

The Treasury

Establishing New Zealand Green Investment Finance Cabinet Paper Release Document

December 2018

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[1] 9(2)(f)(iv) - maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials

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Office of the Associate Minister of Finance

Chair Cabinet Economic Development Committee

ESTABLISHING NEW ZEALAND GREEN INVESTMENT FINANCE LIMITED

Proposal

1. This paper seeks approval to establish a new institution, New Zealand Green Investment Finance Limited (GIF”), and to define its mission, objectives, scope and institutional form.

Executive summary

2. Under the Confidence and Supply Agreement between the Labour Party and the Green Party the Government agreed to support the introduction of a fund focussed on low emissions investment.
3. Having completed the policy development process, I now propose that the GIF be established with a mission to accelerate domestic, low emissions investment.
4. In order to achieve its mission I propose that the GIF has four objectives that together underpin the core of the GIF's mandate. These objectives are to: make investments that lower domestic emissions; crowd-in private finance; make investments on a commercial basis; and undertake a market leadership and demonstration role.
5. To best fulfil these objectives, I propose that the GIF is established as a new company listed in Schedule 4A of the Public Finance Act 1989 and that the Minister of Finance and Minister for Climate Change become its Shareholding Ministers.
6. [1]

However, I propose that the GIF be established now and that alongside this Treasury officials, in consultation with other relevant departments, report back to Shareholding Ministers on whether and how the GIF should have its own legislation. Shareholding Ministers will report back to Cabinet as necessary.

Background

7. Budget 2018 confirmed that the GIF would receive a \$100 million capital injection from Government. The Budget also provided \$1 million for the establishment of the GIF in 2017/18 and \$4 million in 2018/19, as well as \$30 million over six years for its operational costs (\$5 million in each year from 2018/19 to 2023/24).

The policy context

8. Transitioning to a low emissions economy requires a major re-orientation of public and private investment away from emissions intensive activities and towards lower emissions activities.
9. The role of the GIF is to help catalyse the redirection of capital to investments consistent with the transition to a low emission economy. The GIF is part of a wider climate change policy programme that includes New Zealand's international climate change leadership, the Zero Carbon Bill, the strengthening of the New Zealand Emissions ETS, the One Billion Trees Programme and the Electric Vehicles (EV) Programme. The GIF's investments will be complementary to the wider climate change and energy efficiency policy programme.

The policy development process

10. In developing advice on establishing the GIF the Treasury led a cross-agency working group. An external reference panel was also appointed to provide an expert sounding board for the Treasury. The reference panel had four members with a mix of finance, investment, sustainable business and environmental impact investing experience.
11. International engagement with a peer group of green investment vehicles (generally called Green Investment Banks (GIBs))¹ was undertaken in order to understand best practice, particularly with respect to their establishment phases.
12. The Treasury also appointed two external consultants to survey the emissions reduction and investment opportunities for specific sectors that contribute to New Zealand's emissions profile. This helped the Treasury to identify a range of opportunities for the GIF to invest across the transport, industrial process heat, commercial buildings, agriculture and waste sectors. It also provided further evidence for GIF's intervention logic and testing of the efficacy of low emissions investment with external experts.
13. The Treasury did not set out to precisely identify the nature and size of the opportunities. However, in light of the evidence presented, there will be sufficient investment opportunities within the proposed mission and objectives for the GIF set out below.

The problem the GIF will solve

14. The consultants set out a conceptual framework for the market failures associated with lower emissions investment, identified as "missing markets" and "imperfect information", and provided specific sector investment examples of these failures.

¹ These GIBs were: the UK Green Investment Bank (UKGIB, focused on the period prior to its sale), Australia's Clean Energy Finance Corporation (CEFC), New York Green Bank (NYGB), Connecticut Green Bank (CTGB) and the Hawaii Green Infrastructure Authority's (HGIA) Green Energy Market Securitisation program (GEMS).

15. Missing markets are characterised by a low volume of transactions, small transaction sizes and/or high transaction costs that result in a lack of development in a market. The market may also be constrained where investors are not willing to make capital available to match the payback periods of low emissions projects and where secondary markets are underdeveloped, thus increasing exit risk. Relevant examples of investments identified by the consultants that could fall into this category include electric buses, existing technologies for process heating within industry and energy efficiency retrofits for commercial buildings.
16. The GIF could play a role in developing missing markets by offering terms and conditions not available from other investors (i.e. loans with longer terms or sculpted repayments). Developing financing structures that address the needs of project sponsors and (over time) appeal to private investors is likely to be relatively costly but can be expected to mobilise private capital. Information and specialist expertise will be required to assess what is attractive and appropriate to the specific commercial opportunity, and yet still yields an appropriate return over the medium term.
17. Imperfect information typically occurs where technology is unfamiliar and where there is limited data, information and skill available to investors to assess commercial viability and risk. This can lead to investors overlooking commercially viable opportunities because there are simpler and better understood options available to them. Relevant examples identified by the consultancy include new technologies in process heat and new practices within agriculture.
18. The GIF could target these problems by developing technical expertise, signalling the strength of an investment through their decisions and acting as an information conduit to the market. The benefit of developing this expertise is that the GIF's investment is unlikely to displace private activity. In the medium term, the GIF's decisions can be expected to start to influence other investors and additional private capital may be mobilised.

Proposals

Mission, objectives, and scope of the GIF's activities

19. The review of, and engagement with, the five comparator funds found that two features of their investment mandates were essential to their success: (1) a fit-for-purpose mandate that provides clear direction; and (2) a permissive mandate that provides the flexibility to match financing structures to commercial opportunities.
20. Lower emissions investment in New Zealand is very nascent, so it is important that the GIF's investment mandate does not unnecessarily restrict its degree of operating freedom. The GIF will need to be able to learn from experience and focus on promising opportunities as they emerge.
21. Therefore, I propose that the GIF's mandate is defined primarily by a mission and objectives that clearly set out what it is intended to achieve, and does not more narrowly set sector priorities for investment. I propose that the GIF has a mission to accelerate domestic, low emissions investment. In this context, low emissions investment will refer to investment that supports lower emissions of the carbon dioxide, methane and nitrous oxide.

22. The GIF's proposed mission is consistent with, and will contribute, to the wider Government agenda on climate change and the objective set out in the Paris Agreement of making finance flows consistent with a pathway toward low emissions and climate-resilient development.
23. In order for the GIF to achieve its mission I propose that it has four objectives that together underpin the core of the GIF's mandate. These objectives are:
- a) to make investments that lower domestic emissions
 - b) to crowd-in private finance
 - c) to make investments on a commercial basis, and
 - d) to undertake a market leadership and demonstration role.
24. Combined, these objectives are intended to position the GIF to achieve its mission to accelerate domestic, low emissions investment. To achieve its mission the GIF would need to undertake a portfolio approach and balance all four objectives, acknowledging that the relative importance of each objective could differ over time. All of the GIF's investments would need to have an impact on emissions, but individual investments would not necessarily need to directly deliver all four objectives. For example, the GIF might focus on market leadership and demonstration in one year to enable it to crowd-in a large volume of private sector investment the following year.
25. The GIF's mission and objectives provide the core foundation of its investment mandate and are not expected to change regularly over time. It is therefore proposed that the GIF's mission and objectives be included in its company constitution and that Cabinet approval be required to make any change to them.

Objective 1: Make investments that lower domestic emissions

26. A focus specifically on domestic emissions will ensure clarity of purpose, which is particularly important given the small size of the GIF. Emissions reductions achieved would be expected to increase year on year as investment activity increases.
27. While New Zealand is obliged under the Paris Agreement to mobilise climate finance to support developing countries to implement their commitments, we do not propose that the GIF plays a role in achieving this at this stage, in part because of the small size of the fund.
28. Any future role that the GIF has in mobilising private investment in low emissions projects in developing countries, particularly the Pacific, could be addressed in future reviews (see paragraph 47).

Objective 2: Crowd-in private finance

29. Given the extent of the total investment required to transition New Zealand to a low emissions economy, it is important that the GIF crowd-in private finance. In pursuing this objective, the GIF would:
- a) seek out low emissions investments that are commercially viable but do not typically attract mainstream investment (i.e. there is a market failure of investment finance)

- b) make investments that are additional or serve to accelerate existing limited investment
- c) facilitate co-investment wherever possible, and
- d) avoid crowding-out private investment.

Objective 3: Invest on a commercial basis

30. Demonstrating success on commercial terms will help to attract private sector finance to low emissions investments and contribute to the sustainability of the GIF itself. This means investing for profit over the long term.

31. I propose a portfolio-level benchmark return for the GIF of the 5-year New Zealand Government bond rate) plus 2%. The benchmark will both set out the risk and return expectations from the Government and provide for an accountability framework. I propose the benchmark return be:

- a) earned across the portfolio, allowing the GIF the flexibility to tailor the form, structure, term and pricing of its investments to meet individual project requirements and market needs
- b) a cumulative measure over time (i.e. would not have to be earned in year 1)
- c) expressed as an annualised average return rate
- d) positioned as a long-term benchmark, that could be varied over time, and
- e) exclusive of operating costs.

Objective 4: Undertake a market demonstration and leadership role

32. Operating transparently and demonstrating the feasibility and profitability of low emissions investment will, in combination with the GIF's other objectives, help it draw in investors to low emissions opportunities.

33. I propose that the GIF initially focus on the dispersion of existing technologies, where there is limited low emissions activity within New Zealand, i.e. beyond the research, development and early market demonstration into the later stages of commercialisation, where there is limited activity within New Zealand.

Scope

34. The development of the evidence base for the GIF demonstrated that there are opportunities for the GIF to invest across a number of sectors (transport, process heat, energy efficiency and agriculture). In order to avoid being overly prescriptive and to enable the company to invest as effectively as possible I do not propose expressing priority sectors in which it should invest.

35. Rather, I propose to be prescriptive only where the company should **not** operate, as there are a number of sectors where officials consider it would be unsuitable for the company to invest. Therefore, I propose the GIF would be unable to deploy capital to the following areas:

- a) large scale electricity generation – where there is no evidence of financing gaps

- b) forestry – given the plans in place for the One Billion Trees programme
 - c) carbon capture and storage (CCS) – given existing legislation is not adequate to manage the risks of CCS and it is not currently viable to undertake these projects in New Zealand, and
 - d) the state sector – given the government already funds these entities and there are more effective levers available for their transition to a low emissions future.
36. The sector exclusions may need to be reviewed, and possibly changed over time, as factors such as an industry's structure, the Government's regulatory and market-based activities will influence the GIF's investable universe and its investment priorities. Any modifications to the GIF's scope would be carried out by Shareholding Ministers, as is consistent with their usual powers.
37. Any future process for varying the scope of the GIF's investment activities would include an updated analysis of market failures and financing barriers in the relevant sector, followed by departmental consultation. This could either be initiated by the Government or the GIF itself.

A focus on domestic emissions and New Zealand based activities.

38. Under the Paris agreement, New Zealand must communicate its Nationally Determined Contribution (NDC) every five years, outlining its country's emission reduction target. These targets are voluntary. However, failing to comply with these targets risks reputational damage. New Zealand's first Nationally Determined Contribution (NDC) under the Paris Agreement is to reduce its emissions to 30% below 2005 levels by 2030.
39. None of New Zealand's international targets relate specifically to domestic emissions. However, our core climate change legislation, the New Zealand ETS and the proposed Zero Carbon Act, both have a clear focus on domestic emissions.
40. In addition, if the GIF were to invest offshore, any potential benefits from technology and skills transfer would likely be very limited given the small size of the fund. Investing offshore also adds significant complexity to a fund that already has some challenging objectives.
41. In many areas New Zealand will be a lower emissions technology taker (the notable possible exception is agriculture). The GIF could play a role where there is a need for capacity and resourcing to identify, absorb, adapt and deploy technologies from offshore into domestic businesses.
42. A significant barrier can also result from a lack of enabling technologies and/or the supply chains that are precursors to lower emissions investment. Therefore, successful investment in lower emissions projects and technologies may require the GIF to take account of supply chain constraints and/or the need for enabling technologies and, where necessary, invest to help alleviate them.
43. For these reasons I propose that the GIF's scope should encompass domestic emissions, include enabling technologies and supply chains and be limited to predominantly New Zealand based activities.

Alignment with other sources of funding

44. Whilst there are a number of Crown-owned funding sources, none are specifically targeted to low emissions investment. The Provincial Growth Fund, Callaghan Innovation and the New Zealand Venture Investment Fund will have useful synergies with the GIF. Annex A provides a visual representation of where the GIF will be positioned relative to other sources of funding and Crown investors.
45. The Energy Efficiency Conservation Authority (EECA), while not an investor, administers grant funding and has business support programmes to promote energy efficiency and emissions reductions. There are a number of ways that the GIF has the potential to align with and work alongside EECA's programmes and specialist knowledge.
46. I will ensure that the GIF takes account of and actively works alongside relevant departments and Crown entities to ensure that expertise is used efficiently and a sensible progression along the investment pipeline is actively considered.

Review and operating funding

47. I propose that a formal review of the GIF be commenced no later than June 2023. The terms of reference for the review will be agreed by Shareholding Ministers at the time but would be expected to cover: how effective the GIF has been in fulfilling its mission to accelerate domestic, lower emissions investment; and, whether the GIF's mission and objectives remain relevant to the transition to a lower emissions economy.
48. I also propose five yearly reviews thereafter. Regular reviews have been a useful accountability mechanism for the NZ Superfund and have been adopted by the Australian CEFC.
49. Funding for the GIF's operating costs currently expire in June 2024, reflecting the expectation that after this period the GIF should be generating sufficient income to cover its operating costs.
50. The expectation is that GIF will repay the Crown-funded establishment and operating costs once it starts to demonstrate on-going profitability. This requirement for the GIF to repay these costs will be included in the initial agreements that provide for their drawdown by the GIF. The specific mechanism and timing for the repayment these costs will be addressed as part of the 2023 review.
51. Through the Schedule 4A governance process Shareholding Ministers will convey a strong expectation that the GIF should ensure that operational decisions enable it to achieve its purpose in a cost-efficient manner, including by exploring opportunities to collaborate and partner with relevant agencies. My officials will facilitate interactions with relevant agencies and ensure that the full range of opportunities are explored (for example, co-location, shared services and shared resources).

Investment management of the GIF

52. In order for the GIF to be effective in accelerating domestic, lower emissions investment it will be important for it to have an institutional form that supports its objectives. The institutional form will need to enable:

- a) a balance between the public policy and commercial components of the GIF's objectives
- b) the building of relevant investment and technical capacity, and
- c) the ability to give effect to medium-term strategic direction while been able to respond to more immediate changes in the markets.

53. I considered three high level options for delivering the GIF's mandate. These were: (a) establish a new public fund manager, (b) use an existing public fund manager, or (c) deliver through a private sector fund manager.

Establish a new public fund manager

54. I propose that the GIF's investment management be performed by a new entity, set up specifically for this purpose. There are three key reasons why establishing the GIF as a new entity would have advantages over an existing public fund or private fund manager. These are:

- **Market leadership, relevant investment and technical capability** – establishing a new entity will enable it to develop lower emissions financing expertise through participation in the market, thus allowing it to specifically focus on what interventions are required to be effective and when they need to be deployed. This is important since existing institutions do not have the appropriate mix of focus, skills, incentives or investment cultures to achieve this.
- **Responsiveness** – a key lesson from international GIBs is that these institutions have needed the flexibility to learn from their early experiences and adapt their approach where it didn't have the expected impact and/or it needed to change to reflect evolving market conditions. A smaller, focussed organisation is likely to be more flexible.
- **Balancing commercial and public policy objectives** – existing public funds or private managers may not be comfortable with including the GIF's non-financial objectives in their investment decisions (for example where they might impact on commercial returns and thus introduce a perceived risk to the wider entity's reputation). A new entity would be able to focus on optimising the balance of the GIF objectives to achieve its mission.

55. I do not favour either an existing public fund or private fund manager for the reasons outlined below.

Existing public fund manager

56. Unlike the GIF, most of the existing public funds have the sole objective of investing to either pre-fund specific liabilities or expected future expenditure. They invest, within different risk-return profiles, to fulfil the purpose for which they hold the funds, which means that they seek to maximise their returns with their given level of risk. In contrast, the GIF will be balancing financial and non-financial objectives when making its investments.
57. The key advantage of an existing public fund manager delivering the GIF is the ability to draw on investment expertise, systems and processes, thus allowing for a quicker and somewhat less costly establishment process.
58. The major disadvantage is that none of the existing public funds have the existing organisational forms or incentives to develop the tailored financial structures required for direct investments in low emissions projects, or to address their lack of suitability for private investment. In essence, none of the existing public funds have all of the relevant investment and technical capacity to undertake direct investment into low emission projects and all would have to develop it across the operational, managerial and governance levels of their organisations.

Private sector fund manager

59. The approach would involve contracting an external financial organisation to establish and deliver the GIF. The fund's investment mandate would need to be set out in its contract, including all non-financial objectives.
60. Given the size of the GIF, the efficiency of this option may be appealing, but there are no domestic fund managers that invest across the entire capital structure in lower emissions projects.
61. The investment mandate would need to be specified in a far greater level of detail than would be required for a public fund manager or new entity. This would be necessary to ensure that the manager delivers the GIF's non-financial objectives, which are not typical feature of such contracts. Given the length of time that incorporating non-financial objectives could take in contract negotiations, this approach may be no timelier than establishing the GIF as a new entity.
62. An external manager would also not be incentivised to share sufficient information on its investments to fulfil the GIF's market demonstration role as it would view this information as a source of competitive advantage
63. Contracting an external manager would also be somewhat inflexible if a change in mandate were needed (i.e. owing to policy, technological or financial developments). A contract variation would be required, which could be costly and slow to achieve.

Institutional form

64. Guidance from the State Services Commission sets out two options for establishing independent public entities that have a mix of public policy and commercial objectives: a Crown Entity Company under the Crown Entities Act 2004, or a company listed in Schedule 4A of the Public Finance Act 1989 (Schedule 4A Company). Both of these options are proven, established mechanisms for entities, with clear processes for establishing and managing their functions.
65. I propose that the GIF be established as a Schedule 4A Company as this allows for:
- a) minority (less than 50%) private shareholders
 - b) subsidiary companies that can more responsive and flexible in their operations than Crown Entity Company subsidiaries, and
 - c) a corporate form with which potential co-investors and investee companies have more experience and comfort.
66. The ability to introduce minority shareholders will be a valuable option for the GIF in the future as it would allow for additional capital to be either made available for further GIF investments or returned to the Crown, or a mixture of both. In contrast, a Crown Entity Company must be 100% Crown-owned.
67. The Crown can wind up Schedule 4A Companies in a number of ways, including eventually realising the value of GIF in the market, whereas a Crown Entity Company is only able to be wound down at the end of its life. This would give the government the option to realise the GIF's value at the point at which the GIF is judged to be successful in fulfilling its mission.
68. The GIF is likely to establish subsidiary companies to help it fulfil its mandate and may want to appoint different Directors with specialist skills to the Boards of its subsidiaries to allow more intensive monitoring of certain investments.
69. Schedule 4A Company subsidiaries have more similarities with companies incorporated under the Companies Act 1993, making such appointments easier given prospective Directors will already be familiar with the corporate form and their professional obligations.
70. The GIF mandate will be implemented through the different components of the usual Schedule 4A Company governance documentation (company constitution, letter of expectations, statement of intent and statement of performance expectations). These documents are all prepared in consultation with Shareholding Ministers.
71. The Treasury has commenced the process of identifying suitable Directors for the GIF, with a particular focus on the Chair.

The GIF's tax status

72. The GIF's tax status will be determined by the Minister of Revenue once amending tax legislation affecting all Schedule 4A Companies has been enacted, which is expected by March 2019. The GIF's tax status will be determined by the balance of its policy and commercial objectives. If it is judged that its' primary purpose is to fulfil policy objectives, rather than make a profit, it will be tax exempt.
73. The Treasury will provide detailed advice to Shareholding Ministers on the GIF's tax status at a later stage of the establishment process, so consideration will be given to this question at that time. The tax status of the GIF is not, however, a substantive policy decision.

Name and Shareholding Ministers

74. The Crown Entities Act 2004 requires that the GIF have at least two Shareholding Ministers. They must hold an equal number of shares. One of the Shareholding Ministers must be the Minister of Finance. As the GIF has a proposed mission to accelerate domestic, low emissions investment, it is logical that the Minister for Climate Change be the other Shareholding Minister.
75. I have consulted with the Minister of Finance on a name for the fund. We did not favour use of "fund" as it does not capture the proposed activities of the GIF which are more akin to those of an investment bank. We also wanted to distinguish the GIF from the funds that the Government administers directly such as the Provincial Growth Fund, the Waste Minimisation Fund and the Sustainable Farming Fund.
76. Given the nature of the institution's proposed activities there is significant appeal in using the name 'New Zealand Green Investment Bank Ltd', as oversees peer institutions have. However, the use of the word "bank" in a legal name is prohibited by the Reserve Bank Act 1989 unless the organisation is registered as a bank, which the GIF would not be.
77. For these reasons the Minister of Finance and I decided on the legal name "New Zealand Green Investment Finance Limited", noting that the GIF may adopt a different trading name in consultation with Shareholding Ministers.

Establishment timeline

78. The table below summarises the material milestones for the GIF's establishment.

Milestone	Timing
Approval for Director appointments sought from Cabinet.	From November 2018
Company constitution tabled in Parliament, Letter of Expectations issued by Shareholding Ministers and the company commences its operational establishment.	By March 2019
The company prepares its Statement of Intent and a risk and investment framework, Shareholding Ministers grant the company its financial powers and the GIF starts work on building an investment pipeline.	By June 2019

The company is actively originating investment opportunities and co-investment proposals.	By September 2019
The first investment commitments are entered into.	By December 2019

[1]

Consultation

83. The Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, the Ministry of Foreign Affairs and Trade, the Ministry of Transport, State Services Commission and the Energy Efficiency and Conservation Authority have been consulted on the contents of this paper.

84. The Department of the Prime Minister and Cabinet (Policy Advisory Group) has been informed and has reviewed the proposals in this paper.

² The Ministry for the Environment, the Ministry of Business, Innovation and Employment and the State Services Commission are the primary agencies that the Treasury expects will be involved.

Financial implications

85. Budget 2018 set aside \$100 million of capital and \$30 million over six years for operational costs (\$5 million in each year from 2018/19 to 2023/24) in tagged contingencies for the GIF. I seek this Committee's delegated authority to, in conjunction with the Minister of Finance, draw down on these contingencies once appropriate funding arrangements are in place with the GIF.

Legislative implications

86.^[1]

Orders in Council will be required to list the GIF in Schedule 4 of the Public Finance Act 1989 and in Schedule 1 of the Ombudsman Act 1975 to make it subject to the Official Information Act 1982.

Regulatory impact analysis

87. There are no regulatory impact analysis requirements associated with this paper.

Human rights

88. The proposals in this paper and the attached discussion document are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Te Tiriti o Waitangi

89. There are no direct Treaty of Waitangi implications in establishing the GIF.

90. Many iwi/hapu businesses are already involved in climate change adaptation and mitigation. I expect that some iwi/hapu businesses may seek investment from, or wish to co-invest with, the GIF.

Gender implications

91. There are no direct gender implications. Attaining gender balance for the GIF board will be an important aspect of ensuring that the GIF is viewed as a viable and inclusive entity.

Publicity

92. A press release and announcements targeted to relevant businesses and investors will ensure that core messages are received by interested and relevant stakeholders.

Recommendations

The Minister for Climate Change recommends that the Cabinet Economic Development Committee:

1. **agree** that the GIF have the mission to accelerate domestic, low emissions investment.

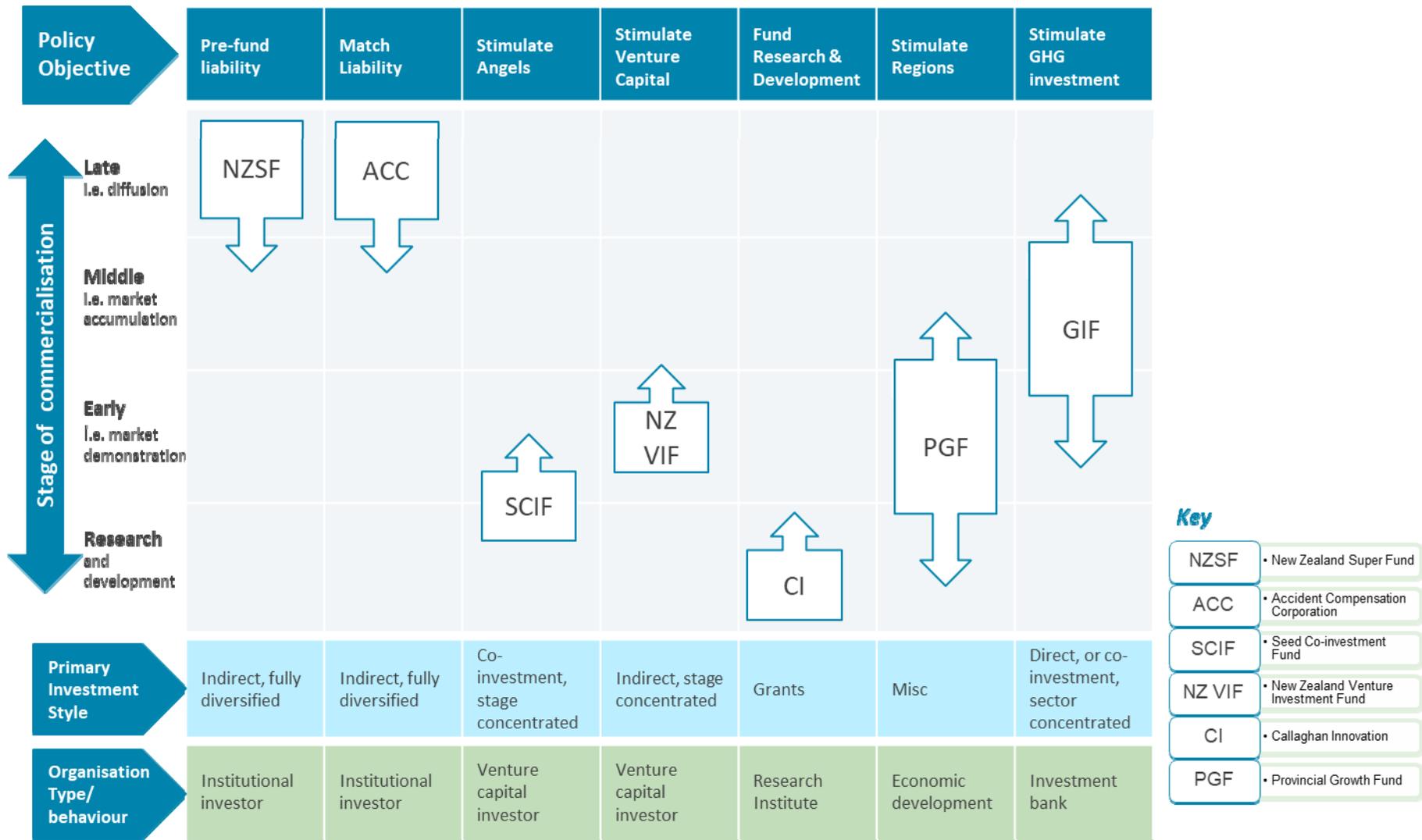
2. **agree** that the GIF have an investment mandate which is permissive, flexible and primarily defined by its objectives
3. **agree** that the GIF have the following objectives:
 - 3.1 to make investments that lower domestic emissions
 - 3.2 to crowd-in private finance
 - 3.3 to make investments on a commercial basis, and
 - 3.4 to undertake a market leadership and demonstration role.
4. **agree** that the GIF's mission and objectives should be included in its company constitution.
5. **note** that the GIF will:
 - 5.1 report on emissions reductions achieved as a result of its investments, which would be expected to increase year on year
 - 5.2 be positioned to invest primarily in low emissions projects that are ready for commercialisation and deployment
 - 5.3 have a benchmark for the assessment of its portfolio return of the 5-year New Zealand Government bond rate plus 2%
 - 5.4 have the following sectors excluded from its investment mandate: large scale electricity generation, forestry, carbon capture and storage and the state sector (i.e. central government), and
 - 5.5 encompass domestic emissions, include enabling technologies and supply chains and be limited to predominantly New Zealand based activities.
6. **agree** that the GIF be established as a new independent 100% Crown owned company listed in Schedule 4A of the Public Finance Act 1989.
7. **note** that the GIF must have at least two Shareholding Ministers, who must hold an equal number of shares. One of the Shareholding Ministers must be the Minister of Finance.
8. **agree** that the Minister for Climate Change be a Shareholding Minister of the GIF.
9. **agree** that the Treasury be the monitoring department for the GIF and for it to report jointly to the Minister of Finance and Minister for Climate Change as Shareholding Ministers.
10. **agree** that a formal performance review of the company should commence no later than June 2023.
11. **note** the GIF's tax status will be determined by the Minister of Revenue once amending tax legislation affecting all Schedule 4A Companies has been enacted, which is expected by March 2019. Treasury will provide Shareholding Ministers with further advice on the GIF's tax status in due course.
12. ^[1]
13. ^[1]

14. **note** that tagged contingencies for the GIF consist of \$100 million of capital and \$30 million over six years for operational costs (\$5 million in each year from 2018/19 to 2023/24).
15. **delegate** authority to Shareholding Ministers to jointly agree to authorise drawdown of the tagged contingencies for the GIF, and to make the necessary changes to appropriations, once appropriate funding arrangements are in place.
16. **note** that the Minister of Finance and Minister for Climate Change will be seeking approval from the Cabinet Appointment and Honours Committee for appointments to the GIF's Board, from November.
17. **agree** that the Minister for Climate Change proactively release this paper on the Treasury's website, subject to appropriate withholdings under the Official Information Act 1982.

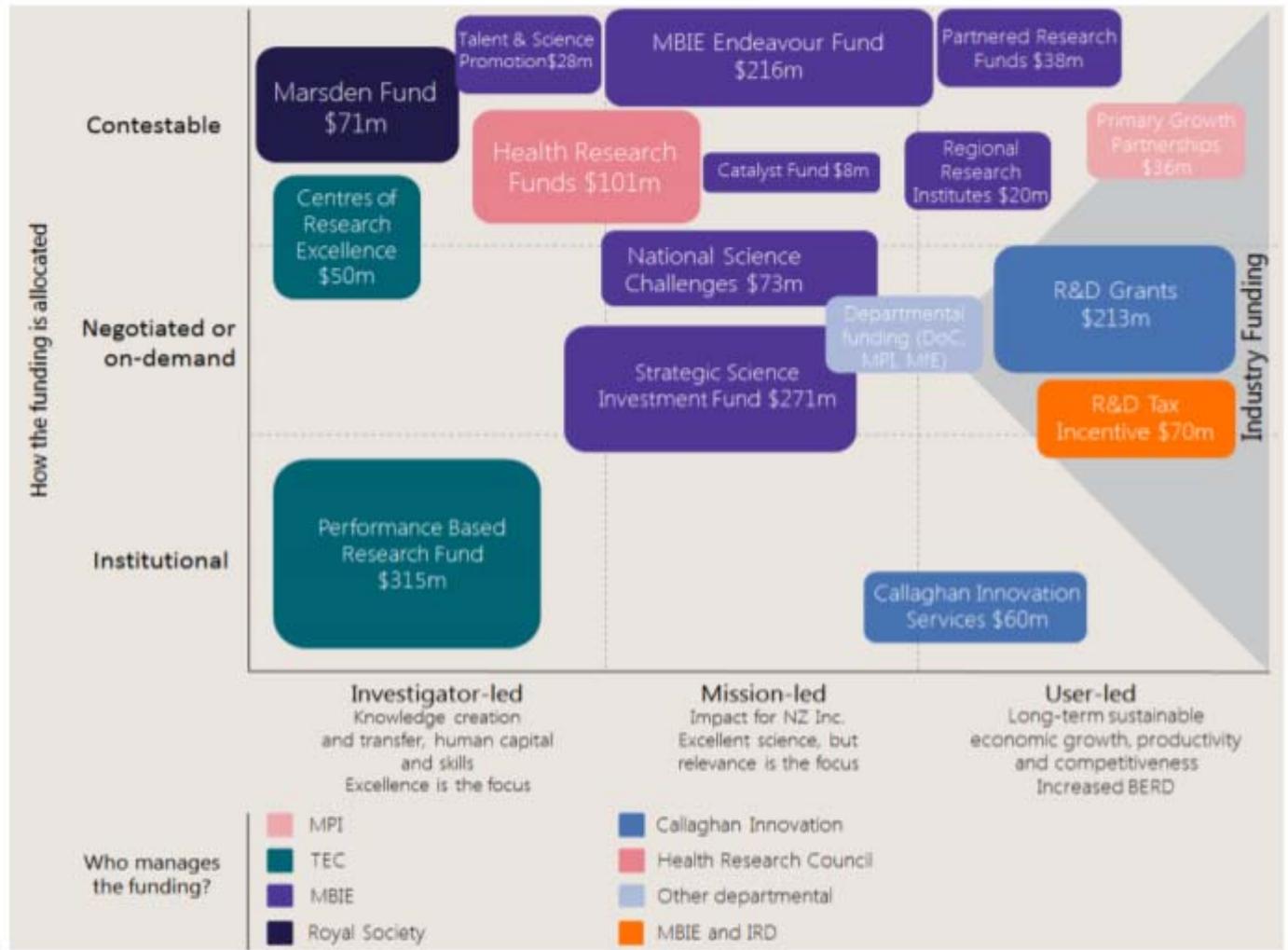
Authorised for lodgement.

Hon James Shaw

Annex A: GIF positioning relative to other sources of funding.



Annex A continued: The wider research and development funding system.



Public support for science and innovation per 2018/19 estimates of appropriations