



Australian Government

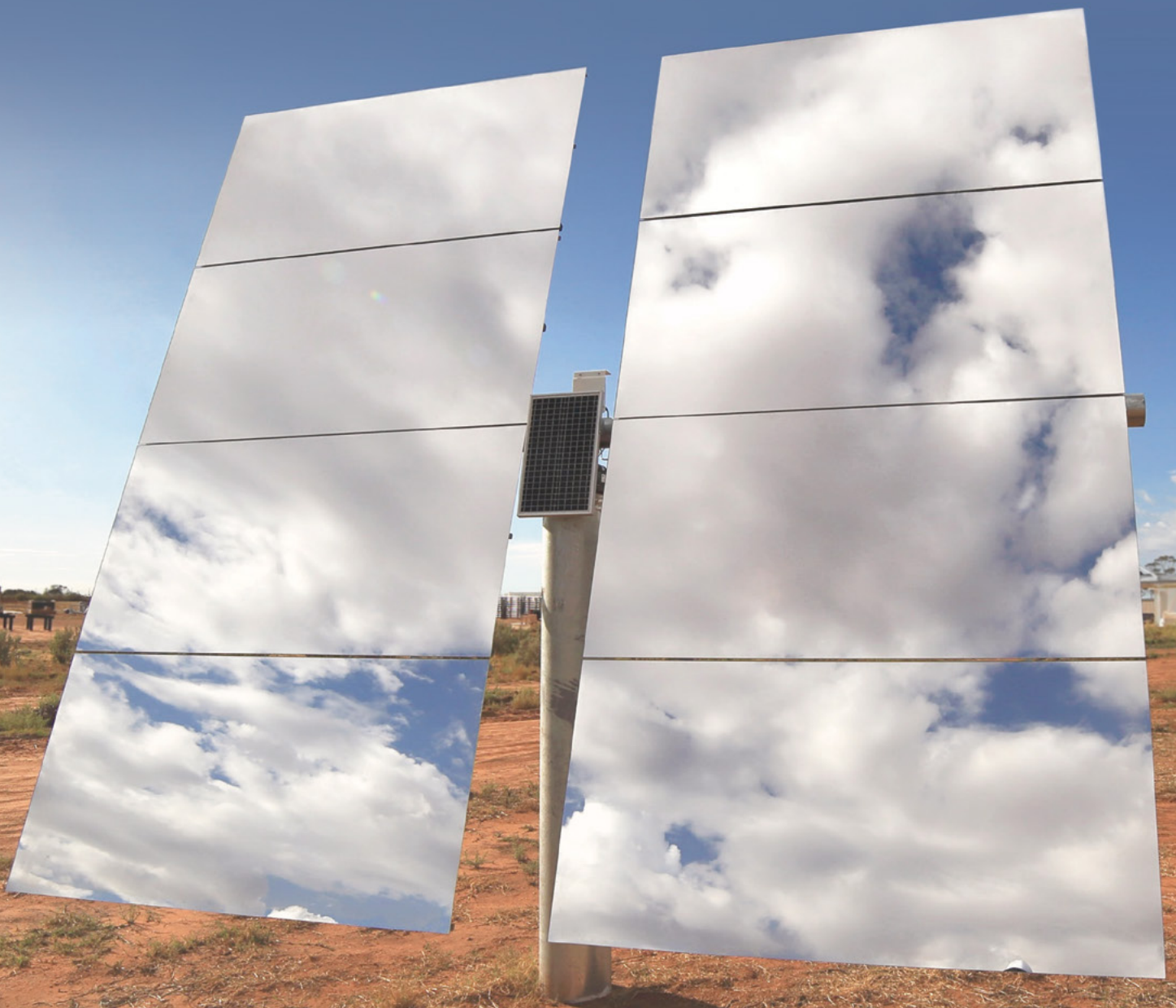
The Treasury

Australian Office of Financial Management

AOFM

Australian Government Green Bond Framework

December 2023





Australian Government

The Treasury

Australian Office of Financial Management

Australian Government Green Bond Framework

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Back: Mt Mercer Wind Farm; wholly owned by the Foresight managed Australian Renewables Income Fund, in which the Clean Energy Finance Corporation (CEFC) is an investor.

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▲ Bondi Beach, NSW

Acknowledgement of Country

In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

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Chapter 1: Introduction

Australia's environment is a vital part of its national identity. The nation's varied and unique environment not only provides habitat to nearly 600,000 native species but is home to one of the oldest living human cultures on earth.¹ For over 60,000 years, First Nations people have cared for Country.



▲ Darwin, NT

▼ Gouldian finch

The Intergovernmental Panel on Climate Change (IPCC) AR6 Synthesis report illustrates how changes in global temperatures are impacting our unique global environment and ecosystems.² Australia's climate change impacts are also intensifying, with communities experiencing more frequent, intense and prolonged extreme weather events.³

The Australian Government recognises the urgent need to transition to a low-carbon economy and is committed to investing in a range of targeted climate change mitigation, climate change adaptation, natural resource and biodiversity conservation solutions to achieve this.

Green bonds are one of the tools available to help reduce the impact of climate change and protect Australia's environment. Green bonds will help finance high-quality Australian Government projects with targeted environmental outcomes that are monitored and reported (see Chapter 6). A well-designed and credible sovereign green bond program is expected to mobilise additional climate-aligned capital, deepen sustainable finance markets and signal the Government's commitment to climate, energy and other environmental goals.

This Green Bond Framework (the Framework) outlines how the Australian Government will issue green bonds, including the basis for identifying, selecting, managing, and reporting on expenditures financed with green bonds. It also sets out the Government's key climate change and environmental priorities.

Treasury is responsible for the Australian Government's overall green bond program. The Australian Office of Financial Management (AOFM) issues debt securities on behalf of the Australian Government and is responsible for the issuance of sovereign green bonds.

This Framework has been developed in accordance with, and is compliant with, the International Capital Market Association (ICMA) Green Bond Principles (from *The Green Bond Principles 2021*).⁴ This Framework follows ICMA's core components being: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting and has been the subject of an external review.

It also incorporates current market practice for green bonds, including:

- Climate Bonds Initiative's (CBI) Climate Bonds Taxonomy (where appropriate)⁵
- CBI's Climate Bond Standard – sector criteria for project selection (where relevant)⁶
- United Nations Sustainable Development Goals (UN SDGs)⁷ and associated target indicators.

Treasury has also followed well-established market practice by:

- engaging with semi-sovereign green bond issuers within Australia to ensure no double counting of proceeds allocated to, or impacts arising from, Eligible Green Expenditures
- committing to annual allocation and impact reporting, aligned with the ICMA Harmonised Framework for Impact Reporting⁸
- engaging an experienced and leading provider of Second Party Opinions (SPO)⁹ to independently assess the Framework for alignment with the ICMA Green Bond Principles
- leveraging the best practice of other sovereign issuers including engaging with their experiences and insights.

Box 1.1 Whole-of-government approach to climate change and environmental priorities

The Australian Government takes a collaborative approach across different departments and agencies to address climate change transition and protect the environment:

- The **Department of Climate Change, Energy, Environment and Water** (DCCEEW) leads Australia’s response to climate change and sustainable energy use, and protects Australia’s environment, heritage, and water.
- The **Department of Industry, Science and Resources** supports research and commercialisation of renewable energy technology through the National Reconstruction Fund.
- The **Department of Infrastructure, Transport, Regional Development, Communications and the Arts** supports the delivery of clean transport systems, including electric rail, and supports climate change adaptation in Australia’s cities and regions.
- The **Department of Foreign Affairs and Trade** delivers on the Government’s climate finance commitments to support countries in Australia’s region to adapt to the increasing impacts of climate change, and to reduce their emissions.
- The **Net Zero Authority** will promote orderly and positive economic transformation across Australia as the world decarbonises, to ensure Australia, its regions and workers, realise and share the benefits of the net zero economy.

Australia also has a range of agencies enshrined in legislation with responsibility for specific climate change and environmental goals:

- The **Clean Energy Finance Corporation** (CEFC) supports the commercialisation of renewable energy, energy efficiency and low-emissions technology projects through loans and equity investments. The CEFC has an independent board with authority to invest in businesses or projects for the development or commercialisation of, or in relation to the use of, clean energy technologies (energy efficiency, renewable energy or low-emission technologies). The CEFC also invests in businesses that supply goods or services needed to develop or commercialise, or needed for use in, clean energy technologies.¹⁰
- The **Australian Renewable Energy Agency** has an independent board with the authority to provide grant funding to early-stage low-emissions technologies to accelerate the pace of pre-commercial innovation.¹¹
- The **Clean Energy Regulator** administers legislated schemes for measuring, managing, reducing or offsetting Australia’s carbon emissions.¹²
- **Australian Institute of Marine Science** conducts tropical marine research¹³ and the Great Barrier Reef Marine Park Authority manages and protects the Great Barrier Reef.¹⁴
- The **Climate Change Authority** provides independent, expert advice to government on climate change policy.¹⁵

The Australian Government also collaborates with state and territory governments to achieve net zero emissions, led by the **Energy and Climate Change Ministerial Council**. Coordinated action across jurisdictions supports key reforms in the climate change sector and accelerates decarbonisation.



▼ Solar panel array, Nullagine, WA



▲ Great Barrier Reef, QLD

▼ Green sea turtle

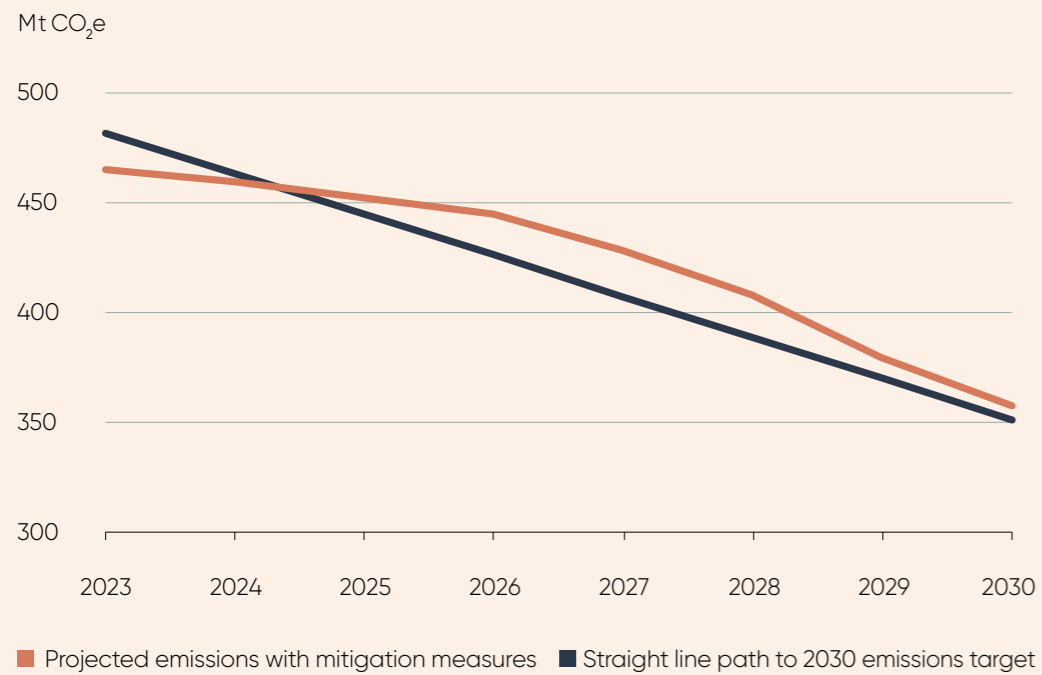
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Chapter 2: Australia's climate and environmental priorities

Climate change is already warming the world's climate, increasing the frequency and severity of disasters, raising sea levels and impacting native species. The rate of climate change is expected to increase over the coming decades and some impacts are locked in, even with strong action to reduce greenhouse gas emissions.¹⁶



Chart 2.1 Projected progress towards Australia's target of reducing emissions to 43 per cent below 2005 levels by 2030



Source: Treasury, based on DCCEEW 2023, *Australia's Emissions Projections 2023*, Department of Climate Change, Energy, the Environment and Water, Canberra, November.

Note: *Straight line path to the 2030 emissions target* reflects the emissions budget trajectory to reduce greenhouse gas emissions by 43 per cent below 2005 levels by 2030.

Projected emissions with mitigation measures refers to Australia's emissions projections 'with additional measures' scenario, which is estimated to result in emissions reductions of 42 per cent below 2005 levels by 2030.

Australia is mitigating further catastrophic climate change by reducing emissions, investing in low-carbon solutions and supporting other nations to reduce their emissions. Australia recognises that to meet its 2030 and 2050 targets, the rate of decarbonisation needs to accelerate (see Chart 2.1). See Section 2.1 of this Framework for more details.

The nation is preparing for a warming climate and adapting to the impacts. This includes providing an orderly and positive economic transformation, managing the physical impacts of climate change and building climate resilience. See Section 2.2 for more information.

Australia is also focused on protecting its unique environment through a nature-positive approach to improving stewardship and sustainable management of Australia's natural resources. Current or emerging threats have the potential to increase native species extinction, habitat loss and cultural heritage destruction. The Government is prioritising nature protection and conservation through reforms to environment protection and heritage laws detailed in the Nature Positive Plan to protect more of what is precious, repair more of what has been damaged and manage natural resources for future generations.¹⁷ See Section 2.3 for more details.

Australia is in a strong position to benefit from the opportunities the global transition to net zero presents. With abundant wind, sun and open spaces, the nation can generate energy more cheaply than many countries and has the potential to decarbonise exports with high-embedded emissions. Australia has some of the world's largest reserves of critical minerals such as lithium, cobalt and rare earth elements.¹⁸ To maximise the benefits of the global transition to net zero, the Australian Government's Net Zero 2050 plan will provide certainty through long-term policy and drive investments in low-carbon and renewable technologies.¹⁹

Box 2.1 Climate change mitigation

Key objectives

- Net zero by 2050
 - Support the net zero transition, by reducing emissions and catalysing investment in the opportunities presented by a low-carbon economy
 - Support the regions and workers to seize job and economic opportunities that come from the net zero transformation
- Reduce emissions by 43 per cent from 2005 levels by 2030
- 82 per cent renewable electricity by 2030

Key policies

- Safeguard Mechanism sets baseline limits on the emissions of Australia’s largest industrial facilities²⁰
- Capacity Investment Scheme²¹
- Australian Carbon Credit Unit scheme – provides incentives for organisations and individuals to adopt new practices and technologies to reduce their emissions and store carbon²²
- Powering Australia Plan: creating jobs, cutting power bills and reducing emissions by boosting renewable energy²³
- Australia’s National Hydrogen Strategy – supporting a clean, innovative, safe and competitive hydrogen industry that benefits all Australians²⁴
- National Electric Vehicle Strategy²⁵
- Household Energy Upgrade Fund – providing low-interest loans for energy-saving home upgrades²⁶
- National Energy Performance Strategy – a national plan to accelerate demand-side action, including energy efficiency and electrification.²⁷

Key enabling legislation

- *Climate Change Act 2022*
- *Clean Energy Finance Corporation Act 2012*
- *Australian Renewable Energy Agency Act 2011*
- *National Greenhouse and Energy Reporting Act 2007*

2.1 Commitment to climate change mitigation

Net Zero by 2050

Australia has been party to the Paris Agreement since it came into force in 2016 and is committed to the overall goal of pursuing efforts to limit temperature increase to 1.5°C.²⁸ As part of its commitments under the Paris Agreement, Australia submitted its first Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2015. In 2022, Australia updated its NDC, committing Australia to reducing its emissions to 43 per cent below 2005 levels by 2030.²⁹ Work is underway to determine the 2035 emissions reduction target for Australia’s next NDC.³⁰

In 2022, the Australian Government enshrined in law its 2030 NDC and its commitment to reach net zero by 2050.³¹ The Net Zero 2050 plan provides a roadmap to net zero while transitioning relevant industries, regions and jobs. A core element of the Net Zero 2050 plan will be the development of six sectoral decarbonisation plans. The six plans cover the major emitting sources of the economy: electricity and energy, industry, the built environment, agriculture and land, transport, and resources.³² The development of the sectoral decarbonisation plans will engage different levels of government. Plans will be implemented through extensive engagement with First Nations, community, industry, academia and unions to ensure the plans are robust and achievable. The achievement of net zero goals will require a significant percent of new renewable energy infrastructure to be sited on Australia’s Indigenous estate, in partnership with First Nations communities.³³

Australia’s electricity system accounts for around a third of national emissions, with coal (62.4 per cent) and gas (7.4 per cent) making up a significant share of electricity generation as at 1 December 2022.³⁴ The Australian Government is implementing supply and demand measures to decarbonise the energy sector and replace fossil fuel generation with renewable energy sources such as solar and wind. Federal and state energy ministers have agreed to incorporate an emissions reduction objective into national energy laws.³⁵

The legislated Safeguard Mechanism sets baseline limits on the emissions of Australia’s largest industrial facilities (those emitting more than 100,000 tonnes of carbon dioxide equivalent per year).³⁶ Safeguard facilities are required to reduce their emissions in line with Australia’s climate targets. Safeguard facility baselines will adjust with annual production; however the overall emissions limits tighten each year in line with Australia’s climate targets, hence incentivising decarbonisation. The Safeguard Mechanism is enacted through the *National Greenhouse and Energy Reporting Act 2007* and is administered by the Clean Energy Regulator.

The Capacity Investment Scheme seeks competitive tender bids for renewable energy generation and clean dispatchable capacity projects to fill expected reliability gaps. The Australian Government will provide revenue support for selected projects to decrease financial risks for investors and encourage more investment when and where it is needed.³⁷

The Powering Australia Plan focuses on creating jobs, cutting power bills and reducing emissions by boosting renewable energy.³⁸ The Australian Carbon Credit Unit scheme provides incentives for organisations and individuals to adopt new practices or technologies that avoid the release of greenhouse gas emissions or remove and sequester carbon from the atmosphere and generate tradable credits which can be sold.³⁹ The Clean Energy Regulator oversees the progress towards Australia’s Renewable Energy Target of 82 per cent renewable electricity by 2030.

A range of programs and processes are in place to reduce emissions across the Australian transport system. This includes through developing a light vehicle fuel efficiency (CO₂) standard, the Australian Jet Zero Council, the Aviation White Paper, the Transport and Infrastructure Net Zero Roadmap and Action Plan, and the Maritime Emissions Reduction National Action Plan. Infrastructure Australia is required to consider the Australian Government’s greenhouse gas emissions reduction targets in its advice to government, and in its infrastructure evaluations, plans and audits.

Box 2.2 Climate change adaptation

Key objectives

- Provide an orderly and positive economic transformation associated with decarbonisation and energy system change
- Manage the physical impacts of climate change
- Adapt to climate impacts and build climate resilience

Key policies

- National Climate Resilience and Adaptation Strategy 2021–25⁴⁰
- Net Zero Authority coordinates programs and policies to support regional communities to take advantage of new clean energy industries while supporting workers in existing and new industries⁴¹
- National Climate Risk Assessment, to better understand risks and impacts to Australia⁴²
- National Adaptation Plan, invests to adapt to those risks⁴³
- National Soil Strategy protects Australia’s ancient soils from impacts of climate change⁴⁴
- National Disaster Risk Reduction Framework – Australia’s national framework for reducing natural disaster risk and building resilience to natural hazards⁴⁵
 - Second National Action Plan to implement the National Disaster Risk Reduction Framework, including nationally agreed priority actions to mitigate disasters caused climate impacts⁴⁶

2.2 Commitment to climate change adaptation

Even with strong global action to reduce emissions, the impacts of climate change will continue to increase over the coming decades. This will significantly affect Australia’s economy, society and environment (see Box 2.3). The Australian Government has a range of programs in place to address the physical impacts of climate change.

The Australian Government is working to assess and identify the effects of climate change through the National Climate Risk Assessment process, to help governments, businesses and communities understand and respond to climate change-related risks.⁴⁷ Risk assessments will identify material topics valued by Australians that are at risk due to climate change and provide an in-depth analysis of climate hazard, exposure, and vulnerability data.

It is expected that the assessment will include consideration of rising sea levels, more frequent and increasingly hot days, impact on infrastructure and the delivery of services. The results will include maps and data on managing and adapting to significant national climate risks. These results will inform the National Adaptation Plan, which will guide and inform action and investment by all levels of government, the private sector, and non-government organisations.⁴⁸

As part of managing and adapting to climate change, the Australian Government is providing up to \$AUD1 billion over five years from 2023–24 through the Disaster Ready Fund for natural disaster resilience and risk reduction across Australia.⁴⁹ Government investments in technologies for adaptation and resilience will also contribute to emissions reductions, including measures to improve soil carbon and to enhance ‘blue carbon’ in coastal ecosystems. The National Soil Strategy assists to protect Australia’s ancient soils from the impacts of climate change.⁵⁰ The National Soil Strategy also assists communities that rely on Australia’s soil for their livelihoods to adapt to a changing climate through careful soil management.

Coastal ‘blue carbon’ ecosystems are environments that support mangroves, tidal marshes and seagrasses and are vital due to their ability to store large quantities of carbon. The Government is taking a leadership role through the Blue Carbon Accelerator Fund, which supports readiness and implementation activities for blue carbon restoration and conservation projects in countries outside Australia.⁵¹

Australia is taking practical action to ensure climate change adaptation occurs in a fair and equitable way, to protect all individuals, communities, organisations and natural systems. The Net Zero Authority will ensure the workers, industry and communities that power Australia can make the most of the opportunities of Australia’s net zero transformation.⁵² The Authority will coordinate programs and policies across government to support regional communities to attract and take advantage of new clean energy industries while supporting workers in existing and new industries, supporting a just transition.

International leadership

The Australian Government is committed to driving climate action, science and innovation.

Australia is furthering its leadership by delivering capacity building programs to enhance developing countries' contribution to global climate action. This includes:

- Assisting developing countries in the Asia-Pacific region to enhance their measurement, reporting and verification of greenhouse gas emissions, as parties to the UNFCCC.⁵³
- Supporting partner countries in the Indo-Pacific region to create and trade credible and robust carbon offsets, invest in clean energy generation and support the development of innovative clean technologies and nature-based solutions.⁵⁴



▲ Hornsdale Power Reserve and Hornsdale Wind Farm, SA. Courtesy of Neoen

Box 2.3 Impacts of the net zero transition

Climate change and global climate action are having profound impacts on Australia's economy, reshaping Australia's industry mix and requiring effective mitigation and adaptation to manage the impacts of higher temperatures.⁵⁵

Heat stress from rising temperatures will reduce labour productivity and output. Australia's industries will experience different labour productivity impacts due to rising temperatures, reflecting their reliance on labour for production and occupations that are physically intense and undertaken outdoors, or both. Certain sectors will require more investment in different forms of adaptation and resilience measures to support continued growth.⁵⁶ If global temperatures were to increase by up to 3°C or over 4°C, without changes to current ways of working, Australia's aggregate labour productivity levels could decrease by 0.2 to 0.8 per cent by 2063. This would reduce economic output over this period by between \$135 billion and \$423 billion in today's dollars.⁵⁷ If global action limits temperature increases to 2°C, Australia could benefit from up to an additional \$155 billion in GDP in today's dollars, relative to a 3°C scenario.⁵⁸

Other physical impacts such as expected rises in sea levels, biodiversity losses, changes in cropping capabilities and natural disasters will also influence adaptation and resilience measures required across the economy.

The expected increase in frequency and severity of natural disasters and growth in at-risk areas could see Australian Government spending on the Disaster Recovery Funding Arrangements more than triple over the next 40 years.⁵⁹

Australia is in a strong position to benefit from the global transition towards renewable energy. Renewable energy is already the cheapest form of new energy in Australia, with onshore wind and solar photovoltaic technologies having a lower cost of electricity, after accounting for integration costs, compared to gas, coal or nuclear electricity generation. With abundant wind, sun and open spaces, Australia can generate renewable energy more cheaply than many countries and on a greater scale. Sufficiently low energy costs can provide a foundation for developing other industries – old and new – particularly those where energy makes up a large proportion of input costs.⁶⁰

The net zero transition will impact global energy and resources markets as global demand for low-emission commodities increases. While the transition to renewables will boost demand for many of the minerals mined in Australia, global demand for fossil fuels is expected to decrease over time as nations act to reduce emissions.⁶¹

The International Energy Agency estimates that, for the world to reach net zero by 2050, global demand for critical minerals will need to increase by around 350 per cent between today and 2040.⁶² Australia is already the world's largest producer of lithium spodumene concentrate, supplying almost 50 per cent of global demand, and demand could more than quadruple over the next 40 years.⁶³

The Australian critical minerals industry has the potential to scale up and meet a significant share of this anticipated demand. Australia has the scale of resources, established industry, technical expertise and track record as a stable, reliable and responsible supplier to support the scale of investment required. These factors, in addition to the potential for abundant renewable energy, could also support downstream processing industries for critical minerals.⁶⁴

Box 2.4 Improved environmental outcomes

Key objectives

- Improve stewardship and sustainable management of Australia’s environment
- Protect 30 per cent of Australia’s land and 30 per cent of marine areas by 2030
- Zero Extinction Target
- Recover 3,200 GL of water across the Murray–Darling river system to secure the long-term health of the river system
- Reduce total waste generated by 10 per cent per person by 2030
- Recover 80 per cent of all waste by 2030
- Halve the amount of organic waste sent to landfill by 2030

Key policies

- Australia’s Strategy for Nature 2019–2030⁶⁵
- Threatened Species Action Plan 2022–2032⁶⁶
- Reef 2050 Long-Term Sustainability Plan⁶⁷
- Natural Heritage Trust⁶⁸
- Nature Positive Plan⁶⁹
- Environment Information Australia – improving environmental data and information⁷⁰
- Murray–Darling Basin Plan – restoring the Basin’s rivers and wetlands to health while supporting strong regional communities and sustainable food production⁷¹
- National Waste Action Plan⁷²

Enabling legislation

- *Environment Protection and Biodiversity Conservation Act 1999*
- *Natural Heritage Trust of Australia Act 1997*
- *Recycling and Waste Reduction Act 2020*
- *National Environment Protection Council Act 1994*
- *Water Act 2007*

2.3 Commitment to improved environmental outcomes

Protecting biodiversity and preserving Australia’s unique environment

Australia is one of the most biodiverse countries on earth, but since colonisation, 100 of Australia’s endemic species have become extinct.⁷³ Australia is committed to protecting and conserving its unique environment.

The Australian Government has adopted the targets set out under the Kunming–Montreal Global Biodiversity Framework under the Convention on Biological Diversity.⁷⁴ The Global Biodiversity Framework includes four goals and 23 targets and sets the global biodiversity agenda for the next decade. Australia’s federal and state environment ministers are working collectively to achieve a national target to protect and conserve 30 per cent of Australia’s land and 30 per cent of Australia’s marine areas by 2030.⁷⁵

Australia’s environmental legal framework, the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) will address current and emerging environmental challenges as detailed in the Government’s Nature Positive Plan.⁷⁶

‘Nature Positive’ refers to all actions where nature is being repaired and is regenerating rather than being in decline, so nature is left better off for future generations.⁷⁷ The Nature Positive Plan, released in 2022, outlines reforms to ensure faster, more efficient decision making under the EPBC Act, while ensuring better protection of Australia’s natural environment.⁷⁸ This process will benefit from a new National Environmental Standard for First Nations engagement in decision-making,⁷⁹ which is being co-designed with First Nations people to ensure their views and knowledge are incorporated into regulatory process.

The Australian Government’s independent Environment Protection Agency (EPA) will build public trust in national environmental laws by ensuring compliance with new National Environmental Standards.⁸⁰ The EPA will also undertake project assessments and decisions. The Australian Government is also establishing Environment Information Australia to oversee and coordinate improvements to Australia’s environmental data and information, and to improve transparency and decision-making.⁸¹

The Government developed the Threatened Species Action Plan 2022–2032, a pathway for threatened species conservation and recovery over the next 10 years.⁸² The plan prioritises 110 species and 20 places for conservation to ensure threatened species and ecosystems are protected for the future. It includes actions such as tackling the impacts of feral cats and foxes, and educating and empowering the community to participate in and lead recovery efforts.

The Natural Heritage Trust is delivering on-ground actions across Australia to protect and restore biodiversity and drive sustainable agriculture in partnership with farmers, First Nations people, communities, and natural resource management regional delivery partners.⁸³

The World Heritage-listed Great Barrier Reef is under pressure from the impacts of climate change, land-based run-off and coastal development. The Reef 2050 Long-Term Sustainability Plan is the overarching framework for protecting and managing the Great Barrier Reef to ensure it is sustained as a living natural and cultural wonder of the world.⁸⁴

The Murray–Darling is the largest and most complex river system in Australia. It covers one million km² of eastern Australia. Over the years, the combination of droughts and increasing human use of the waterways for agriculture, manufacturing and communities has led to a decline in the health of the Murray–Darling Basin. The Murray–Darling Basin Plan commits to return 3,200 GL of water across the Murray–Darling river system to secure the long-term health of the river system.⁸⁵

Circular economy

The IPCC estimates that almost half of global greenhouse emissions are related to industry and to agriculture, forestry and other land use.⁸⁶ A circular economy helps reduce these emissions by lifting material efficiency and keeping resources circulating for longer. The United Nations Environment Programme estimates that land use associated with extraction and processing of natural resources (including farming, forestry and mining) accounts for more than 90 per cent of global biodiversity loss and water stress.⁸⁷ A circular economy results in less non-renewable resource extraction and waste, leaving more room for nature to thrive.

To help achieve a circular economy, the Australian Government is developing a national circular economy framework that will set the direction for Australia's transition. A successful transition will depend on reducing materials use, reusing and recycling materials, designing and making products that are safer and more durable, creating sustainable buildings and infrastructure, and reducing environmental pollution.⁸⁸ The Australian Government's Recycling Modernisation Fund expands Australia's capacity to sort, process and remanufacture glass, plastic, tyres, paper and cardboard, allowing more products to be reused, recycled or remanufactured when they are no longer useful or required for their initial purpose.⁸⁹

Federal and state Australian environment ministers have agreed to work with the private sector to design out waste and pollution, keep materials in use, and foster markets to achieve a circular economy by 2030.⁹⁰ A circular economy is a way of delivering nature positive outcomes, lifting economic productivity and supporting Australia's net zero commitments, through sustainable consumption and production.

2.4 Provision of robust and transparent climate and environmental data

Australia has a comprehensive system in place for measuring and reporting climate and environmental data across government departments and agencies.

- All government departments are required to report annually on how their activities contribute to ecological sustainable development and the natural environment.⁹¹
- The Australian Government has publicly committed to improving the transparency of climate spending in the Budget, recognising the importance of identifying, disclosing, and tracking climate spending in improving Australia's response to climate change and aligning with international efforts.⁹²
- The annual Climate Change Statement to Parliament, informed by annual advice from the independent Climate Change Authority, reports on progress towards Australia's climate change targets, including the social, employment and rural and regional impacts of climate change policies.⁹³
- The 5-yearly State of the Environment report is a comprehensive assessment, written by independent experts, of the health of every aspect of the Australian environment, including air quality, biodiversity, climate, marine outcomes and the impact of extreme weather events.⁹⁴

To support standardisation and quality of emissions data, the National Greenhouse and Energy Reporting Scheme provides a single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production and energy consumption.⁹⁵

Environment Information Australia will oversee environmental reporting, deliver environmental economic accounts, provide access to high-quality environmental information, and provide assurance that national environmental laws are delivering outcomes.

2.5 Inclusive social outcomes for a just transition

The Australian Government is committed to an integrated policy process that ensures all commitments consider not just fiscal and economic impacts, but also broader environmental and social impacts.

The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) provides processes to:

- protect the environment and conserve biodiversity
- protect and manage important natural and cultural places
- assess the environmental impact of projects, and decide whether to approve them
- control how plants and animals, including specimens and products, move in and out of Australia
- promote ecologically sustainable development through careful use of natural resources.

The Nature Positive Plan, released in 2022, outlines reforms to ensure faster, more efficient decision making under the EPBC Act, while ensuring better protection of Australia's natural environment.⁹⁶

The Government's Measuring What Matters Statement outlines a framework of economic, social and environmental indicators to provide a deeper understanding of how Australians are faring, and to inform policy development across government.⁹⁷ This will track Australia's progress across five wellbeing themes that contribute towards a more healthy, secure, sustainable, cohesive and prosperous Australia. The five themes are supported by 12 dimensions that describe aspects of the wellbeing themes, as well as 50 key indicators to monitor and track progress over time.

Box 2.5 Supporting First Nations outcomes

For over 60,000 years, Australia's First Nations people have actively managed their lands and waters.

The EPBC Act appreciates the role of First Nations people in protecting and sustainably using the environment. The Act promotes using First Nations' knowledge with their permission and cooperation.

As part of reforms to the EPBC Act, a new National Environmental Standard for First Nations Engagement and Participation in Decision-Making, will enable First Nations' views and knowledge to be considered in all project approvals and planning decisions under national environmental law.⁹⁸

New standalone cultural heritage protection laws will strengthen First Nations cultural heritage protections nationally.⁹⁹

Indigenous ownership and interests in land have increased in recent decades. As at July 2022, First Nations people held rights and interest in around 16 per cent of Australia's lands under native title determinations or land grants under land rights regimes of the states and territories and the Commonwealth.¹⁰⁰

Australia has more than 80 Indigenous Protected Areas covering over 87 million hectares.¹⁰¹ These are areas of land and sea Country managed by First Nations groups in accordance with Traditional Owners' objectives and delivering biodiversity conservation outcomes for the benefit of all Australians.

Indigenous ranger projects support First Nations people to combine traditional knowledge with conservation training to protect and manage land, sea and culture. There are around 900 (full-time equivalent) government-funded Indigenous rangers and coordinators.

The National Agreement on Closing the Gap and relevant Priority Reforms and Outcomes help guide government decision making on environmental projects, including:

- Priority Reform 1 – Formal Partnerships and Shared Decision Making.¹⁰²
- Outcome 15 – Aboriginal and Torres Strait Islander people maintain a distinctive cultural, spiritual, physical and economic relationship with their land and waters.¹⁰³

2.6 Governance and accountability

Australia is a Designated Country under the Equator Principles.¹⁰⁴ The Equator Principles impose robust environmental and social governance, legislation systems and institutional capacity requirements to protect Australia's people and the natural environment.

There is a range of key processes that impose governance and accountability requirements on the development and implementation of government policies.

The *Cabinet Handbook*¹⁰⁵ and the *Australian Government Guide to Policy Impact Analysis*¹⁰⁶ require that new projects for government consideration take into account not only the financial impact of the project, but also regional, social and community impacts and any First Nations or gender impacts.

The *Budget Process Operational Rules*¹⁰⁷ help ensure budget expenditures constitute the most efficient, effective, economical and ethical way to achieve maximum economic benefit for Australians. This includes consideration of First Nation impacts, community wellbeing and gender equality.

The *Public Governance, Performance and Accountability Act 2013* establishes governance and accountability duties and obligations across Government entities relating to the use and management of public resources. The *Australian Government Performance Framework*¹⁰⁸ identifies entities' corporate planning and reporting requirements.

Government entitiesⁱ are required to abide by several frameworks relevant to expenditure of Australian Government monies, including the *Commonwealth Procurement Rules*,¹⁰⁹ the *Commonwealth Grants Rules and Guidelines*¹¹⁰ and the *Commonwealth Investment Framework*.¹¹¹

i These frameworks principally apply to non-corporate Commonwealth entities. Other entities such as corporate Commonwealth entities and Commonwealth companies may be subject to different governance frameworks.

2.7 Role of green funding and finance in Australia

Increasing environmental investment by engaging with the private sector

In December 2022, the Treasurer announced the Government would develop a coordinated and ambitious Sustainable Finance Strategy.¹¹²

The Government's Sustainable Finance Strategy consultation paper was released in November 2023.¹¹³ The Strategy incorporates the Government's corporate climate disclosure reforms and other initiatives to improve transparency and support sustainable finance. It includes three overarching objectives:

- Mobilising the private sector investment needed to support net zero, Australia becoming a renewable energy superpower and other sustainability goals.
- Ensuring Australian entities can access capital and pursue business opportunities that support the transition and are aligned with positive sustainability outcomes.
- Ensuring climate and sustainability-related opportunities and risks are well-understood and managed at the entity and systemic level.

The Strategy sets out key policy priorities across three pillars to deliver on these objectives:

- Improve transparency on climate and sustainability.
- Financial system capabilities.
- Australian Government leadership and engagement.

Australian Government green bonds

The Australian Government sovereign green bond program is a key priority of the Sustainable Finance Strategy. Green bonds will:

- attract dedicated funding for government expenditures that contribute to climate change mitigation, adaptation and environmental goals
- provide investors an opportunity to diversify their investment portfolios towards sustainable assets
- improve sustainability-related reporting by public sector entities
- catalyse growth in key sustainable finance products and markets.

The Australian Government has already committed to significant green expenditures through normal budget processes. At the same time, there continues to be strong demand from investors for green securities in primary and secondary markets. Green bonds address this demand by offering a low-risk green investment for domestic and international investors.

The green bond program reinforces and underpins Australia's environmental credentials. It will help increase private-sector participation and investment, which is essential to decarbonising the economy and supporting natural resource and biodiversity conservation.

Other green financing programs

Significant public and private sector investment is required to reverse Australia's environmental decline. The Australian Land Conservation Alliance estimates Australia needs to spend over \$AUD1 billion annually to restore nature and prevent further landscape degradation.¹¹⁴ The scale of the challenge means government investment alone is not sufficient; leveraging investment from the private sector is critical to restoring and protecting Australia's environment.

Government-funded investment vehicles, such as the CEFC and the National Reconstruction Fund, partner with the private sector to fund projects that support climate and environmental outcomes and provide a financial return to taxpayers.

Australia's sustainable investment market is growing. Private companies and philanthropic organisations increasingly want to invest in nature as they place greater emphasis on ESG goals. The Responsible Investment Benchmark Report Australia 2022 shows the number of Australian assets managed using a rigorous, leading approach to responsible investment has hit a record value of \$1.54 trillion, now accounting for 43 per cent of the total market.¹¹⁵

Nature Repair Market legislation will establish a transparent framework to issue Australian landholders with tradeable biodiversity certificates for projects that protect, manage and restore nature.¹¹⁶ These certificates will be tracked through a public register and contain standardised information so investors can compare and value projects. This will make it easier for businesses and philanthropic organisations to invest in nature repair and create opportunities for landholders to better protect and manage their land.

Box 2.6 Australian Government green bonds

Green bonds are no different from non-labelled bonds in terms of their structure and payments. Coupon interest payments will be made every six months, with the face value and final interest payment on the maturity date.

The AOFM will be responsible for the issuance of Australian Government green bonds.

An amount equal to the proceeds raised from green bonds will be earmarked for and allocated to Eligible Green Expenditures. Annual allocation and impact reports will be provided on projects funded.

- The issuance profile and tenor of green bonds may not match the expenditure profile of Eligible Green Expenditures funded.
- To ensure that an amount equal to the entire proceeds from green bonds is allocated to Eligible Green Expenditures, green bonds will not be issued for the full amount of identified Eligible Green Expenditures. This addresses the risk monies will not be expended as expected.



▼ Nyngan Solar Plant, Nyngan, NSW

3

Chapter 3: Use of proceeds

The Australian Government will allocate an amount equal to the total net proceeds of any green bonds issued to finance and/or refinance, in whole or in part, Eligible Green Expenditures that meet the Green Bond Criteria set out in Section 3.2 of this Framework.



▲ Remote electric vehicle charging station, VIC

▼ Electric vehicle charging

3.1 Eligible Green Expenditures

All Eligible Green Expenditures must align strongly with one or more of the Australian Government's three key Green Goals:

- Climate change mitigation
- Climate change adaptation
- Improved environmental outcomes.

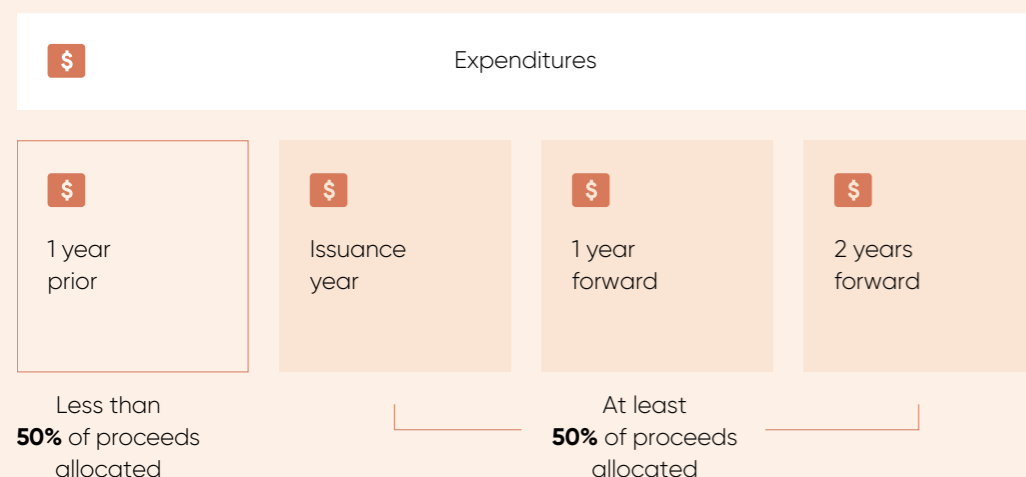
Eligible Green Expenditures must have one or more of the Green Goals as a primary objective.

These Green Goals align with the ICMA Green Bond Categories (Table 3.1) and have a role to play in Australia's contribution to meeting the UN Sustainable Development Goals. The green bond program provides a mechanism and framework for investors to contribute capital towards meeting these Green Goals.

Eligible Green Expenditures must occur no earlier than the financial year prior to issuance; during the current financial year; or during two financial years following issuance (the 'Eligibility Window').

At least 50 per cent of total proceeds from green bonds will be allocated to current and future financial year expenditures. This provides a balance between ensuring there is sufficient known eligible expenditure to sustain the green bond program, and including forward looking expenditures, which support new initiatives.

Figure 3.1 Eligibility window



*years relate to fiscal years.

Eligible Green Expenditures can include, operating, capital and balance sheet expenditures. They include, but are not limited to:

- direct or indirect investment expenditures (including in physical assets and/or intangible assets, such as research and development)
- transfers to public or private entities (grants, loans, subsidies, and contributions), including international transfers such as overseas development aid for climate change or environmental purposes
- tax expenditures that meet the Green Bond Criteria (for example, concessional rates that reduce the rate of tax that applies to certain groups or types of incomes; exemptions that exclude certain groups from paying tax on income they receive; allowances, credits or rebates that either deduct amounts of income from the tax base or refund a portion of taxes already paid).

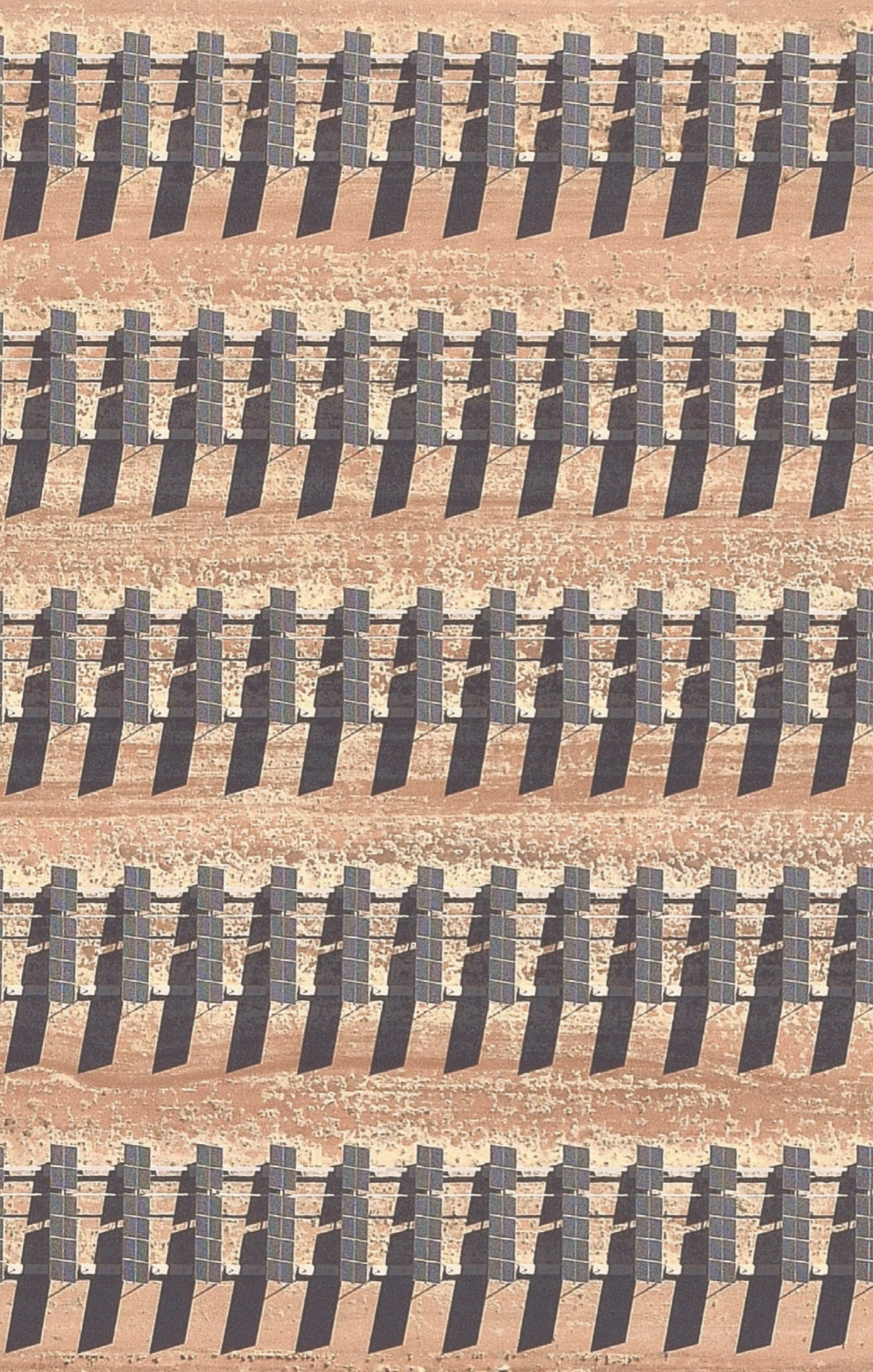
To avoid double counting, any expenditures wholly financed by green instruments issued by Government companies or entities are excluded.

Where Eligible Green Expenditures are co-financed – either with the private sector or an Australian State or Territory– only the Australian Government's portion of the expenditures will be included as an Eligible Green Expenditure. Impact reporting against such co-financed projects will identify the proportion of funding contributed by the Australian Government

Table 3.1 identifies the categories of Eligible Green Expenditures relating to Australian Government Green Goals and objectives. It maps Eligible Green Expenditures to the relevant ICMA Green Bond Principle project categories and the UN Sustainable Development Goals.

The Climate Bonds Taxonomy, and where feasible the relevant Climate Bonds Standard sector criteria (that is, when available for the proposed eligible expenditures), will be used to inform screening of Eligible Green Expenditures.

Should the Australian Government seek Climate Bonds certification for future green bonds, an amount equivalent to the proceeds for each Climate Bond-certified green bond will be allocated to Eligible Green Expenditures that meet the eligibility requirements of the relevant Climate Bonds Standard sector criteria.



▲ Aerial view of solar farm, Alice Springs, NT

3.2 Green Bond criteria

In assessing potential Eligible Green Expenditures, the Green Bond Committee (Section 4.1) will consider the following criteria:

- alignment with one or more Green Goals
- low risk that the project will not proceed as expected (having consideration to political, legal, climate, environmental, social risks)
- clear, measurable performance indicators
- government commitment to significant funding.

Table 3.1 contains a list of potential (indicative) Eligible Green Expenditures. The list is not exhaustive, and additional government-funded programs and initiatives will be considered, subject to meeting screening and eligibility criteria under the Framework. Not all indicative Eligible Green Expenditures will be financed through any given green bond issuance.







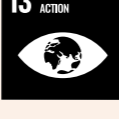
Excluded projects








In recognition of the Government's priorities, established ESG investment practices and market expectations, projects in the following sectors are excluded from consideration as Eligible Green Expenditures:

- nuclear energy
- arms and ammunition manufacturing and chemical weapons
- manufacture, production or sale of alcohol, tobacco, and other recreational drugs
- manufacture or retail sale and distribution of any products and services that are prohibited by any commitments under an international convention or treaty instrument to which Australia is a signatory
- gambling
- development, refining and transportation of fossil fuels, as well as programs that predominately assist Australia's highest greenhouse gas emitting facilities.

The Green Bond Committee will regularly review whether additional sectors should be excluded.





Table 3.1 Australian Government Green Goals and ICMA Green Categories

ICMA Green Categories (CBI Sector Criteria)	Key Australian Government objectives	Indicative Eligible Green Expenditures*	UN Sustainable Development Goals
Climate change mitigation Net zero by 2050 / Reduce emissions by 43% by 2030 / 82% renewable electricity by 2030			
Renewable energy (solar energy, wind energy, marine renewable energy, geothermal energy, bioenergy, hydropower, hydrogen production, electrical grids and storage)	Support the net zero transition, by reducing emissions and catalysing investment in the opportunities presented by a low-carbon economy Scale up the development of Australia's green hydrogen industry	Low-cost financing to upgrade Australia's electricity grid to integrate increasing renewable energy generation (Rewiring the Nation) Finance to drive investments that add value and develop capability in renewables and low-emission technologies (Clean Energy Finance Corporation) Support green hydrogen industrial hubs (Regional hydrogen hubs) Deploy community batteries across Australia (Community batteries)	  
Energy efficiency	Make energy efficiency upgrades more accessible to home-owners and tenants	Low-interest loans for energy-saving home upgrades (Household Energy Upgrades Fund)	   

ICMA Green Categories (CBI Sector Criteria)	Key Australian Government objectives	Indicative Eligible Green Expenditures*	UN Sustainable Development Goals
Clean transportation (low-carbon transport)	Support the net zero transition, by reducing emissions and investing in the opportunities presented by a low-carbon economy	Construction of core electric transport infrastructure (Lower Emission Transport Projects) Electric vehicle charging infrastructure (Driving the Nation)	 
Green buildings (green buildings)	Manage the physical impacts of climate change Adapt to climate impacts and build climate resilience	Support the construction of low-carbon buildings (CEFC – green buildings)	 
Climate change adaptation Provide an orderly and positive economic transformation associated with decarbonisation and energy system change			
Climate change adaptation	Manage the physical impacts of climate change Adapt to climate impacts and build climate resilience Increase the resilience, adaptive capacity and/or preparedness to minimise the potential impact of natural hazards created or exacerbated by climate change	Support developing countries' mitigation and adaptation plans (Supporting the Indo-Pacific to tackle climate change) Invest in rural water use, management and efficiency (Sustainable Rural Water Use and Infrastructure Program) Support carbon sequestration on agricultural land	  

* Not all indicative Eligible Green Expenditures will necessarily be financed through any given green bond issuance.

ICMA Green Categories (CBI Sector Criteria)	Key Australian Government objectives	Indicative Eligible Green Expenditures*	UN Sustainable Development Goals
Improved environmental outcomes Improve stewardship and sustainable management of Australia's environment			
Environmentally sustainable management of living natural resources and land use (agriculture; forestry, land conservation and restoration)	Protect 30 per cent of Australia's land and marine areas by 2030	Address natural resource management problems such as vegetation loss, soil degradation, introduced pest weeds and animals, water quality changes and flows and fire regime changes (Urban Rivers and Catchment Program)	
Biodiversity conservation (terrestrial and aquatic)	Zero extinctions target Protect 30 per cent of Australia's land and marine areas by 2030	Support the recovery of Australia's unique plants, animals and ecological communities (Saving Koalas Fund) Invest to protect the health and resilience of the Great Barrier Reef (Reef 2050) Support the protection and conservation of areas important for biodiversity	 
Sustainable water and wastewater management (water infrastructure)	Recover 3,200 GL of water across the Murray-Darling river system to secure the long-term health of the river system	Recover environmental water for the Murray-Darling Basin (Murray-Darling Basin Plan)	

ICMA Green Categories (CBI Sector Criteria)	Key Australian Government objectives	Indicative Eligible Green Expenditures*	UN Sustainable Development Goals
Circular economy (waste management)	Phase out problematic and unnecessary plastics by 2025 Reduce total waste generated by 10% per person by 2030 Recover 80% of all waste by 2030 Halve the amount of organic waste sent to landfill by 2030	Support high quality collection and sorting, recycling and markets for recycled materials Improve design, repair, re-use, substitution and refurbishment	
Pollution prevention and control (waste management)	People enjoy the benefit of protection from air, water or soil pollution wherever they live in Australia	Infrastructure upgrades to minimise light and noise pollution	  

* Not all indicative Eligible Green Expenditures will necessarily be financed through any given green bond issuance.

4

Project evaluation and selection

Robust project evaluation and selection is a core component of the Framework to ensure Australian green bonds only finance major, high-quality initiatives that support the Government's climate and environmental priorities.

Treasury, informed by a Green Bond Committee, will be responsible for annually updating the list of Eligible Green Expenditures, and reviewing existing Eligible Green Expenditures.



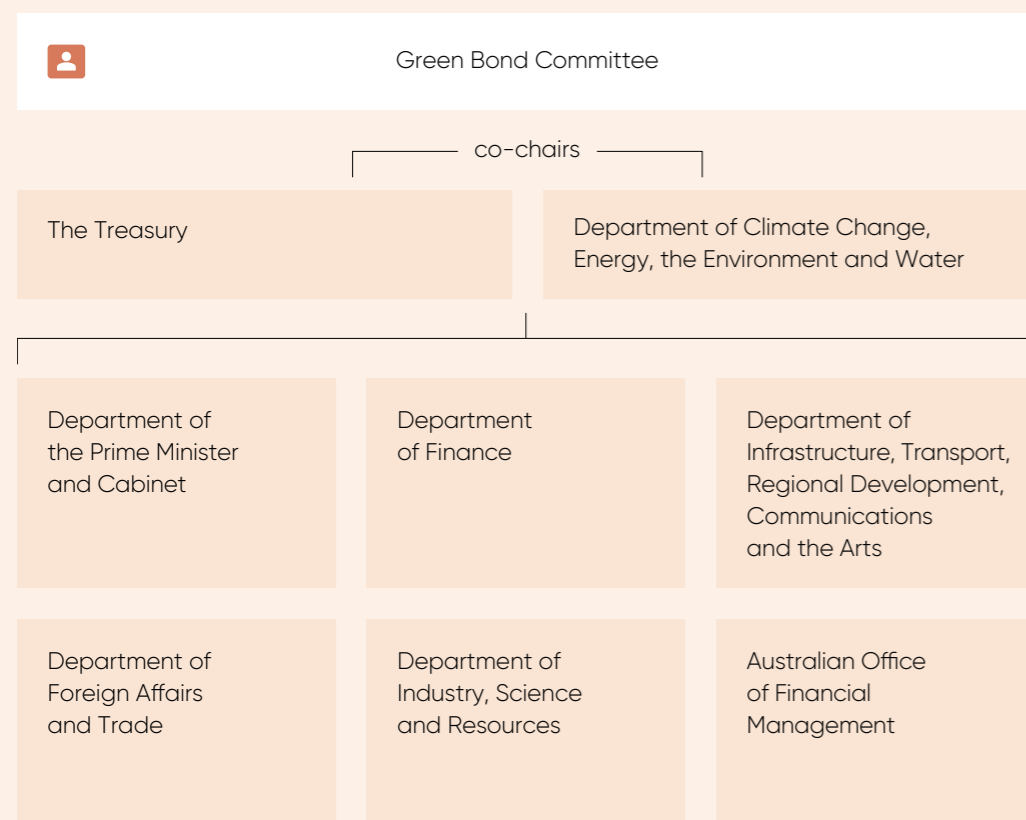
▲ Murray River, Waikerie, SA

▼ Koala

4.1 Green Bond Committee

The Green Bond Committee (the Committee) has been established as an interdepartmental committee to support a robust governance process for project evaluation and selection. Membership of the Committee will include the relevant Departments responsible for Eligible Green Expenditures financed through the green bond program. Membership will be reviewed on a periodic basis.

Figure 4.1 Green Bond Committee



The Committee's role includes:

- Oversight of the Framework, and endorsement of any amendments
- Endorsement of Eligible Green Expenditures against the Green Bond Criteria at Section 3.2
- Oversight of allocation and impact reporting, and risk management

The Committee will meet at least twice yearly, once following the annual budget to assess new Eligible Green Expenditures and once following the Final Budget Outcome to oversee annual reporting.

4.2 Process for project evaluation and selection

Figure 4.2 Project evaluation and selection

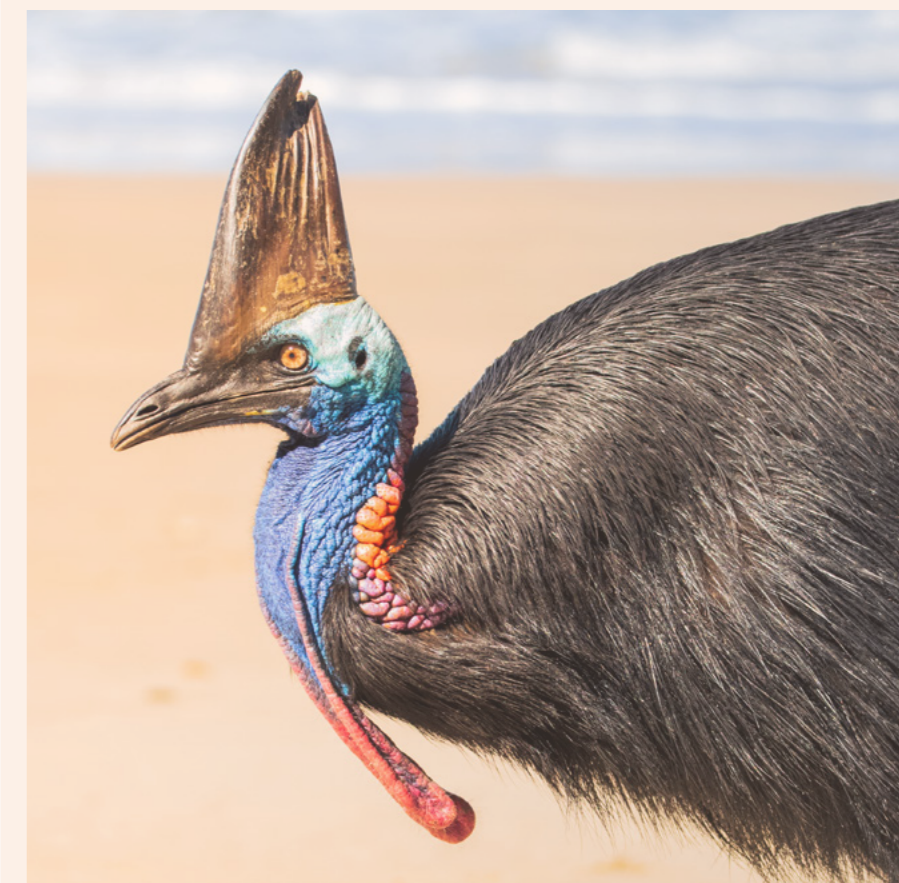


The Green Bond Committee will periodically review the Framework, including its ongoing alignment to market practice, evolving investor preferences and any other changes Treasury considers relevant. A range of government agencies manage and deliver Eligible Green Expenditures. Agencies are responsible for monitoring their expenditures, including identifying, managing and reporting any political, legal, climate, environmental or social risks relating to their expenditures.

5

Chapter 5: Management of proceeds

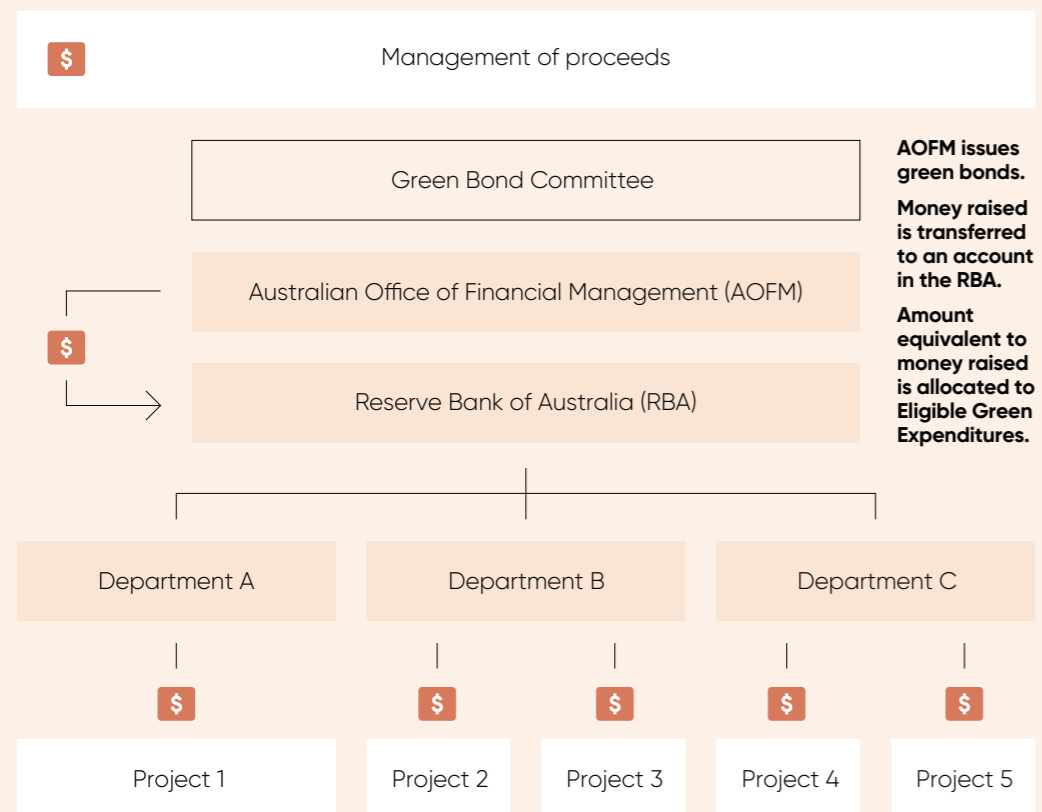
Green bond proceeds will flow into an account with the Reserve Bank of Australia. The amount of money raised will be tracked and monitored by Treasury to ensure the same amount is being earmarked for and allocated to Eligible Green Expenditures. A dedicated review process will ensure Eligible Green Expenditures meet the Green Bond Criteria and inform the AOFM's operations of the green bond program.



▲ Cape Tribulation, QLD

▼ Cassowary

Figure 5.1 Management of proceeds



Pending the full allocation of the green bond proceeds to Eligible Green Expenditures, the AOFM will manage the unallocated proceeds in line with the AOFM's liquidity management practices. Unallocated proceeds will not be invested in excluded projects (Section 3.2).

It is intended that proceeds of green bonds be fully allocated within two financial years following the financial year of issuance.

The Green Bond Committee will periodically review and adjust the balance of total green bond proceeds allocated to Green Expenditures within the Eligibility Window. The Green Bond Committee will remove allocated proceeds from an Eligible Green Expenditure if the Committee deems the project to be no longer eligible or the associated Expenditure has moved outside of the Eligibility Window. The Green Bond Committee will then reallocate proceeds to other Eligible Green Expenditures.

The allocation of funds will be detailed in annual, externally verified, allocation reports. Details are provided in Section 6.1 of this Framework.



▼ Rooftop solar panels, Sydney, NSW

6

Chapter 6: Reporting

For all green bonds issued under this Framework, the Australian Government is committed to providing investors with regular and transparent reporting on the allocation of proceeds towards Eligible Green Expenditures (Allocation Reporting), as well as to report on the positive environmental impact of those expenditures (Impact Reporting). Allocation and impact reports for green bonds will be published on the AOFM website.¹⁷⁷



▲ Electric train, Perth, WA. Courtesy of METRONET

▼ Electric train, Sydney, NSW. Courtesy of Sydney Metro

Ongoing annual allocation and impact reporting will commence no more than 18 months after the first green bond issuance.

Reporting will be undertaken on an aggregate portfolio basis, rather than against each individual green bond line.

A range of government entities will manage and deliver Eligible Green Expenditures. The government agency responsible for delivering each Eligible Green Expenditure will be responsible for monitoring their expenditures and their project impacts. This includes identifying, managing and reporting any political, legal, climate, environmental or social risks relating to their expenditures.

Agencies will provide financial and non-financial information to Treasury for inclusion in annual reporting. Financial information will be signed off by the relevant Chief Financial Officer.

6.1 Allocation reporting

The annual Allocation Report will include:

- Proceeds from green bond issuance to date, including the balance of unallocated proceeds
- Allocation of green bond proceeds to each ICMA Green Bond category, Australian Government Green Goal, and UN SDG category
- Allocation of green bond proceeds to each Eligible Green Expenditure
- The value of green expenditure by each Eligible Green Expenditure, to date, and the value of proceeds yet to be expended
- Share of allocation of proceeds to refinancing existing Eligible Green Expenditures versus financing for new and future Eligible Green Expenditures (see Figure 3.1)
- Extent of co-financing per Eligible Green Expenditure
- Any material risks (for example, political, legal, climate, environmental, social) related to each Eligible Green Expenditure and actions taken in response.

6.2 Impact reporting

The Impact Report may detail impacts of expenditures, subject to available information (noting that some environmental impact indicators are not published on an annual basis). The approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.

The Impact Report may include:

- environmental impact indicators relating to each Eligible Green Expenditure
- where appropriate, list of commitments made to date under each Eligible Green Expenditure, with resources associated with each commitment
- where possible, outcomes will be aggregated for each Green Goal.

Consistent with commitments to a just transition, the Impact Report will also identify social co-benefits from Eligible Green Expenditures, where available (for example, number of households benefited, remote communities assisted, First Nations benefits).

Table 6.1 identifies indicative impact indicators by ICMA Green Category. In the annual Impact Report, each Eligible Green Expenditure will have its own impact indicator(s) depending on the particular circumstances of each project. Methodology for impact indicators will be made available in the Impact Report, wherever possible. Where possible, and subject to the availability of information, impact indicators will be aligned with ICMA's Handbook, *Harmonised Framework for Impact Reporting*.¹¹⁸

Table 6.1 Indicative Impact Indicators by ICMA Green Category

ICMA Green Categories	Indicative Eligible Green Expenditures	Indicative Impact Indicators
Climate change mitigation		
Renewable energy	<ul style="list-style-type: none"> Low-cost financing to upgrade Australia's electricity grid to integrate increasing renewable energy generation Finance to drive investments that add value and develop capability in renewables and low-emission technologies Support clean hydrogen industrial hubs Deploy community batteries across Australia 	<p>Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</p> <p>Annual GHG emissions reduced/avoided in tonnes of CO₂e</p> <p>Number of communities with access to battery storage</p>
Energy efficiency	<ul style="list-style-type: none"> Low-interest loans for energy-saving home upgrades 	Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)
Clean transportation	<ul style="list-style-type: none"> Construction of core electric transport infrastructure Electric vehicle charging infrastructure 	Passengers or passenger-kilometres of rail line for electric transport
Green buildings	<ul style="list-style-type: none"> Support the construction of low-carbon buildings 	Number of new buildings that comply with green building standards
Climate change adaptation		
Climate change adaptation	<ul style="list-style-type: none"> Support developing countries' mitigation and adaptation plans Investing in rural water use, management and efficiency Support carbon sequestration on agricultural land 	Number of bilateral development projects financed for environmental protection, biodiversity conservation and climate protection

ICMA Green Categories	Indicative Eligible Green Expenditures	Indicative Impact Indicators
Environmental benefits		
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Addressing natural resource management problems such as vegetation loss, soil degradation, introduced pests, weeds and animals, water quality changes and flows, fire regime changes 	Area of land under regenerative land processes (ha)
Biodiversity conservation (terrestrial and aquatic)	<ul style="list-style-type: none"> Supporting the recovery of Australia's unique plants, animals and ecological communities Investing to protect the health and resilience of the Great Barrier Reef Supporting the protection and conservation of areas important for biodiversity 	<p>Area of coral reef maintained (ha)</p> <p>Area of land protected or conserved (ha)</p>
Sustainable water and wastewater management	<ul style="list-style-type: none"> Recovering environmental water for the Murray-Darling Basin 	Environmental water returned to Murray-Darling river system (GL)
Circular economy	<ul style="list-style-type: none"> Support high-quality collection and sorting, recycling and markets for recycled materials Improve design, repair, reuse, substitution and refurbishment 	<p>Level of waste generated per person (% change)</p> <p>Proportion of waste recovered</p>
Pollution prevention and control	<ul style="list-style-type: none"> Infrastructure upgrades to minimise light and noise pollution 	



▲ Nyngan Solar Plant, Nyngan, NSW

7

Chapter 7: External review

7.1 Second Party Opinion

Treasury engaged Sustainalytics to provide a Second Party Opinion (SPO) on the Framework prior to the first issuance of Australian sovereign green bonds.

The SPO is available on the [AOFM website](#).

The SPO confirms the alignment of this Framework with the ICMA Green Bond Principles and provides investors with an independent assessment of the expected environmental benefits of the kinds of Eligible Green Expenditures to be funded under this Framework.

7.2 Verification

Annual allocation and impact reports will be subject to external verification by an authorised independent entity. Reports will be published on the [AOFM website](#).



▲ Kings Canyon, NT

▼ Numbat

8

Chapter 8: Amendments to the Framework

The Green Bond Committee will periodically review the Framework, including its ongoing alignment to current market practice, evolving investor preferences and any other changes Treasury considers relevant. As the Australian Sustainable Finance Taxonomy develops, the Government will consider opportunities to align elements of the Green Bond Framework with relevant taxonomy screening criteria. Significant amendments will be subject to the review of an SPO. Updates to this Framework will be published on the AOFM's website.



9

Chapter 9: Disclaimer

Legal considerations

This Framework has been prepared by Treasury on behalf of the Australian Government and is for information purposes only. It is not suitable for financial, environmental and social due diligence and the obligation to conduct any due diligence.



▲ Bold Hills Wind Farm, South Gippsland, VIC. Courtesy of the Foresight managed Australian Renewables Income Fund

▼ Rooftop solar panels, Brisbane, QLD

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This Framework does not form part of the contractual terms of any green bonds.

If:

- Treasury fails to allocate the proceeds of green bonds in the manner described in the Framework or fails to comply with the Framework or related matters
- any green bonds cease to satisfy the ICMA Green Bond Principles
- the Government undertakes non-eligible projects outside of this Framework
- Treasury fails to notify investors that any green bonds have ceased to be labelled as 'green' as described
- Eligible Green Expenditures do not have the desired impact, or
- any Second Party Opinion is withdrawn

then no event of default or any other breach will occur in relation to the green bonds and investors do not have any right for the green bonds to be repaid early, for the funding under any bond financing any project to be withdrawn, or for any other amendments to be made to the terms and conditions of the green bonds in connection with any such event.

This means there is no legal obligation to allocate the proceeds of green bonds in the manner described in this Framework or to comply with this Framework or the ICMA Green Bond Principles on an ongoing basis. Bonds may cease to be labelled as green, in which case investors may consider that the bonds or loans no longer align with their intentions or requirements and may (as applicable) have increased difficulty finding interested buyers or obtaining an acceptable price. If the green bonds cease to be labelled as 'green', Treasury intends to notify investors by publication on the AOFM's website and via an Australian Securities Exchange notice system. Any failure to give any such notice will not constitute an event of default or any other breach under the terms of any relevant green bonds.

No representation or warranty is given, and Treasury and the Australian Government do not provide any guarantee or assurance as to the actual impact on climate change mitigation, climate change adaptation, improved environmental outcomes, or otherwise, of any green bonds issued in the manner described in this Framework or the proceeds invested in Eligible Green Expenditures.

Neither the information contained in this Framework nor any other information supplied in connection with any green bonds should be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by Treasury or the Australian Government that any recipient of this Framework or any other information supplied in connection with any green bonds should acquire, subscribe for, purchase or otherwise deal in any green bonds described in the Framework. Each investor contemplating acquiring, subscribing for, purchasing or otherwise dealing in any such green bonds should rely upon their own independent investigation of the Australian Government and an investment in green bonds (including any associated risks) and must base their investment decision solely upon their independent assessment and such investigations as they consider necessary.

The distribution and use of this Framework, any supplement or other related material, and the offer or sale of green bonds may be restricted by law or directive in certain jurisdictions and intending purchasers and other investors should inform themselves about them and observe any such restrictions. A person may not (directly or indirectly) offer for subscription or purchase or issue an invitation to subscribe for or buy green bonds, nor distribute or publish this Framework or any other offering material or advertisement relating to any green bonds except if the offer or invitation, or distribution or publication, complies with all applicable laws and directives.



▼ Albany Wind Farm, Albany, WA

Endnotes

- 1 Department of Climate Change, Energy, the Environment and Water (DCCEEW), 'Australia State of the Environment 2021', *State of the Environment* (19 July 2022), <https://soe.dcceew.gov.au/overview/environment/biodiversity>, accessed 7 Aug. 2023.
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- 5 Climate Bonds Initiative (CBI), 'Climate Bonds Taxonomy', *CBI* (Sep. 2021), https://www.climatebonds.net/files/files/Taxonomy/CBI_Taxonomy_Tables-08A%20%281%29.pdf, accessed 9 Aug. 2023.
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