Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future

Submission by the Responsible Investment Association Australasia
The Responsible Investment Association Australasia (RIAA) welcomes the opportunity to make a submission to the Ministry for the Environment (MfE) on Te hau mārohi ki anamata - Transitioning to a low-emissions and climate-resilient future, aka Emissions Reduction Plan (ERP). The scope of RIAA's submission is limited to the Funding and Finance section as it is of highest relevance to our membership.

About RIAA and our members
RIAA champions responsible investing and a sustainable financial system in New Zealand and Australia and is dedicated to ensuring capital is aligned with achieving a healthy society, environment, and economy.

With over 450 members managing more than NZD$39 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across New Zealand and Australia. RIAA’s membership includes superannuation funds, KiwiSaver default providers, fund managers, banks, consultants, researchers, brokers, property managers, community trusts, foundations, faith-based groups, financial advisers, financial advisory groups, and others involved in the finance industry, across the full value chain of institutional to retail investors.

The crucial role played by finance must be acknowledged
The ERP remains the key platform guiding the public, private and third sectors on how to both work together and prioritise their efforts in helping the nation deliver on its Zero Carbon Act. Failure to coordinate effectively will likely result in less certainty and higher cost of capital which negatively impacts on the stakeholders involved.

A summary of RIAA's feedback to the ERP is provided here:

1. Finance remains a sector not adequately covered by the MfE in the ERP.

2. There are no sector-specific actions for finance, even though there is for ‘research and innovation’ and ‘circular economy’ which are both structural aspects of sectors, rather than sectors in their own right. The lack of focus on the financial services as a sector is particularly disappointing given the work to date on how they can be deployed in helping the nation achieve net zero by 2050, by way of the Aotearoa Circle's Sustainable Finance Forum's Roadmap for Action (SFF Roadmap).

3. The high-level reference to finance (public and private) as a stakeholder with whom leaders must engage to deliver an equitable transition that is fair and inclusive, is insufficient.

4. This initiative provides an opportunity to be directive about building stronger connections between the actions in the ERP and how capital markets (the financial services sector) can...
assist. RIAA also refers the MfE to the [Investor Agenda](#), which provides a framework of collective action to achieve net zero emissions.

5. In the area of co-investing with the private sector, this initiative provides an opportunity to improve the coordination of, and simplify and expedite, approvals processes of existing government programs, as well as the operations of government specific finance instruments.

6. More money can and should be allocated to the task of co-financing such that it helps better capacitate New Zealand’s own green finance sector to more sustainably deliver financial products and services on the way to net zero by 2050.

**Responses to consultation questions – Funding and Finance**

In response to the questions in this chapter, RIAA refers the MfE to:

- Aotearoa Circle’s [Sustainable Finance Roadmap for Action](#)
- The [Investor Agenda](#)

**Question 24. What are the main barriers or gaps that affect the flow of private capital into low-emissions investment in Aotearoa?**

Based on input to the development of the SFF Roadmap and in discussion with some of RIAA’s members, it is clear that private investors are supportive of co-financing but that it is not easy to find nor access. This is due in part to three main reasons:

1. **Public funds for climate solutions are housed inside different agencies** – for example, MfE administers the *Waste Minimisation Fund* whilst agricultural greenhouse gas emissions reduction opportunity resources are managed under the Department for Primary Industries. The additional effort required to identify and build relationships and to respond to and submit proposals to several agencies with different requirements can be a deterrent to investors seeking to co-invest with government.

2. **Public funds for co-investment are small, require long lead times and approvals process and are significantly over-subscribed.** An example of this includes *EECA Low Emission Transport Fund* and *Government Investment in Decarbonising Industry Fund* which had lead times over six months for some such programmes, while others were significantly over-subscribed leaving much redundancy in efforts with the private sector investors.

3. **The mechanism of specific financial vehicles, such as Green Investment Finance Limited** have **approval lead times longer than commercially viable and**, although set up to invest in a wide range of solutions, have so far **invested in a narrow range of opportunities** that are relatively low risk, such as debt funding for infrastructure projects.

Concerted efforts to coordinate and streamline approvals processes (perhaps by way of a pre-approved panel) would go some way to unlocking some earlier stage opportunities for investing in climate solutions, such as in agriculture and transport, where reducing emissions is less straightforward than in other sectors such as delivered energy.
Question 26. What else should the Government prioritise in directing public and private finance into low-emissions investment and activity?

Participation by government department representatives in the Centre for Sustainable Finance is a key opportunity for co-ordination and collaboration.

RIAA supports the development of a taxonomy for green finance which, once delivered, will provide both the investment certainty and consumer information and confidence in how much, by when and where capital should be invested.

Question 27. Is there anything else you wish to share in relation to funding and financing?

By way of summary of the feedback provided above, in order to effectively transition to a low-emissions future, the Aotearoa New Zealand government must:

1. increase the amount of public funding available for new climate initiatives, as well as for those funds that require co-investing with the private sector;

2. simplify and expediate the approvals processes for the private sector to access public funds and unlock the flow of capital waiting to be allocated from the private sector into low carbon technology solutions and enterprises (which will help the green finance market become more experienced in deal flows and hence more efficient – leading to a reduction in the overall cost of capital to support the transition to climate-positive solutions); and

3. explicitly and systematically work with existing and emerging industry-led initiatives to leverage these platforms to deliver on the broader government’s net zero commitments.

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