



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta  
National Treasury Management Agency

## Ireland

# Irish Sovereign Green Bond Framework

## 1. Introduction

Ireland is committed to the transition to a low carbon, climate resilient and environmentally sustainable economy. Ireland believes green finance, including Irish Sovereign Green Bonds (“ISGBs”), will contribute and play a key role in financing this transition. By issuing ISGBs, Ireland also proposes to have a leading role in the development of this important market.

Ireland has decided that it will open a sovereign Green Bond market segment which will be underpinned by this Irish Sovereign Green Bond Framework (this “**Framework**”). ISGBs will enable Ireland to fund Eligible Green Projects upon which it is engaged and planning for the coming years.

An ISGB is designed to provide investors with the financial features of a standard Irish Government Bond combined with sovereign Green Bond market practices. The initial size and liquidity of ISGBs are expected to be equivalent to issues of standard Irish Government Bonds. ISGBs are designed to be aligned to the Green Bond Principles, 2018 version<sup>1</sup> (“**GBP**”) published by the International Capital Market Association (“**ICMA**”). Investors in ISGBs will not bear any project related risks in respect of Eligible Green Projects. ISGBs will rank *pari passu* with each other and with other Irish Government Bonds.

This Framework has been approved by the Government of Ireland pursuant to a Cabinet Decision of the 19th July 2018 (S180/20/10/2330).

This Framework represents Irish Government policy, is subject to change and is not intended nor can be relied on, to create legal relations, rights or obligations.

This Framework may be updated and amended from time to time in the manner described in Section 5 (*Amendments to this Framework*) below. Any such updated and amended Framework will be published on the National Treasury Management Agency’s website<sup>2</sup> and will replace this Framework. Accordingly, any ISGBs then outstanding will be subject to any such updated and amended Framework as may be published from time to time.

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<sup>1</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> [www.NTMA.ie](http://www.NTMA.ie)

A Second Party Opinion will be obtained in relation to this Framework and published on the National Treasury Management Agency's website in the manner described in Section 4.1 (*Second Party Opinion*) below.

Ireland will provide annual allocation reports to investors in ISGBs on the National Treasury Management Agency's website outlining the allocation of amounts applied by Ireland to fund Eligible Green Projects until the full allocation of an amount equal to the net proceeds of the relevant ISGB. Ireland will also provide a separate report on the environmental impact of Eligible Green Projects on at least a biennial basis, subject to the availability of the relevant data. These reports are described in Section 3.4 (*Reporting to Investors*) below.

Your attention is drawn to the contents of the rest of this Framework, including under the heading *Disclaimer*.

## **2. Background on Irish commitments and environmental policies**

### **2.1 National Mitigation Plan**

The [National Mitigation Plan \("NMP"\)](#)<sup>3</sup>, published in July 2017 under the [Climate Action and Low Carbon Development Act, 2015](#) ("**2015 Act**")<sup>4</sup>, lays the foundations for transitioning Ireland to a low carbon, climate resilient and environmentally sustainable country by 2050. It is a whole-of-government plan, reflecting in particular the central roles of the key Ministers responsible for the sectors covered by it – Electricity Generation, the Built Environment, Transport and Agriculture, as well as drawing on the perspectives and responsibilities of a range of other Government Departments.

The NMP is also underpinned by environmental analysis undertaken through the Strategic Environmental Assessment ("**SEA**") and Appropriate Assessment processes. The SEA Environmental Report and Environmental Statement, and the Natura Impact Statement, which were published with the NMP, are key components of the analytical basis for the NMP. Annex 2 of the NMP sets out the mitigating measures presented in the SEA Environmental Report and Natura Impact Statement and the sectoral responses to these measures.

To ensure that progress in implementing the NMP is robust and transparent, a progress report will be published each year under the 2015 Act. Official data on Ireland's greenhouse gas emissions for each year, to be included in the Annual Transition Statement, will continue to be provided by the Environmental Protection Agency ("**EPA**"), which will also continue to prepare annually updated projections of greenhouse gas emissions.

The NMP also includes over 100 individual actions for various Ministers and public bodies to progress. Importantly, Ireland recognises that this first NMP does not provide a complete roadmap to achieve the 2050 objective, but begins the process of development of medium

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<sup>3</sup> <https://www.dccae.gov.ie/en-ie/climate-action/publications/Documents/7/National%20Mitigation%20Plan%202017.pdf>

<sup>4</sup> <http://www.irishstatutebook.ie/eli/2015/act/46/enacted/en/html>

to long term mitigation choices for the next and future decades. This will be an ongoing process, including the preparation of successive National Mitigation Plans at least every five years as provided for in the 2015 Act.

To support the inclusive nature of this work, the Government has also established a [National Dialogue on Climate Action](#)<sup>5</sup> (“**National Dialogue**”). The National Dialogue will provide an opportunity to create awareness, engagement and motivation to act (locally, regionally and nationally) in relation to the challenges presented by climate change, and will create structures and information flows to facilitate people gathering to discuss, deliberate and achieve consensus on appropriate responses to these challenges as well as enable and empower appropriate action.

The 2015 Act established Ireland’s Climate Change Advisory Council<sup>6</sup>, an independent advisory body tasked with assessing and advising on how Ireland can achieve the transition to a low carbon, climate resilient and environmentally sustainable economy. This transition is essential for Ireland’s future and for the future for our planet.

## **2.2 National Development Plan**

In February 2018 Ireland published the National Development Plan 2018–2027<sup>7</sup> (“**NDP**”). The NDP will drive Ireland’s long term economic, environmental and social progress across all parts of the country over the next decade. The NDP is fully integrated with the new approach to spatial planning in Ireland in the National Planning Framework (“**NPF**”). Transitioning to a low-carbon and climate-resilient society and achieving sustainable mobility are vital strategic outcomes identified in the NPF.

Achieving the 2050 objectives set out above will require the allocation of both financial and non-financial resources. While Ireland clearly faces a very significant task in reducing its greenhouse gas emissions, the current profile of which reflects the particular structure of our economy, action can be taken now to position Ireland to harness significant benefits from realising a low-carbon economy. These include, for example, the creation of sustainable green jobs, sustainable food production, deepening our energy security, and making the environment healthier. It is with this clear rationale in mind that climate action, sustainable mobility and sustainable management of water and other environmental resources have been identified as Strategic Investment Priorities in the NDP. The NDP commits €39 billion (financed from both Exchequer and non-Exchequer sources) to these items over the period 2018-2027.

The pathway for low carbon transition to 2050 requires a roadmap for achievement of 80% to 95% reduction in carbon dioxide emissions by 2050. The NDP notes that the delivery of its investment priorities, which build on the approach set out in the NMP, would represent a step-change in Ireland’s performance in relation to climate-action objectives. They would comprise a decisive shift in the direction of the achievement of a decarbonised society.

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<sup>5</sup> <https://www.dccae.gov.ie/en-ie/climate-action/topics/climate-action-at-a-national-level/national-dialogue-on-climate-action/Pages/default.aspx>

<sup>6</sup> <http://www.climatecouncil.ie/>

<sup>7</sup> <http://www.gov.ie/en/project-ireland-2040/>

Currently, Ireland relies on imported fossil fuels to meet over 88% of Ireland's energy needs.<sup>8</sup> Ireland has taken a number of policy initiatives to reduce this reliance including the implementation of a carbon tax in 2009, incentivisation of retrofitting of existing buildings to make them more energy efficient, investment in infrastructure for renewable energy, investment in research into green initiatives such as energy storage, and the development of transition plans to low-carbon technology for large-scale fossil fuel plants.

## 2.3 International Commitments

Ireland will contribute to the global climate accord decided at the 2015 Paris Climate Conference (“**COP21**”) through the Nationally Determined Contribution (“**NDC**”) adopted at European Union (“**EU**”) level in March 2015, whereby Ireland has committed to contributing to a 40% reduction in EU-wide emissions by 2030 compared to 1990. The target will be delivered collectively by the EU with reductions in the Emissions Trading System (ETS), covering the power, aviation and certain industrial sectors, and non-ETS sectors, amounting to 43% and 30% by 2030 compared to 2005, respectively.<sup>9</sup>

To meet its commitments under the EU’s NDC, Ireland has proposed reducing emissions in non-ETS sectors by 20% by 2020 and 30% by 2030, each as compared to 2005. In addition, under the 2009 EU Renewable Energy Directive<sup>10</sup>, Ireland has a legally binding target of deriving 16% of all energy (electricity, heat, and transport) use from renewable sources by 2020. Furthermore, as stated in the NDP, Ireland is also committed to an EU-wide non-binding national energy efficiency target of 20% to be achieved by 2020.<sup>11</sup>

For further detail on Ireland’s commitment to sustainable development, please see Appendix 1: Ireland’s Commitment to the Sustainable Development Goals.

## 3. Application of the Green Bond Principles

This Framework is designed to align with the GBP (2018) published by ICMA. In this regard, it is proposed that ISGBs will align with the four core components of the GBP being: (i) Use of Proceeds; (ii) Project Evaluation and Selection Process; (iii) Management of Proceeds; and (iv) Reporting, in each case, in the manner set out in this Framework.

### 3.1 Use of Proceeds

An amount equal to the net proceeds of any ISGB will be allocated to finance new projects, or to refinance existing projects, where the relevant project qualifies as an Eligible Green Project on the basis set out below. Any Exchequer Financial Support (as defined below)

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<sup>8</sup> <https://www.dccae.gov.ie/documents/National%20Mitigation%20Plan%202017.pdf>

<sup>9</sup> <https://www.dccae.gov.ie/en-ie/climate-action/topics/eu-and-international-climate-action/Pages/default.aspx>

<sup>10</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

<sup>11</sup> <https://www.dccae.gov.ie/documents/National%20Mitigation%20Plan%202017.pdf>

used to fund an Eligible Green Project may be financed or refinanced through the proceeds of an ISGB as set out in this Framework.

“**Eligible Green Projects**” are those projects:

- (a) which promote, in whole or in part and whether directly or indirectly, Ireland’s transition to a low carbon, climate-resilient and environmentally sustainable economy;
- (b) which are funded, in whole or in part and whether directly or indirectly, through Exchequer funded expenditures, subsidies or tax foregone (or a combination of all or some of the foregoing) (“**Exchequer Financial Support**”);
- (c) in the case of a refinancing of an existing project, where the relevant Exchequer Financial Support has been provided within the 24 month period preceding the issue date of the relevant ISGB; and
- (d) which otherwise qualify under this Framework.

Set out below is a list of Eligible Green Categories which are anticipated to be relevant to categorisation of certain projects which may qualify as Eligible Green Projects under this Framework. Opposite each Eligible Green Category are examples of Eligible Green Projects within the relevant category. The lists below are for illustrative purposes only and are not exhaustive. Eligible Green Projects will not be limited to those included on these lists, provided that the relevant projects otherwise qualify under the Eligible Green Categories under this Framework.

Eligible Green Categories	Examples of Eligible Green Projects
Sustainable Water and Wastewater Management	Clean water and wastewater treatment projects.
Clean Transportation	Public transportation initiatives, low emission vehicles incentives and infrastructure, and alternative fuels.  Public programmes incentivizing modal shift away from private car use.
Environmentally Sustainable Management of Living Natural Resources and Land Use	Grants, subsidies, and support schemes designed to reduce agricultural environmental impacts.  Afforestation, restoration and conservation programmes.
Renewable Energy	Support schemes for renewable heat use and energy storage  Research and development for the commercialization of renewable energy technologies.
Built Environment/Energy Efficiency	Support schemes for residential energy efficiency programmes (including heating, retrofit, insulation).  Support schemes for energy efficiency programmes for the commercial, public and industrial sector.
Climate Change Adaptation	Flood relief and other risk mitigation programmes.

## Exclusions

Projects that support or promote the following activities will not be eligible under this Framework as Eligible Green Projects:

- Burning of fossil fuel for power generation and transportation
- Rail infrastructure dedicated for transportation of fossil fuels
- Nuclear power generation
- Large scale hydro projects – including technology and equipment (i.e. projects that generate greater than 20 MW of electricity)
- Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated
- Alcohol, weapons, tobacco, gaming, or palm oil industries

### 3.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that an amount equal to the net proceeds of any ISGB are allocated to Eligible Green Projects in accordance with the criteria set out above in Section 3.1 (*Use of Proceeds*).

A Green Bond Working Group (“**GB Working Group**”) has been established which will oversee the full implementation of this Framework, including the allocation of funds raised by ISGBs to Eligible Green Projects and the provision of the investor reports referred to at Section 3.4 (*Reporting to Investors*), and which is comprised of representatives from the:

- National Treasury Management Agency
- Department of Public Expenditure and Reform
- Department of Communications, Climate Action and Environment
- Department of Finance

The existence and remit of the GB Working Group have been noted by the Government of Ireland pursuant to a Cabinet Decision taken on 19<sup>th</sup> July 2018.

The GB Working Group will consult with other Government departments and State agencies in carrying out its remit which includes:

- identifying Eligible Green Bond Projects which will be evaluated and selected for inclusion in ISGBs based on the criteria listed in Section 3.1 (*Use of Proceeds*) above;
- approving the Annual Allocation Reports referred to in Section 3.4 (*Reporting to Investors*) below which will detail the allocation of amounts applied by Ireland

(through its Government departments and State agencies) to fund Eligible Green Projects; and

- approving Eligible Green Project Impact Reports referred to in Section 3.4 (*Reporting to Investors*) which will detail the environmental impact of Eligible Green Projects.

Eligible Green Projects will be evaluated and selected based on the criteria listed in Section 3.1 (*Use of Proceeds*) above. It is expected that in many cases Eligible Green Projects will have been listed as measures or actions in the NMP or the NDP.

The normal budgetary process for project approval will also apply, including those referred to in the NDP which states:

“Departments must also ensure that individual projects and investment proposals meet all of the relevant appraisal processes and value-for-money tests required under the Public Spending Code, before Exchequer resources are ultimately expended on the relevant projects. In addition, under the Public Spending Code, all capital-investment projects and programmes with an estimated cost in excess of €100 million are subject to a further level of scrutiny, requiring specific Government approval before final contracts are agreed.”

### **3.3 Management of Proceeds**

Ireland, acting through the National Treasury Management Agency, will be responsible for the issuance of ISGBs. It will also be responsible, having received input from relevant Government departments and State agencies, for the preparation and co-ordination of the reports which will be made available to investors as referred to in Section 3.4 (*Reporting to Investors*) below including in relation to the allocation of funds to Eligible Green Projects and the environmental impact of Eligible Green Projects.

Pending its allocation to Eligible Green Projects, Ireland will temporarily hold an amount equal to the unallocated proceeds of ISGB issues in its Central Fund. The Central Fund is held mainly in the Exchequer account maintained at the Central Bank of Ireland and is managed according to prudential liquidity policies appropriate to a sovereign such as Ireland.

The Department of Public Expenditure and Reform and the NTMA will oversee the allocation and tracking of expenditure on Eligible Green Projects up to an amount equal to the net proceeds of the ISGBs.

Payment of principal and interest on ISGBs will be made from the Central Fund and will not be conditional on the selection or performance of the Eligible Green Projects. Accordingly, investors in ISGBs will not bear any project related risks in respect of Eligible Green Projects. ISGBs will rank *pari passu* with each other and with other Irish Government Bonds.

### 3.4 Reporting to Investors

The following reports will be made available to investors in ISGBs.

An Annual Allocation Report will be made available to investors annually until full allocation of an amount equal to the net proceeds of the relevant ISGB, and include the following details:

- total amount allocated to Eligible Green Projects;
- total amount allocated per Eligible Green Category;
- the remaining unallocated total amount.

In addition, an Eligible Green Project Impact Report will be made available to investors on the expected environmental impacts of the Eligible Green Projects on at least a biennial basis, subject to the availability of the relevant data.

Examples of potential key environmental impact indicators include:

Eligible Green Categories	Examples of Potential Key Environmental Impact Indicators
Sustainable Water and Wastewater Management	Water network leakage % Number of discharges with no treatment or preliminary treatment only
Clean Transportation	Number of public transport passenger journeys Number of electric vehicle purchase grants Number of electric vehicle charger grants
Environmentally Sustainable Management of Living Natural Resources and Land Use	Carbon dioxide and ammonia emissions reductions (tonnes) Number of hectares of forest planted
Renewable Energy	Percentage of renewable heat
Energy Efficiency	Carbon dioxide reductions (tonnes)
Climate Change Adaptation	Flood defences



Where key environmental impact indicators are not available, Ireland may in an Eligible Green Project Impact Report provide qualitative reporting such as project descriptions or case studies.

Annual Allocation Reports and Eligible Green Project Impact Reports will be made available to investors through the National Treasury Management Agency's website.

## **4. External Review**

### **4.1 Second Party Opinion**

Prior to first issuance of ISGBs, Ireland will arrange an external review in the form of a Second Party Opinion ("SPO"). The SPO will provide investors with an independent assessment on the expected environmental benefits of the Green Bond Project Categories and the alignment of this Framework with the GBP.

This SPO will be made public on the National Treasury Management Agency's website.

### **4.2 External Verification**

An external reviewer will provide an annual compliance review, until all the proceeds of the ISGBs have been allocated, confirming that an amount equal to the net proceeds of the ISGBs has been allocated in compliance with all material respects of the Eligible Green Projects criteria set forth in this Framework.

The resulting report/review will be made public on the National Treasury Management Agency's website.

## **5. Amendments to this Framework**

The GB Working Group will review this Framework from time to time and such review may result in this Framework being updated and amended. Any updates and amendments to this Framework which are not considered to be minor or technical in nature will be subject to the prior approval of the Minister for Finance and Public Expenditure and Reform. Any such updated and amended Framework will be published on the National Treasury Management Agency's website and will replace this Framework. Accordingly, any ISGBs then outstanding will be subject to any such updated and amended Framework as may be published from time to time.

## Appendix I: Ireland's Commitment to the Sustainable Development Goals

The [2030 Agenda for Sustainable Development](https://sustainabledevelopment.un.org/post2015/transformingourworld)<sup>12</sup> (the “**2030 Agenda**”) encourages countries to develop ambitious national responses to the Sustainable Development Goals (“**SDGs**”) and to incorporate them into national planning and policy. The Minister for Communications, Climate Action and Environment has lead responsibility for promoting and overseeing the implementation of the 2030 Agenda and the SDGs on a whole-of-Government basis. All Ministers have responsibility for implementing the individual SDGs related to their functions. This approach allows for joined-up implementation across Government, while also ensuring individual Departments take ownership of the SDGs most relevant to them. The National Implementation Plan 2018-2020 for the SDGs has been published. An interdepartmental working group, chaired by the Department of Communications, Climate Action and Environment, supports and inputs into the drafting of the Plan. This ensures a coherent cross-departmental approach is maintained. The Voluntary National Review 2018, which was approved by Government, was presented to the UN High-Level Political Forum in July 2018. Stakeholder engagement - involving NGOs, civil society, the private sector, academia, and other groups - are a priority as Ireland implements the SDGs. Specific arrangements for stakeholder engagement were included in the Plan.<sup>13</sup>

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<sup>12</sup> <https://sustainabledevelopment.un.org/post2015/transformingourworld>

<sup>13</sup> <https://www.dccae.gov.ie/en-ie/environment/topics/sustainable-development/sustainable-development-goals/Pages/default.aspx>

## **Disclaimer**

*The information and opinions contained in this Framework are provided as at the date of this document and are subject to change without notice. Ireland does not assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise.*

*This Framework represents Irish Government policy, is subject to change and is not intended nor can be relied on, to create legal relations, rights or obligations.*

*This Framework is provided for information purposes only and does not constitute or form part of, and should not be construed as, an offer or invitation to sell Irish Government Bonds, or the solicitation of an offer to underwrite, subscribe for or otherwise acquire any debt or bonds of Ireland, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever. Any decision to purchase any Irish Government Bonds should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.*

*No representation is made as to the suitability of any ISGBs to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of ISGBs should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such ISGBs regarding the use of proceeds and its purchase of ISGBs should be based upon such investigation as it deems necessary.*

*Ireland has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and investor reporting, in connection with ISGBs. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any ISGBs if Ireland (including any Government body or agency) fails to adhere to this Framework, whether by failing to fund or complete Eligible Green Projects or to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.*

*In addition, it should be noted that all of the expected benefits of the strategic initiatives as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in Government policy (whether with a continuity of the Government or on a change in the composition of the Government), changes in laws, rules or regulations, the need for Government and Oireachtas (the Irish legislature) approval of expenditure or other Exchequer Financial Support for projects, the lack of available suitable projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Green Projects. In addition, each environmentally focused potential purchaser of ISGBs should be aware that Eligible Green Projects may not deliver the environmental or sustainability benefits anticipated. Furthermore, neither the Minister for Finance nor the National Treasury Management*

*Agency as the issuer of ISGBs have responsibility for (or control of) the selection, monitoring or completion of Eligible Green Projects which responsibility is vested in other Government bodies and agencies. On this basis, all and any liability, whether arising in tort, contract or otherwise which any purchaser of ISGBs or any other person might otherwise have in respect of this Framework or any ISGBs as a result of any failure to adhere to or comply with this Framework is hereby disclaimed.*

*This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.*

*This Framework contains certain statements which may constitute “forward-looking statements”. These statements are not guarantees or predictions of future performance, and are subject to risks and uncertainties. As a result, actual results or developments may differ from those expressed in the statements contained in this Framework.*