reporting".

An example of how this works is with Fonterra.

Toitū certifies the dairy giant's products which gives it a unique selling point in many international markets and enables it to win tender pitches against rivals.

The bar for emission reduction continues to climb.

Companies can get further today than they could five years ago. The technology gets better, electricity grids get greener, the fleet is replaced with more electric vehicles. These things all change over time.

Mathers says the rising bar is great for the overall goal of reducing emissions. "We have organisations that have been working with us a long time and there is always a risk they might get to a point where they say there is nothing more they can do.

"But that hasn't happened yet with any of our customers because something new always comes up. It could be a new technology, or the price comes down for something that was expensive and now it is feasible. At the same time, we review our programmes regularly to make sure that they stay aligned with best practice."

Mathers often takes part in conversations with colleagues in similar organisations overseas where there is an exchange of ideas.

She says from these discussions it becomes clear that Toitū is up to date with what is going on in the rest of the world despite representing a relatively small, remote nation.

Increasingly, Toitū's work is tied up with investors and the finance sector. Today's investors can face a reputational risk if they put their money into businesses that have a negative climate impact.

Many financial institutions want to have a better understanding of the climate impact of the investments on their books. It can be to reduce their own value chain emissions over time, but it is also about managing risk. They also face mandated climate risk disclosures.

"Somewhere between 170 and 200 of New Zealand's biggest companies are directly affected by these mandates. We are working with close to half of them. Over time this will trickle down and that will expand.

Another growing area of activity for Toitū is providing the necessary documentation for sustainable finance loans.

"Usually the loan has an element of greenhouse emissions reporting and reduction requirements. These are often balanced with other environmental and social benefits.

"An example is Summerset, the retirement village operator. It has a sustainability linked loan with a requirement to reduce emissions over time. There are also requirements about adding dementia care beds to the portfolio, diverting waste from landfill and similar matters.

"It's a mixture of requirements but it is largely about emission efficiency over time. That requires certification from us to show the lender the measurements are robust."

- *Toitū Envirocare is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Sustainable Business & Finance

Hawke's Bay Regional Council is working with TNC NZ to develop an innovative tool to support recovery in the region after the devastating floods.

Solutions for the big problems

TNC focuses on nature-based answers and sits at the place where climate and biodiversity meet, writes **Bill Bennett**

Abbie Reynolds was looking for a fresh approach to conservation and protecting the natural environment when she joined the not-for-profit. The Nature Conservancy Aotearoa New Zealand (TNC NZ) as country director earlier this year.

After 15 years working in the conservation, climate change and sustainability sector she says the way The Nature Conservancy (TNC) focuses on nature-based solutions and sits at the place where climate and biodiversity meet, stand out as points of difference with other organisations tackling environmental challenges.

Says Reynolds: "I know what the cost abatement curves for climate look like. Natural solutions are going to be some of the cheapest things we do. We're solving climate and biodiversity to get there."

Beyond that, what she calls "the bigness of the organisation's ambition" spoke to her: "I want us to feel bold and brave. We need to bring this out when we think about conserving our natural environment. How can we do this in a scaled-up way with imagination and innovation?

"Innovative thinking and private investment really can impact environmental outcomes," Reynolds explains.

"There is science-based innovation but there is also innovation in the broader sense: How do you innovate for getting people or organisations involved in conservation projects?

"How do you innovate for new financial models? How do you innovate around nature-based solutions?"

Before moving into the sector, Reynolds worked in technology. While there, she observed the dynamism of thinking about innovation and how tech-focused organisations are always thinking about what needs to come next.

For her, the way TNC bases its actions on scientific rigour and then applies innovation, are central to the organisation's ability to be effective.

"When you're thinking about complexity, obviously you need good science, but you also need to understand how to convince people effectively and what working well with other people looks like."

Abbie Reynolds

Abbie Reynolds is country director for The Nature Conservancy Aotearoa New Zealand and has worked in conservation, climate change and sustainability for 15 years. She is on Westpac's Sustainability External Advisory Panel and, until recently, was a director at Auckland Transport. Reynolds is currently completing a Next Foundation Fellowship focused on ways to accelerate uptake of solutions that address both climate change and biodiversity loss. In the past she was CEO of Predator Free 2050 Ltd. Earlier she was executive director of the Sustainable Business Council. In that role Reynolds was a co-founder of the Climate Leaders Coalition.

This can come down to getting the right people around a table and saying: "We've got this big problem we need to solve, but none of it sits entirely in our remit. So how do we collectively make change?"

An example is the Kotahitanga mō te Taiao Alliance. Here TNC NZ has partnered with iwi leaders, local and central government to restore ecosystems covering more than three million hectares across the top of the South Island. Some costs are funded by the five councils in the region, and iwi fund projects in kind with time and other resources. There's also some funding from TNC's global head office and active fundraising in New Zealand.

Working with government agencies is vital. Historically, they have dominated the conservation sector along with non-government organisations (NGOs) who work hard but have limited financial resources. Projects are often under-funded and local.

TNC NZ aims to change that, in part by operating on a larger scale; changing systems across entire regions, even nationwide and by bringing in new financial tools so the money is there for more effective solutions.

Business collaborations

Reynolds says TNC NZ has two private funding sources. First, there is philanthropy. The other comes when there is an opportunity to align environmental goals with businesses.

Philanthropists typically have a clear sense of what they intend to change and will work alongside TNC NZ to get there. With businesses, the relationship is more nuanced. Reynolds says the corporate world is turning a corner in its relationship with nature as it starts to understand the importance of climate change and there is a growing realisation of the risk it brings.

"Businesses are now, for the first time, having to think about what's their impact on nature, and how much they rely on nature."

TNC sees an opportunity to partner with business organisations as they look for a vehicle to help with matters such as restoring places where they operate or investing in nature-based solutions because that makes commercial sense for them.

"Our Land for Life project is an example of where we are looking for an innovative financing solution that helps us find new ways of bringing money to the restoration space. We're still working through the business model. It is a collaboration between our Naturevest team, which does our impact investing thinking, and TNC global."

> I want us to feel bold and brave. We need to bring this out when we think about conserving our natural environment. How can we do this in a scaled up way with imagination and innovation?

Land for Life was formerly the Hawke's Bay Regional Council's Right Tree Right Place programme. It aims to build long-term resilience and sustainability into the region's farming systems.

Today the regional council is working with TNC NZ. "We're looking to develop an innovative tool to support recovery in the region," Reynolds says. "The project started before Cyclone Gabrielle and focused on reducing sedimentation in waterways. Then when Gabrielle hit, it became much clearer and much more evident what is needed to reduce topsoil loss."

The scale of the project is huge and looks to include 560,000ha, about 40 per cent of the total area of Hawke's Bay.

Estimates put the damage from Gabrielle at more than $13.5 billion. The partners developed a business case with the support of Te Uru Rākau – Ministry for Primary Industries. If the Hawke's Bay Regional Council, The Nature Conservancy and central government approve the collaboration it has the potential to be key as the region emerges from the effects of the cyclone.

Blue carbon is another collaboration where TNC NZ is working with central and local governments, iwi and communities to understand how coastal wetlands capture and store CO_2 from the atmosphere.

Reynolds says it is part of an international TNC programme that uses new science. "We're looking at how much atmospheric carbon is being sequestered by saltmarsh. Then, when we understand this, we want to look at how we can build this into the carbon credit system.

That way, the people who are restoring saltmarsh can get financial benefits from the carbon credit process.

Last year TNC NZ led a feasibility study and is now working on a comprehensive data collection programme at seven pilot sites from Northland to Nelson-Tasman, on both public and private land. TNC says it expects to see results in 2025.

● *The Nature Conservancy Aotearoa New Zealand is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Sustainable Business & Finance

Our climate and nature response:

Redefining our relationship with nature is not 'just another corporate sustainability issue' writes **Alec Tang**

September saw the Taskforce on Nature-related Financial Disclosure (TNFD) launch its final recommendations for nature-related risk management and disclosure, a significant milestone in the redefinition of business' role and responsibilities in addressing our global nature and biodiversity crisis.

Much like the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations on which they were modelled, the TNFD recommendations send a strong signal about investors' growing interest in broader, pre-financial impacts, dependencies and outcomes.

The TCFD recommendations sparked the escalation of climate risks and opportunities up on the business and boardroom agendas and instigated climate-related disclosure regimes such as our own mandatory requirements. It doesn't take much imagination to see where the TNFD recommendations will likely lead.

However, whilst the launch of the TNFD recommendations come at the end of a lengthy development process, we remain early in the adoption and implementation journey.

In myriad contexts, we see a nature-focused approach can deliver both impact reduction and resilience-building for both individuals and organisations, as well as to society at large.
Alec Tang

ALEC TANG

Alec Tang is Partner — Sustainable Value at KPMG New Zealand

As a Chartered Environmentalist and Fellow of the Institute of Environmental Management and Assessment, Alec Tang has focused his career on addressing the breadth of sustainability challenges and opportunities that are increasingly shaping our communities, society and economy.

This has included a range of leaderships positions in academia, business and the public sector, alongside an active involvement in professional institutions, industry associations and networking groups. His work has ranged from the development of high-level regional strategies on climate change, liveability and wellbeing, incorporating broad stakeholder and community engagement, through to the design of specific delivery programmes and the create of impact measures to gauge their success.

This affords us an important opportunity to think carefully about our local response to the recommendations, and the lessons we can and must draw from both the strengths and flaws of our climate response as we face up to what is a fundamentally more complex, localised, nuanced issue.

An opportunity that we must proactively seize, given the building global momentum towards a shift in the relationship between business, nature and biodiversity, and the impacts of this on our access to these global markets, even as our own climate response changes tack with a new Government.

At the core of this response must be recognition of the inherent connection between nature and climate, and the imperative to integrate our response to both issues.

Nature and Climate: Two sides of the same coin

The similarity of approach being used to drive business action across climate and nature is not a coincidence. The two issues go hand-in-hand, with the climate challenge we see today being simply a visible expression of what has become a largely extractive

Taskforce on Nature-related Financial Disclosures recommendations

Governance

Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.

Recommended disclosures

A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.

B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.

C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

Strategy

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

Recommended disclosures

A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has indentified over the short, medium and long term.

B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.

C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.

D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.

Risk and impact management

Disclose the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.

Recommended disclosures

A.
1 Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.

2 Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).

B. Describe the organisation's processes for managing dependencies, impacts, risks and opportunities.

C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.

Metrics and targets

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

Recommended disclosures

A. Disclose the metrics used by the organisation to assess and manage nature-related risks and opportunities in line with its strategy and risk management process.

B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.

C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.

Herald Network graphic

the imperative and opportunity

relationship with nature.

We have externalised the impacts of production, development and commercial activity in our myopic pursuit of growth-at-all-costs, and the environment – be that our climate, or the wider natural and ecological systems that have created a "safe operating space for humanity", a term coined by the architects of the Planetary Boundaries concept – has borne the brunt of this.

We have forgotten that the natural systems we are reliant on – not just for goods, products and services, but also for clean air, water, mental and physical sustenance – have finite limits and are all-too-easily degraded from their functioning states.

These natural systems have, unfortunately, also suffered from an inherent ability to flex and adapt, such that the impacts of their degradation have been somewhat invisible – until they hit tipping points of collapse, which we are now increasingly seeing.

With all this in mind, exploring and redefining our relationship with nature is not "just another corporate sustainability issue" for businesses to address, but rather a natural and necessary extension of our climate response.

A climate response that doesn't seek to shift this extractive relationship with nature, that doesn't seek to integrate externalities into our economic and capital allocation structures, and address the wider implications of our consumptive economy is really only a partial response, and a very surficial one at that.

We cannot hope to solve these interconnected issues in isolation.

It is time to think more broadly and substantively about how we respond to the systemic issues that sit at the core of both.

The good news is that an integrated response to climate and nature also presents significant opportunities, particularly within an Aotearoa New Zealand context.

The Imperative and Opportunity for Aotearoa

According to the World Economic Forum, more than half of global GDP, an estimated US$44 trillion of economic value is generated in industries moderately or highly dependent on nature.

In NZ, the picture is even more stark, with the Sustainable Business Council noting that 13 of our top 20 export commodities, constituting more than 70 per cent of the country's entire export earnings, is dependent on natural capital.

We also have a rebounding visitor economy heavily focused on nature-based experiences.

Shifting our relationship with nature to one in which we better understand these dependencies and nurture operating models that don't just seek to minimise impacts, but that seek to regenerate our degraded nature resources, is critical to creating a more resilient and sustainability economy.

In a recent interview with the *Financial Times*, Frank Elderson, Executive Board Member at the European Central Bank, said: "Destroy nature and you destroy the economy…

"This is not some kind of a flower power, tree-hugging exercise. This is core economics."

This said, looking just at the reliance of our GDP on natural systems only tells part of the story – as any GDP-focused story does, more often than not.

A recent study noted that the ecosystem services associated with the Hauraki Gulf have an estimated total economic value of $5.14 billion per year, of which only $1.75b is explicitly measured in GDP and $3.39b are values such as avoided costs and expressions of public preference for activities like recreation in water of suitable quality.

> Destroy nature and you destroy the economy… This is not some kind of a flower power, tree-hugging exercise. This is core economics.
>
> Frank Elderson, Executive Board Member at the European Central Bank

Let's also not forget that the energy system which drives all aspects of our socio-economic activity is fundamentally dependent on natural resources, be they hydro, wind, solar, geothermal or fossil fuel deposits.

In myriad contexts, we see that a nature-focused approach can deliver both impact reduction and resilience-building for both individuals and organisations, as well as to society at large.

In an urban context, we have seen that green infrastructure solutions and investments in green space, can not only regenerate local biodiversity, but can also significantly reduce the impacts of extreme weather events whilst also creating places for community building and spaces for individuals to restore mental and physical wellbeing.

In a business context, a nature-lens requires the purposeful interrogation of value chain impacts and dependencies, given the broad and location-specific interactions of material sources and natural resources with operations, suppliers and customers. The opportunity to better understand and then maximise real value creation, whilst also minimising risks and value erosion is clear, and a key reason for the significant investor interest in this domain.

So how do we move forward?

The nature momentum is building – even beyond the TNFD recommendations, we see initiatives globally and locally placing an increasing focus on nature.

From the European Corporate Sustainability Reporting Direction to our own National Policy Statement on Indigenous Biodiversity and proposed biodiversity credit system.

Importantly, the increase in scale and depth of sustainability disclosure requirements to access key markets, and the growing scrutiny being placed by key customers on supply chain impacts and resilience, is a trend that will only grow with time.

But we must remember that whilst leading with a disclosure lens helps capture business attention, disclosures will only drive a response sufficient to meet the scale of the challenge we face if they lead to tangible transformations that tackle the root causes of our risk exposures.

Business-as-usual with fewer impacts is no longer sufficient – if it ever was. As the Financial Markets Authority noted in its recent information sheet on scenario analysis for climate-related disclosures: "if your scenario analysis doesn't lead you to question BAU (business as usual), then you probably haven't done it correctly".

For Aotearoa New Zealand, there is another important consideration. The opportunity and imperative is that any response to our nature and biodiversity crisis should be rooted within a Māori worldview, as it is likely incomplete without this insight.

It has been acknowledged that a key limitation of the TNFD is its belated engagement with indigenous world views.

It is important that our response in Aotearoa New Zealand doesn't follow the same path with Māori values as a bolt-on.

The response here needs to take the over-arching objectives of the TNFD and rebuild them with a base inclusive of Māori knowledge and values.

Getting this right isn't simply about doing the right thing from a cultural standpoint.

Getting this right presents an opportunity for Aotearoa New Zealand to lead the world in delivering a more holistic, integrated and systems-redefining response to both nature and climate.

● *KPMG New Zealand is an advertising sponsor of the Herald's Sustainable Business and Finance report.*

Evolving standards and investor expectations

Articulate and well-substantiated information helps investors and consumers to make good decisions, writes **Paul Gregory**

> As the regulator who supervises and enforces the CRD regime, we should be clear that, once disclosed, what reporting entities do with their work is up to them. We are not enforcing against entities who do not act in response to what is shown in their climate related statements (provided it is not misleading or there isn't some other dimension of misconduct).
>
> Paul Gregory

Just as markets and investor and consumer expectations evolve, so do laws, regulations, and standards. This is especially true right now where financial providers are required, or can choose, in an increasing variety of ways, to describe their approach to social and environmental issues – notably climate change.

The key challenges of this for providers, regulators, investors and consumers is for the information provided – through formal and informal channels – to be articulate and well-substantiated. When this happens, it helps investors and consumers to make good decisions; it helps regulators to understand if there are misleading gaps between what is claimed and what is delivered; and it helps boards and senior leadership of providers to have specific clarity about what outcomes and performance they are accountable for.

Three examples of this in New Zealand are climate-related disclosures, fair dealing as it applies to products claiming ethical, sustainable or similar benefits (commonly referred to as "greenwashing"), and the regulatory settings for green bonds.

Climate-related disclosures

CRD is an evolving reporting framework meeting international and local demands for visibility of and accountability for the risks and impacts of climate change on certain businesses. This includes accounting for their impact on climate change by disclosing greenhouse gas emissions.

From April 2024, this lands for consumers, investors and regulators through publicly available climate statements. The statements are intended to help investors and other users understand the current state and potential future implications of a business' climate risk; and compare the risks – and any plans to address those risks – across similar businesses.

For reporting entities, the CRD regime has two key planks: the collection of information to enable robust assessment of what the climate risks and opportunities are for your business; and, from there, analysing the impact of those risks and opportunities – including scenario analysis – for how you operate.

As the regulator who supervises and enforces the CRD regime, we should be clear that, once disclosed, what reporting entities do with their work is up to them. We are not enforcing against entities who do not act in response to what is shown in their climate-related statements (provided it is not misleading or there isn't some other dimension of misconduct). What really matters is how investors – big and small – choose to react to whether or not you are doing anything – and what that is – about what your disclosure reveals. We're seeing increasing media scrutiny of voluntary reporting by NZX 50 companies in the lead-up to new CRD statements.

Fair dealing and greenwashing

Fair Dealing will apply to the CRD regime but also applies more broadly to products claiming responsible, ethical or similar benefits. We trust it's well understood the Financial Markets Authority's position on "greenwashing" in New Zealand is not deciding what is an ethical investment approach or portfolio. Rather, if a provider uses "responsible" or "ESG" type terms, they must be properly explained and substantiated. This work is now supervisory business-as-usual.

We hear the greenwashing accusation bandied about but, having looked into a number of these, it typically turns out the complainant is not differentiating what is misleading with regulatory significance from an investment they simply don't like.

As with all our regulatory work, the absence of enforcement action to date doesn't mean no regulatory activity. Fair dealing enforcement action is just part of our work.

Day-to-day, we gather and assess information which, typically involves looking at underlying investment holdings to see if they appear to comply with reported exclusion policies and are consistent with broader ethical, environmental, or other commitments implied – or stated – by fund labelling, disclosure, marketing and other narrative.

Our concern is to prevent the quite personal harm arising from an investor discovering they have been investing contrary to their values – perhaps for decades. It is not in any investor's interests to find they have underperformed their moral index because they have been misled about what they were investing in (and ultimately profiting from).

Regulation and bond offers

Facilitating fair, efficient, and transparent markets also means we are open to making regulatory settings more efficient, where that contributes to good market and consumer outcomes.

Following interest from industry, we are considering whether we could make the settings for issuing green bonds more efficient, to encourage issuance from a wider variety of firms. This will likely come in the form of a consultation.

The opportunity is obvious, particularly with the New Zealand bond market being substantially retail in nature. And there are potential linkups with the CRD regime, where issuing or investing in green bonds or sustainability-linked bonds might contribute to a CRD reporting entity's plan for responding to its climate risk.

But with the potential additional complexity involved with certain kinds of green or sustainable bond offers, we also need to be sure retail investors have enough information to understand the financial and "green" features, and any risks involved, in such offers.

● *Paul Gregory is Executive Director Response and Enforcement at the Financial Markets Authority.*

'One size' does not fit all farms

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despite that farm's engaged and proactive environmental stewardship.

We are absolutely not arguing against regulation. Farmers recognise ongoing investment in environmental improvements is needed in many cases. Many are already well on that journey.

But we would like the new Government to undertake their own assessment of the cumulative economic impact of what is in train, and work with farmers to improve the rules so they still achieve the desired environmental outcome but are more flexible in the way that is achieved.

We would like the Government to look at the full picture and to ensure the spend farmers make is focused on getting the best outcomes — targeted investment at proven actions with measurable impacts.

One example is stock exclusion. Farmers agree with the principle that stock need to be excluded from waterways on flat land, but there needs to be flexibility for farms that have very low stocking rates and therefore very low risks.

The definition of a Significant Natural Area in the Indigenous Biodiversity National Policy Statement is currently too broad and would capture large parts of farms. The focus should be on protecting truly significant biodiversity.

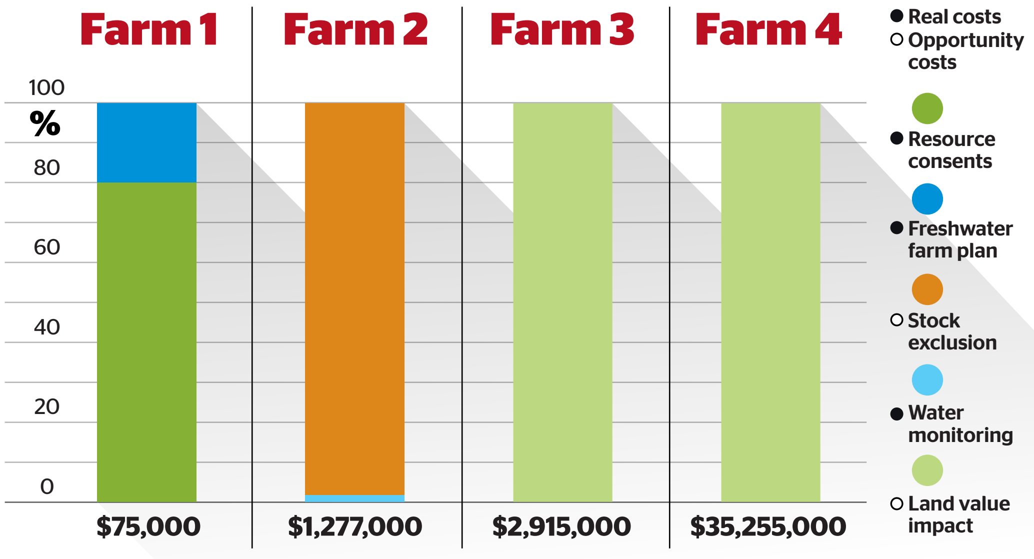
> Farmers recognise ongoing investment in environmental improvements is needed in many cases. Many are already well on that journey.
>
> Kate Acland

We do understand that improvements are required and that it is vital to retain our social licence with New Zealanders and ensure consumers have confidence that we are making the right changes to safeguard New Zealand's environment. But it's time to take a breath, review, reassess and simplify some of the approaches so we can strike the right balance between what's good for the planet, our farmers and the country.

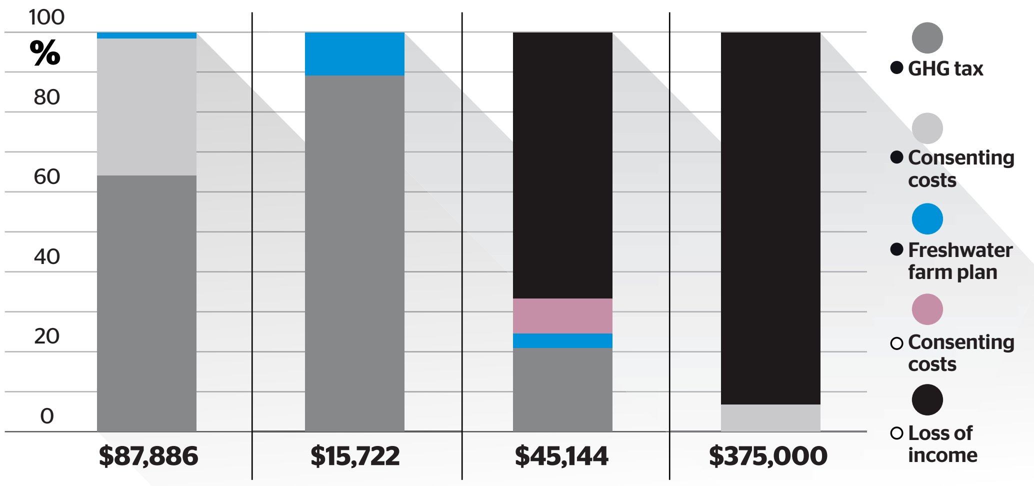
● *Kate Acland is Chair of Beef + Lamb New Zealand.*

Environmental regulation

One-off financial impacts



On-going financial impacts



Source: BakerAgNZ ltd, Beef + Lamb NZ / Herald Network graphic

Sustainable Business & Finance

One size does not fit all farms

Beef + Lamb New Zealand is calling for the new Government to insert more flexibility into environmental reform agenda, writes **Kate Acland**

In September, Beef + Lamb New Zealand (B+LNZ) released the first-ever report that quantifies the significant cumulative effects of the Government's environmental reform agenda on sheep and beef farms.

We knew this research would be an important piece of work and that's been reinforced by the encouraging feedback we've had from all parts of the sector.

The findings have really resonated with the farmers I have been talking to over the past few weeks.

Farmers have been telling us for some time that they were worried about the potential cumulative financial impact of the more than 20 new regulations, laws and reforms coming at them in the climate change, freshwater and biodiversity space.

They know that improvements to the environment are needed, but the sheer volume and pace of these rules coming down the pipe meant mistakes have been made in the process – even former Agriculture Minister Damien O'Connor has admitted the Government didn't always get it right.

Farmers are worried and confidence is at an all-time low, says Kate Acland.

Frustratingly, one-size-fits-all rules were developed, requiring all farmers to make changes to their farming practices, even if the rules aren't relevant to the impacts their farms are having on the environment.

The rules sometimes went further than they needed to achieve the desired outcome and the cumulative impact of that across so many rules was significant.

Of course, when you look at the rules individually, it may not appear there will be a lot of cost or administrative burden on farms – some critics have accused farmers of whinging.

But when you set them all out and add up the cumulative financial impact, you can understand why farmers have been so worried and why confidence is at an all-time low.

One farm included in the study was facing a $1.2 million cost for stock exclusion – when the Government mandated map being used to determine if they needed to fence was wrong. The average annual before tax farm profit for a farm of that size, in that region, is $112,000.

This rule was recently improved (but not completely fixed) after three years of work and pressure from organisations such as B+LNZ.

But there are other examples.

Another farmer faced one-off direct costs of $75,000 and annual direct costs of around $88,000, when the *B+LNZ Sheep & Beef Farm Survey* shows us the average farm profit before tax for that region or type for 2022/23 is $174,800. This impact is

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