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# Contact Energy: Powering the future with green financing

Finalist: Building sustainable financial products award

## What

Contact Energy is one of New Zealand's largest listed companies and supplies energy to its customers, with a strong focus on renewable energy. In 2017, the company launched the Green Borrowing Programme. Under this programme, NZ\$1.8 billion of Contact's funding portfolio was certified as green by the **Climate Bonds Initiative** (CBI) – the largest CBI green certification at that time. Investors can invest in a range of green-certified debt instruments, including bank facilities, commercial papers and retail bonds.

To support the programme, the company developed its **Green Borrowing Programme Framework** in line with the **Green Bond Principles**. The framework details the debt instruments and assets that have been certified as green, establishes compliance metrics and lays out the disclosures that Contact will make. The programme is annually assured by an independent, CBI-approved assurance firm.

Contact will use the Green Borrowing Programme to finance future investments in renewable energy, creating a virtuous cycle of financing and investment. Through this programme, Contact is championing green financing and taking tangible steps to support a sustainable economy.

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**'When you buy a green-certified bond, the money from that bond has been used to invest in an asset that will help us deliver a low-carbon economy... that has been independently verified and certified ... The reaction that we've had in terms of talking to investors has been unanimously positive.'**

Louise Tong,  
Head of Capital Markets & Tax, Contact Energy

## Why

Promoting a sustainable energy future is a priority for Contact, and it is aware of the critical role it can play as an energy company. Before putting the programme in place, Contact had already invested heavily in renewable energy, including a new geothermal power station in 2014. To continue investing in such assets, it would need access to finance.

An increasing number of debt investors and lenders are looking to invest in products that have been certified as green by an independent body. Gaining CBI certification was intended to increase the appeal of Contact's debt instruments and access a wider pool of potential debt investors. This market is particularly valuable to Contact because it understood that green-focused investors often hold instruments for longer time periods.

Contact believes that both businesses and capital markets play an important role in New Zealand transitioning to a low-carbon economy. With its Green Borrowing Programme, Contact brought business needs and capital market financing together. The company aimed to use its debt financing both to pursue its own green ambitions and fuel the domestic market for green financing.



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**‘The judges were impressed by the holistic approach of Contact Energy, with the company’s principles ... embedded throughout their business decisions. The company’s commitment to finding new sources of renewable energy is significant in New Zealand.’**

Finance for the Future Awards judges

## How

Contact worked closely with external partners and staff from multiple teams to implement the Green Borrowing Programme:

- > The Head of Capital Markets & Tax reached out to banks to discuss the possibilities for green financing. As so many of the company's assets generated renewable energy, Contact began to ask whether all of its debt could be considered green. To explore this idea further, the company also approached CBI for advice.
- > The Green Borrowing Programme was put in place, with CBI giving green certification to Contact's debt instruments based on the company's geothermal assets. Contact's Green Borrowing Programme Framework supports the programme and aligns the programme with the Green Bond Principles set out by the International Capital Market Association.
- > Contact developed compliance metrics, with a key metric being the 'green ratio'. This checks that the value of the company's total eligible green assets is equal to or higher than the value of total eligible green debt instruments. The ratio must be more than 1.0. The treasury team include this ratio in monthly reporting to the board.
- > A working group meets at least half-yearly to review the programme. It monitors schedules of green assets and debt instruments, new green assets and Contact's compliance with the framework. Senior staff from teams including treasury, financial accounting, sustainability and investor relations are part of this working group.
- > The company is committed to transparency. An annual verification of the Green Borrowing Programme is provided by an independent assurance firm. The assurance report and Contact's sustainability reporting is publicly available. This transparency shows investors that their funds are being used for environmental purposes.
- > Funds from the programme are used to finance existing and future renewable generation assets. Programme assets must meet the CBI standard and be in line with Contact's Green Borrowing Programme Framework.
- > Hydropower generating assets are not currently included in the programme: no CBI criteria was in place for those assets, so CBI could not certify them. Contact is working with CBI to develop hydropower criteria. When this is in place, the company expects to include hydropower in the Green Borrowing Programme.

[www.contact.co.nz](http://www.contact.co.nz)



### DISCLAIMER

This case study presents **Contact Energy** entry for the Finance for the Future Awards 2019. The case study only includes information that was part of the organisation's 2019 entry. Some of this information may now be out of date. For a current view of the organisation's work, please visit their website at the link given above.



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