

Government of Canada Green Bond Allocation Report 2021-22



Government
of Canada

Gouvernement
du Canada

Canada

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Cette publication est aussi disponible en français.

Cat No.: F1-62E-PDF

ISBN No.: ISSN 2817-2000

In case of discrepancy between the printed version and the
electronic version, the electronic version will prevail.

Contents

Introduction	1
Canada's Green Bond Program	1
Canada's Climate and Environmental Priorities	2
The Role of Sustainable Finance	2
Canada's Green Bond Program in 2021-22	3
Allocation of Green Bond Proceeds	3
Expenditure Selection	3
Allocation of 2021-22 Green Bond Proceeds	3
Allocation Summary	4
Clean Transportation	6
Living Natural Resources and Land Use	6
Energy Efficiency	6
Terrestrial and Aquatic Biodiversity	6
Renewable Energy	7
Climate Change Adaptation	7
Sustainable Water & Wastewater Management	7
Circular Economy Adapted Products, Production, Technologies and Processes	7
Pollution Prevention & Control	7
Case Studies	8
Incentives for Zero Emission Vehicles (iZev) Program	8
Capital Facilities and Maintenance Program – Wastewater	9
Smart Renewables and Electrification Pathways Program (SREPs)	11
Low Carbon Economy Leadership Fund	13
Priority Places for Species at Risk	14
Legal Considerations	15
Third-Party Verification	16
ANNEX A - Detailed Allocation of Net Proceeds (Unaudited)	21
ANNEX B – List of Departments Participating in the Interdepartmental Green Bonds Committee	26

Introduction

Canada's Green Bond Program

The Government of Canada recognizes that sustainable finance plays a key role in growing a cleaner economy. Reaching Canada's net-zero emissions targets will require substantial investment beyond the public sector. Mobilizing and aligning private-sector capital is a crucial part of Canada's work to meet its climate and environmental goals— it is estimated that annual investment will need to grow from \$15-\$25 billion per year, to \$125-\$140 billion per year, to attain net-zero emissions in Canada by 2050¹. Sustainable finance policy helps to crowd-in needed private investment and amplify existing climate policy signals in a business-friendly manner, as well as promote financial sector stability through better understanding and disclosure of environmental and climate risk.

To support the growth of Canada's sustainable finance market, the Government of Canada has launched its green bond program. Under the program, the government published its [Green Bond Framework](#) (the Framework) in March 2022, followed by the issuance of an inaugural \$5 billion green bond— the largest green bond issuance in Canadian history.

The Framework, which aligns with the International Capital Market Association Green Bond Principles, reflects key climate and environmental priorities, and identifies categories of expenditures that are eligible for the allocation of green bond proceeds, including:

- Clean transportation;
- Living natural resources and land use;
- Energy efficiency;
- Terrestrial and aquatic biodiversity;
- Renewable energy;
- Climate change adaptation;
- Sustainable water and wastewater management;
- Circular economy-adapted products, production, technologies and processes; and
- Pollution prevention and control.

The Framework has been independently reviewed by Morningstar Sustainalytics, which confirmed that it is aligned with the International Capital Market Association Green Bond Principles 2021 in its February 2022 [Second Party Opinion](#).

Under the Framework, the Government of Canada has committed to regular reporting on the allocation of funds raised through the issuance of green bonds to eligible green expenditures, as well as the environmental impacts of these expenditures. Consistent with the Framework, the Government of Canada is releasing this allocation report for its inaugural green bond. The first impact report will be published in fiscal year 2023-24.

Proceeds raised flow into the government's general account in the same way as funds raised from other Government of Canada debt issuances. The amount of money raised is tracked and monitored to ensure that an amount equivalent to that raised via green bonds issuances is spent appropriately on eligible green expenditures. This is consistent with the approach taken by other sovereign green bond issuers.

A green bond is any type of bond instrument, whose proceeds are exclusively used to finance or re-finance eligible green projects. The proceeds of Canada's inaugural green bond are allocated to a wide range of climate and environmental expenditures.

¹ [Budget 2022: A Plan to Grow Our Economy and Make Life More Affordable](#), Section 2.1, Page 60.

Canada's Climate and Environmental Priorities

Building a cleaner, more prosperous economy needs to be both an immediate priority and a sustained effort over the years and decades ahead. Recognizing the importance of acting now to avert the worst impacts of climate change, the Government of Canada enshrined in legislation its commitment to achieve its 2030 greenhouse gas (GHG) emissions-reduction target, and net-zero emissions by 2050. *The Canadian Net-Zero Emissions Accountability Act* (the Act)— which became law on June 29, 2021— ensures transparency and accountability as the government works to deliver on its targets.

As required by the Act, in March 2022, the Government of Canada introduced Canada's 2030 Emissions Reduction Plan (2030 ERP), which provides a roadmap for the Canadian economy to achieve a 40-45 per cent reduction in emissions below 2005 levels, by 2030. Progress under the 2030 ERP will be reviewed through progress reports produced in 2023, 2025, and 2027. Additional targets and plans will be developed for 2035 through to 2050, on a five-year basis.

In developing the 2030 ERP, the Government of Canada heard from over 30,000 Canadians—young people, workers, Indigenous Peoples, business owners, and more. Their key message to the Government of Canada is that climate action must go hand in hand with economic growth.

A major mechanism to achieve these goals is Canada's world-leading price on carbon emissions, which will reach \$170/tonne by 2030, and ensure that it is not free to pollute. Carbon pollution pricing is widely recognized as the most efficient means to reduce GHG emissions while also driving innovation. In addition, the federal government has introduced measures, such as regulations to reduce GHG emissions from the oil and gas sector, electricity generation, transportation and industry, and since 2015, has budgeted significant funding for climate, clean growth and environmental protection.

In parallel to the challenge of climate change, global biodiversity loss further threatens the stability of our planet and the ecosystems that support all life. The 2019 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report on Biodiversity and Ecosystem Services found that the rate of species extinction is accelerating and that transformative changes are needed to restore and protect nature. In 2021, the first ever collaboration between scientists from both IPBES and Intergovernmental Panel on Climate Change emphasized the inextricably connected nature of climate change and biodiversity loss, recognizing that neither will be successfully resolved unless both are tackled together.

Between 2018 and 2022 Parties to the United Nations Convention on Biological Diversity (CBD) worked to develop a new Global Biodiversity Framework to 2030. As a strong advocate for conservation, and the seat of the CBD Secretariat, Canada stepped up to host the final phase of negotiations and the Convention of Parties in December 2022, in Montreal. These meetings were squarely focused on adopting a framework of global goals and targets to coordinate and drive international efforts to halt and reverse biodiversity loss by 2030, and put nature on a path to recovery by 2050. The *Kunming-Montreal Global Biodiversity Framework* adopted at COP 15 is an ambitious global plan for nature. Among its twenty-three targets, the plan includes committing the global community to conserving 30 per cent of its lands and oceans by 2030, while ensuring that at least 30 per cent of the world's degraded ecosystems are under restoration by 2030. Canada had already set ambitious protected areas targets, and as a member of the High Ambition Coalition for Nature and People and the Global Ocean Alliance, had worked to build support for the 30 percent target internationally. The Government of Canada will continue to work with Indigenous Peoples, provinces and territories, and stakeholders to support the conservation, recovery, and sustainable use of biodiversity, through implementation of the new Biodiversity Framework.

The Role of Sustainable Finance

The Government of Canada recognizes the scientific and socio-economic imperatives of climate and environmental action, and the important role that capital markets must play in financing public and private investments in support of our shared goals. To mobilize and align capital with these goals effectively, environmental, social, and governance factors should be incorporated throughout financial decision-making. This is generally referred to as sustainable finance.

The Green Bond Program directly supports the growth of Canada's sustainable finance market by providing investors with a new, credible and transparent investment opportunity that increases the flow of capital towards climate and environmental initiatives. This flow of capital will help to fund new projects and speed up existing projects, ranging from green infrastructure to nature conservancy.

In addition to the Green Bond Program, the Government of Canada has also taken other steps to support the sustainable finance market, including the establishment of the Sustainable Finance Action Council. This council brings together public and private sector financial expertise to support the growth of a strong, well-functioning, sustainable finance market. The council's principal mandate is to make recommendations on critical market infrastructure needed to attract and scale sustainable finance in Canada, including: enhanced assessment and disclosure of climate risks and opportunities; better access to climate data and analytics; and common standards for sustainable and low-carbon investments. The council's work also includes advising on strategies for aligning private sector capital with net-zero goals.

Canada's Green Bond Program in 2021-22

On March 22, 2022, the Government of Canada issued its inaugural green bond with a \$5 billion, 7.5 year issuance. This was, and remains, the largest Canadian dollar green bond offering in Canadian history, and saw strong demand overall with an order book of over \$11 billion and strong interest from green and socially-responsible investors who represented more than 70 per cent of buyers. Canada's inaugural green bond was also well-received internationally, with foreign investors purchasing nearly half of the issuance.

Allocation of Green Bond Proceeds

Expenditure Selection

The Framework establishes robust criteria for the selection of eligible green expenditures, which are consistent with international standards and green investor expectations.

The identification and selection of eligible green expenditures allocated to the proceeds of Government of Canada green bonds are supported by an Interdepartmental Green Bonds Committee ("IGBC"). This committee includes representatives from 11 federal departments and Crown Corporations, and is co-chaired by Finance Canada and Environment and Climate Change Canada (see Annex B for further details). The IGBC is also responsible for reviewing the allocation of proceeds of all Green Bonds on an annual basis to ensure the consistency of all expenditures with the Framework.

The Framework currently excludes expenditures related to nuclear energy. It also excludes expenditures related to the transportation, exploration and production of fossil fuels². As indicated in the Framework, the Government of Canada recognizes that in order to achieve its 2030 and 2050 climate goals, significant innovation and emissions reductions will be needed from all sectors of the Canadian economy, including the energy sector. While some decarbonization expenditures are excluded from Canada's Green Bond Framework, in alignment with current green bond market expectations, the Government of Canada remains committed to supporting decarbonization, nature conservation and environmental excellence in all sectors. For more information on expenditure eligibility and exclusions, see the [Framework](#).

Allocation of 2021-22 Green Bond Proceeds

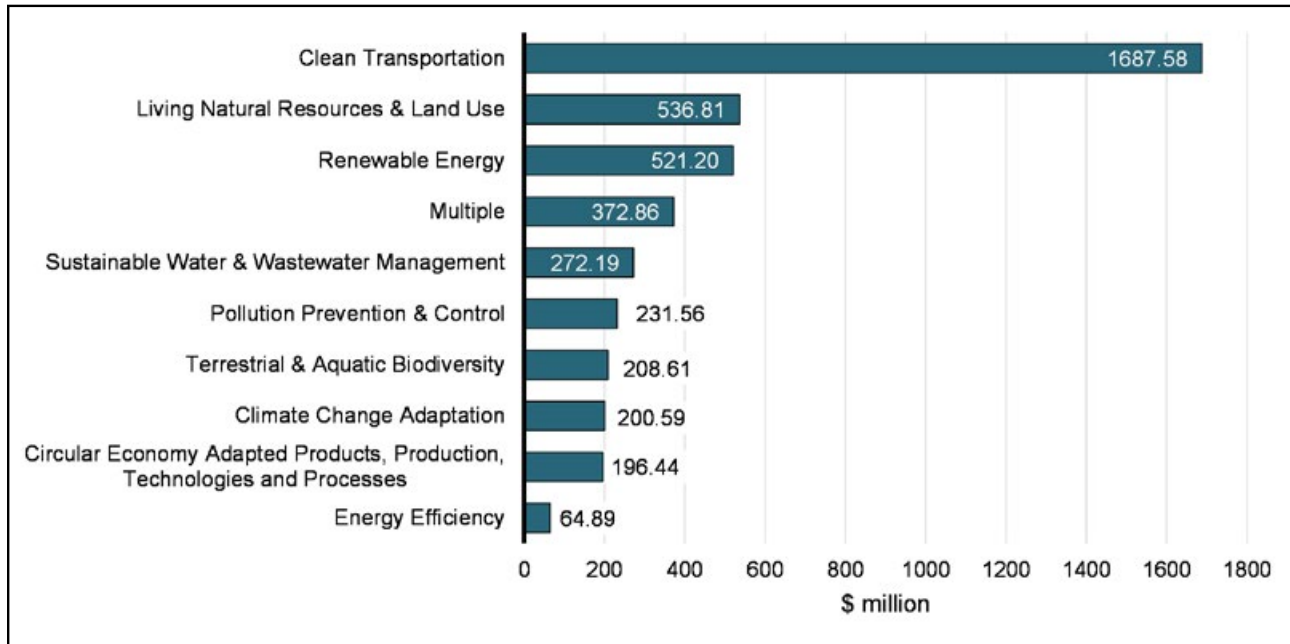
Consistent with the process described in the Framework, expenditures allocated green bond proceeds and included in this report were drawn from Canada's eligible expenditure pool. Eligible expenditures highlight the wide variety of climate and environmental initiatives undertaken by the government. The proceeds of Canada's inaugural green bond have been allocated to eligible expenditures totalling \$4.29 billion. Canada will allocate the remaining proceeds from the inaugural issuance within fiscal years 2022–23 and 2023–24, consistent with the Framework.

² The Framework also excludes, arms manufacturing, gambling, and the manufacturing or production of tobacco products and alcoholic beverages.

Allocation Summary

The green bond allocation highlights Canada's investment in the green categories identified in the Framework (see Figures 1 to 4). In particular, it highlights Canada's recent investments to reduce carbon pollution and promote clean transportation (39 per cent of the total green bond allocation). The remaining 61 per cent is distributed to the other key categories. The charts below show the distribution of proceeds to the different key categories and key expenditures identified in the Framework. An alphabetical schedule of programs and allocations is included as the *Schedule of Allocation of Green Bond Net Proceeds* below, and Annex A provides a detailed overview of projects funded by year.

Figure 1: Allocation by Green Category³, Amount



³ Some projects are relevant to more than one category and are therefore listed under "multiple" in the tables below. For example, the Sustainable Development Technology Canada and Strategic Innovation Fund programs from ISED provide funding for companies address environmental concerns across multiple sectors.

Figure 2: Allocation by Green Category, percentage

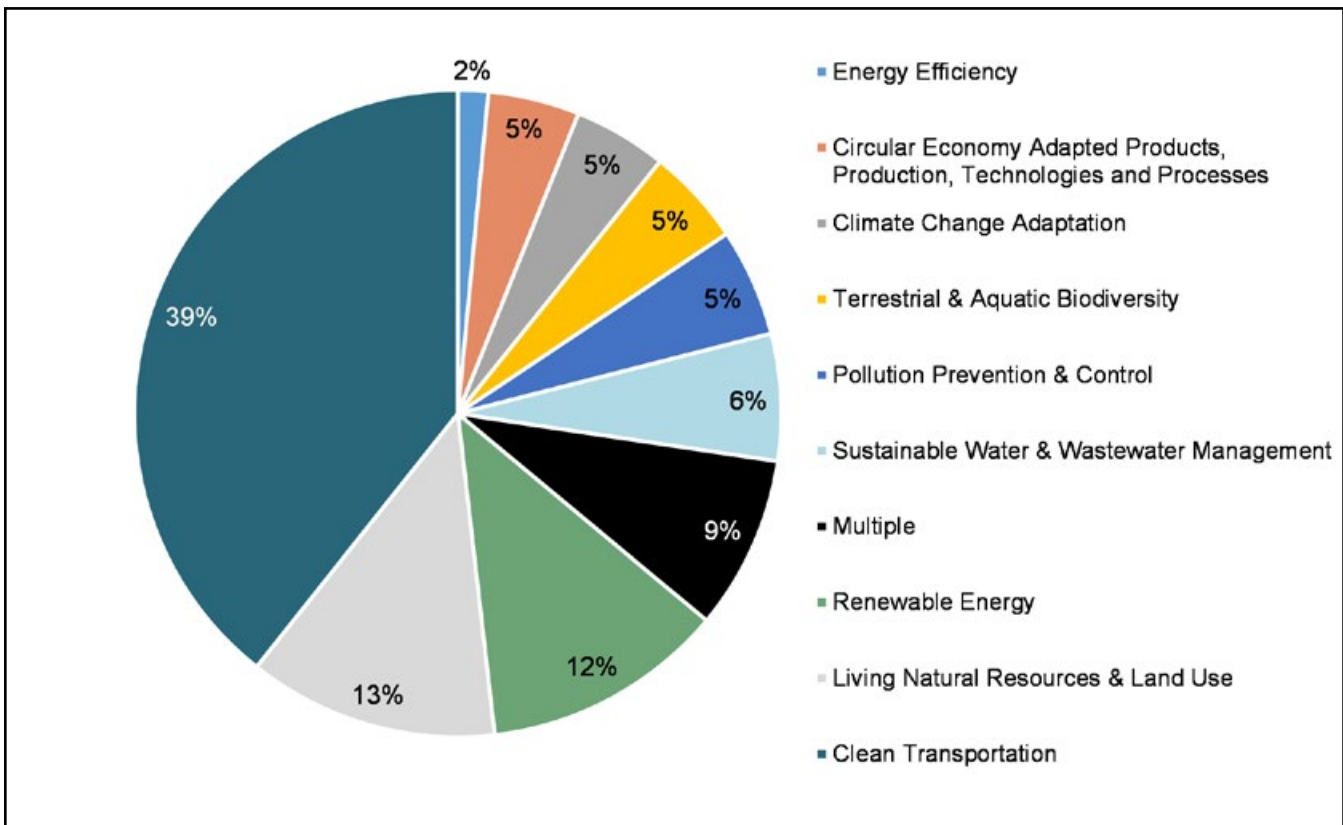


Figure 3: Allocation by Type of Expenditures, Amount

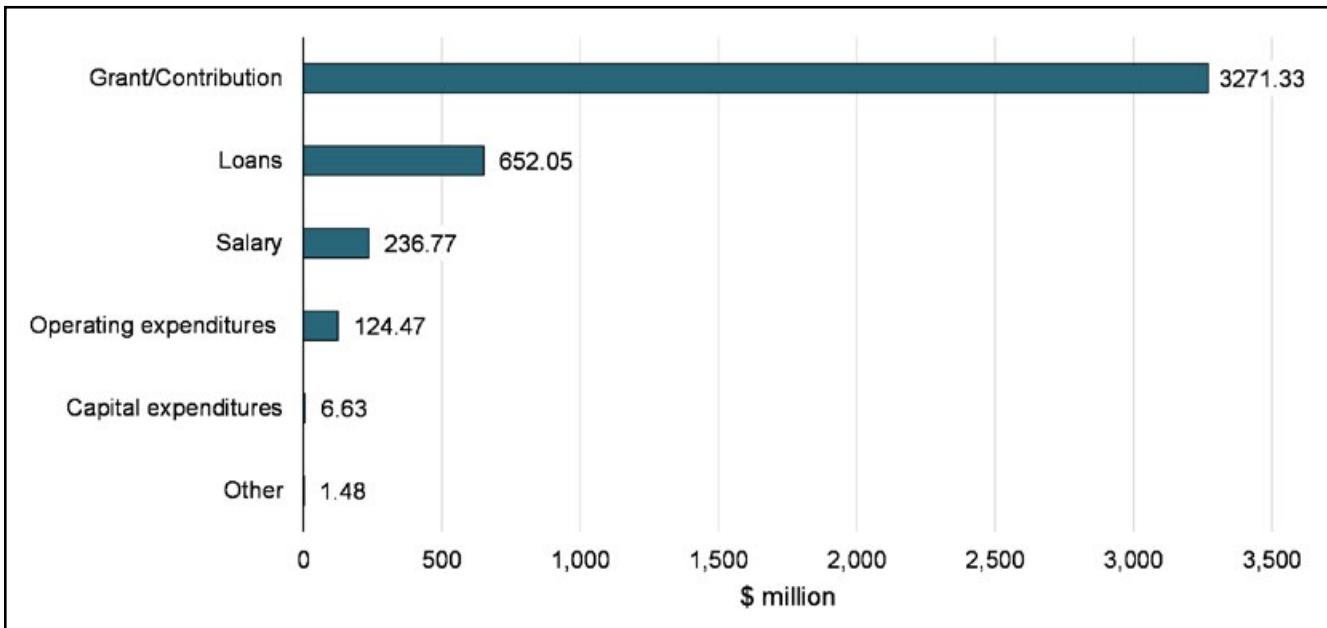
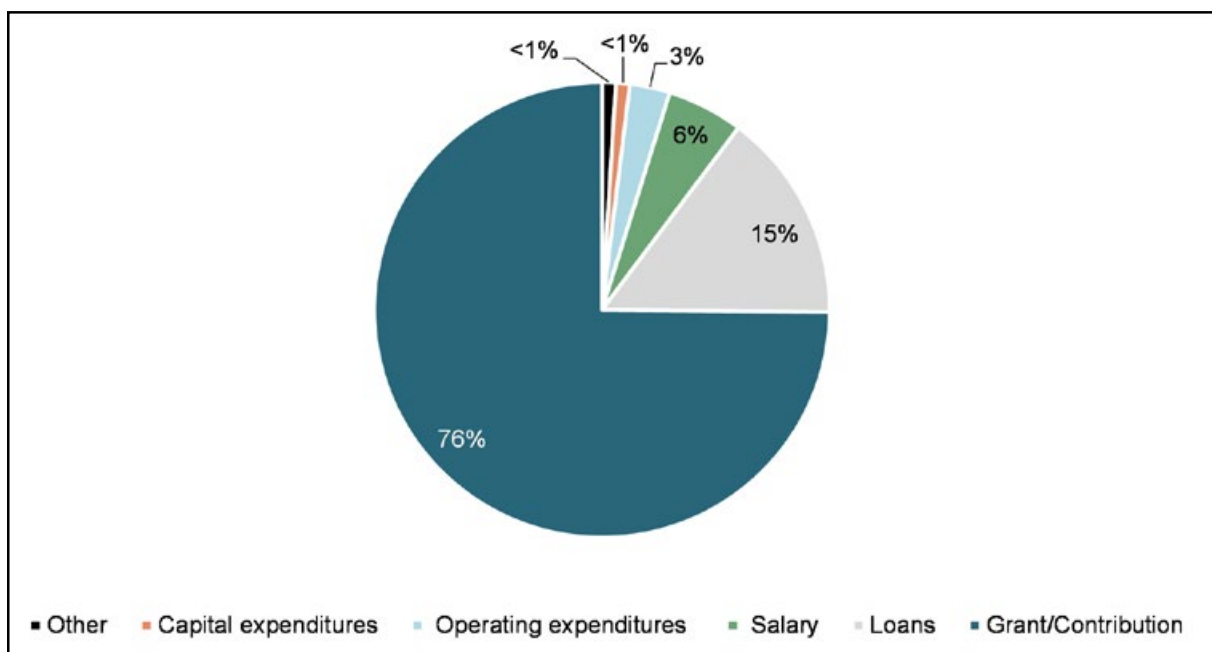


Figure 4: Allocation by Type of Expenditures, percentage⁴



Clean Transportation

The Government of Canada is making strategic investments to reduce carbon pollution from transportation, a sector that represents approximately 25 per cent of Canada’s GHG emissions. This includes supporting the adoption of zero-emission vehicles and working with provinces to deploy ZEV infrastructure, such as charging stations. The government is also supporting investments aimed to expand public transit access across Canada and encourage other clean and active transportation options.

Living Natural Resources and Land Use

The government is providing funding to support sustainable farming practices and to encourage the development of innovative technologies that will reduce GHG emissions in the agricultural sector. Programs such as Agricultural Climate Solutions— Living Labs provide support for research into new agricultural practices with the goal of reducing GHG emissions, enhancing carbon sequestration and providing other environmental benefits related to soil health and water.

Energy Efficiency

The government is supporting innovation projects and initiatives aimed at helping communities and industries take advantage of the benefits of energy efficiency, to lower GHG emission and costs to consumers. For example, the Greener Homes Initiative provides grants and loans to help Canadians make their homes more energy-efficient.

Terrestrial and Aquatic Biodiversity

In recent years, climate change, habitat loss, and impacts of industrial activities have negatively affected terrestrial and aquatic biodiversity. Through programs like the Pacific Salmon Strategy Initiative and Marine Conservation Targets, the government is funding ambitious marine conservation targets of conserving 25 per cent of Canada’s oceans by 2025 and 30 per cent by 2030. This commitment will be met through the establishment of new marine protected areas and other effective area-based conservation measures, such as marine refuges.

⁴ Allocation to capital expenditures and other categories represent 0.15 per cent and 0.03 per cent of total allocation respectively.

Renewable Energy

Canada has substantial renewable resources that can be used to produce energy, including moving water, wind, biomass and solar. The government aims to harness these immense clean energy resources to modernize Canada's electricity grid, in line with our goal of net-zero electricity generation by 2035.

The government is funding renewable energy and upgrades to the electricity grid to make clean, affordable electricity options more accessible across the country. For example, the Smart Renewable and Electrification Pathways Program will provide over \$1.5 billion to support projects aimed at modernizing the grid and replacing fossil fuel-generated electricity with renewables.

Climate Change Adaptation

The government is taking action to grow the economy, meet emission reduction targets and build resilience to a changing climate. Part of building resilience is adapting to the impacts of climate change that have already occurred and continue to be felt across the country. Through programs like the Disaster Mitigation and Adaptation Fund, the government is investing \$3.4 billion to support the resilience of communities and infrastructure to natural disasters, extreme weather events and climate change.

Sustainable Water & Wastewater Management

Wastewater effluents are the largest source of pollution by volume to surface water in Canada. In order to address this, the government has worked with the provinces, territories, municipalities, Indigenous communities and other stakeholders to establish national standards for wastewater treatment in Canada.

The government is also investing to support better wastewater infrastructure in Canada, particularly for historically marginalized communities. For example, the government has invested approximately \$300 million through the Capital Facilities and Maintenance Program to fund improved wastewater projects on First Nations reserves.

Circular Economy Adapted Products, Production, Technologies and Processes

The circular economy finds ways to extract as much value as possible from our resources while helping to address key environmental challenges like climate change and water pollution. The government is funding initiatives that are creating new economic opportunities that keep the value of Canada's resources in the economy, and out of the landfill.

As an example, through the Food Waste Reduction Challenge, the government is providing support for innovation and solutions that can help reduce the economic, environmental and social cost of food waste.

Pollution Prevention & Control

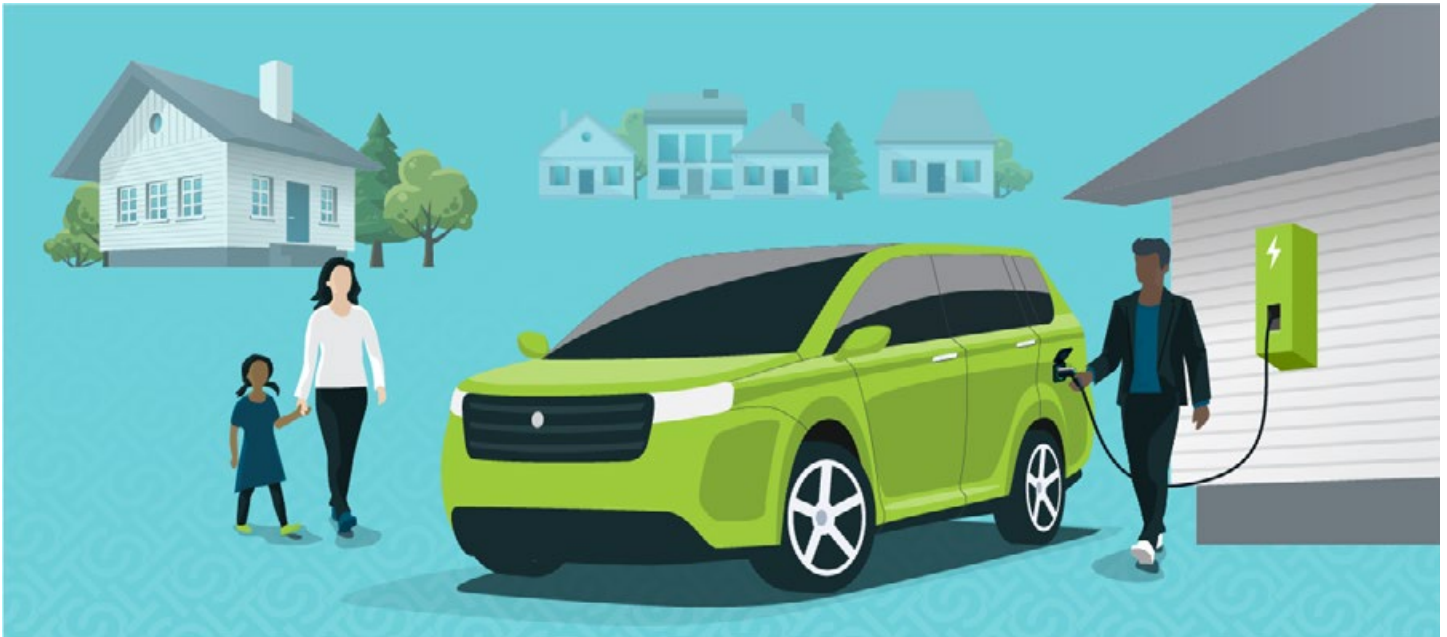
The government is determined to look at the causes of waste and pollution and figuring out how to prevent it, in order to avoid negative impacts on the environment and human health. For example, from 2019 to 2021, the government invested \$67 million in the Capital Facilities and Maintenance Program to support the development of waste management systems through modern infrastructure in First Nations communities.

Case Studies

Incentives for Zero Emission Vehicles (iZev) Program

Green Category: Clean Transportation

Lead Department: Transport Canada



Description

The Government of Canada is committed to making it easier for Canadians to switch to zero-emission vehicles through a combination of investments and regulations to help industry and Canadians. Through the 2030 Emissions Reduction Plan, Canada has committed to developing a regulated zero-emissions vehicle sales regulation to ensure at least 20 per cent of new light-duty vehicle sales will be zero-emissions vehicles by 2026, at least 60 per cent by 2030, and 100 per cent by 2035. To support increased demand for these vehicles and help reach the Canada's emissions-reduction targets, Budget 2022 announced \$1.7 billion to extend and expand the Incentives for Zero-Emission Vehicles (iZEV) Program until March 31, 2025. This builds on the over \$660 million committed to the iZEV program since 2019.

The iZEV Program provides point-of-sale incentives of up to \$5,000 to Canadians and Canadian businesses who purchase an eligible zero-emission vehicle. Eligible vehicles include those with the ability to produce zero tailpipe emissions, such as battery electric vehicles, plug-in hybrid electric vehicles and fuel cell electric vehicles that meet the program's vehicle price caps.

Environmental Impacts

Transportation represents approximately 25 per cent of Canada's total greenhouse gas emissions. Zero-emission vehicles offer the potential to significantly reduce transportation emissions, particularly over the longer-term, which is why the Government of Canada has committed to making it easier for Canadians to switch.

The iZEV Program is an important, complementary measure that supports Canada's broader decarbonization efforts. Impacts of the Program are measured through the number of zero-emission vehicles incentivized and the growth in Canada's zero-emission vehicle market share. The iZEV Program is expected to incentivize roughly 535,000 vehicles over its lifetime until March 31, 2025. This will translate to over 1.8 megatonnes (Mt) of GHG emissions reduced annually or over 22 Mt of GHG emissions reduced over the lifetime of the vehicles (12 years). The iZEV Program has helped Canada reach a zero-emission vehicle market share of 5.6 per cent as of 2021. This is up from 3.8 per cent in 2020 and 3 per cent in 2019.

Capital Facilities and Maintenance Program – Wastewater

Green Category: Sustainable Water & Wastewater Management

Lead Department: Indigenous Services Canada



Description

Indigenous Services Canada's Capital Facilities and Maintenance Program is the primary program for helping First Nations manage their infrastructure in a more sustainable way. From 2016 to 2024, Canada will commit over \$5.6 billion to build, repair, manage and maintain water and wastewater systems on reserves. An example of this investment and support for sustainable infrastructure in First Nations is the Driftpile Cree Nation Wastewater Treatment Facility project and lagoon replacement.

Driftpile Cree Nation's original lagoon, constructed in 2004, failed within its first year. Driftpile Cree Nation, with support from Indigenous Services Canada, undertook significant planning to ensure the longevity and resilience of the new system. The project incorporated redundancy in the systems through treatment flexibility, which offers a multitude of benefits for operations and maintenance and risk management. The new system consists of an aerated lagoon with partial mechanical features and biological treatment for nitrification. As treated effluent is discharged continuously to Driftpile River, a river that feeds into Lesser Slave Lake and the Lesser Slave Watershed, the \$19.030 million project provides effluent quality exceeding regulatory requirements.

Environmental Impacts and Social Co-Benefits

Driftpile River is very important to community members, who shared many stories from their childhoods of taking swim lessons in the river, fishing with their friends, and riding their horses across. The design focused on environmental stewardship to ensure the community could still access and use the river through the duration of and after the project.

The previous lagoon was leaking and was an environmental hazard. The project design minimized the overall impacts on the Driftpile River, making sure the system is flexible to accommodate future environmental regulations and concerns, and minimizing impacts on effluent quality during maintenance or equipment failure.

In alignment with Canada's statutory, contractual and common-law obligations to consult with Indigenous groups, Driftpile Cree Nation was consulted throughout this project. Chief and council support this project for the greater benefit of the community and signed a resolution supporting and approving the project.

The Driftpile Cree Nation Wastewater Treatment Facility Project brought forward many environmental and social benefits, including:

- Safe, reliable management of wastewater;
- Addressing a significant environmental hazard in the community;
- Moving the wastewater facility away from the core community;
- A safe discharge location to an environmentally suitable receiving body;
- Treated effluent that meets appropriate limits to uphold the quality of the watershed;
- Environmental stewardship throughout construction, particularly during outfall construction;
- Jobs for community members that have continued past construction of their own facility; and,
- Reclamation of existing lagoon land and return of the existing lagoon land to the community.

Having safe, reliable wastewater treatment is not only necessary to the health and prosperity of the community, but is also required to ensure community members can feel comfortable that their community is sustainable for future generations.

Smart Renewables and Electrification Pathways Program (SREPs)

Green Category: Renewable Energy

Lead Department: Natural Resources Canada



Source: Solar power generation project in Smoky Lake County at Métis Crossing in Alberta
<https://twitter.com/NRCan/status/1554520258467299328?s=20&t=2Op8uciyzXELbZwdfzefGw>

Description

The Smart Renewables and Electrification Pathways Program (SREPs) will invest up to \$1.564 billion over eight years in smart renewable energy and electrical grid modernization projects, which can provide essential grid services to decarbonize the electricity system and enable the clean grid of the future. The program supports Canada's achievement of its net-zero target by investing in technologies such as wind, solar, geothermal, and storage, which will facilitate the replacement of fossil fuel-generated electricity. Central to the program are efforts to increase the number of electric power system assets that can contribute to system reliability, flexibility, and resilience, helping reduce the system's reliance on traditional energy sources. The program also aims to increase economic and social benefits, including job creation and increased equity, diversity and inclusion in the energy sector.

Environmental Impacts and Social Co-Benefits

As of October 10, 2022, SREPs has supported 94 projects. These projects utilize market-ready technologies to reduce emissions across Canada and will increase clean electricity capacity by approximately 1,360 megawatts (MW). An important objective of the program is to facilitate greater Indigenous involvement and ownership of clean energy projects and support community-led renewable energy projects. Thirteen of the projects are Indigenous-owned.

The program also encourages the participation of underrepresented groups in the renewable energy sector. For instance, applicants to the program are required to commit to equity, diversity, and inclusion initiatives, in the form of a plan or public commitment, and to implement anti-discrimination, diversity, and staff education in their policies. Furthermore, SREPs' capacity-building stream enables communities and organizations to acquire the knowledge and tools needed to develop renewable energy and grid modernization projects.

Examples of projects supported:

- The 100 per cent Métis-owned Métis Crossing Solar Project is a five MW solar power project developed as a key initiative of the Climate Change Action Plan of the Métis Nation of Alberta⁵. This project is expected to generate enough electricity to power all Métis Nation of Alberta and affiliate buildings, displacing 4,700 tonnes of CO₂ annually. Profits generated will fund social and economic development initiatives and programs benefiting Métis people across Alberta.
- The Indigenous-owned Burchill Wind Energy Project will produce 42 MW of renewable energy, coupled with a ten MW/20 MWh battery energy storage system⁶.
- The Enabling Youth and Indigenous Energy Solutions in Canada Project will facilitate youth participation in Canada's clean energy sector⁷. This project promotes clean energy development and adoption in communities across Canada, with a focus on underrepresented groups such as Indigenous communities and young women.
- Five projects in the province of Saskatchewan will enhance understanding of energy use and support renewable energy technology in rural, remote, and Indigenous communities⁸. A Clean Energy and Equity Network will build knowledge, skills, and tools needed to support clean energy solutions and leadership in Indigenous and African Nova Scotian communities⁹. The Network connects residents with the resources needed to pursue capital ventures such as solar or wind installations or upgrades to building systems to improve energy efficiency.

⁵ [Canada Invests in Smoky Lake County Métis Crossing Solar Project](#)

⁶ [Canada invests in Indigenous Wind Energy Project in Saint John, New Brunswick](#)

⁷ [Government of Canada Contributes \\$5.3 Million to Promote Youth Participation in the Clean Energy Sector](#)

⁸ [Minister Wilkinson Announces Nearly \\$10 Million in Clean Energy Support for Indigenous Communities in Saskatchewan](#)

⁹ [MP Fisher Announces \\$3.7 Million for Clean Energy and Equity Network in Nova Scotia](#)

Low Carbon Economy Leadership Fund

Green Category: Pollution Prevention & Control

Lead Department: Environment and Climate Change Canada



Description

The Low Carbon Economy Fund supports projects that reduce Canada's GHG emissions, generate clean growth, build resilient communities, and create good jobs for Canadians. These projects are critical as Canada continues to build a sustainable net-zero emissions economy by 2050. There are currently two funding streams: the Low Carbon Economy Challenge and the Low Carbon Economy Leadership Fund.

Provinces and territories play an integral role in driving efforts to meet Canada's climate targets. The Low Carbon Economy Leadership Fund provides funding support to provinces and territories to implement projects and programs to reduce emissions, build resilient communities, and generate good jobs for Canadians.

Environmental Impacts and Social Co-Benefits

The Low Carbon Economy Leadership Fund has funded diverse projects across Canada, including initiatives that leverage Canadian ingenuity to reduce emissions and generate clean growth, and to retrofit for energy efficiency. Provincial and Territorial projects and programs funded to date include:

- \$100 million to support initiatives in Alberta aimed at growing the clean economy, contributing to the creation of approximately 3,100 jobs in the areas of construction, energy efficiency retrofits, clean technology innovation, industrial transformation and research.
- \$18.3 million to support the South Baffin Energy Management Project, which will help improve energy efficiency and introduce renewable energy in 45 buildings owned by the Government of Nunavut in the six communities that make up the South Baffin region.
- \$12 million to support Efficiency BC/Clean BC's Better Homes and Better Buildings program that provides an integrated offer of information, service, and financial incentives to accelerate retrofits that maximize GHG reductions and transform the market for future high efficiency codes and standards in British Columbia.

Priority Places for Species at Risk

Green Category: Terrestrial & Aquatic Biodiversity

Lead Department: Environment and Climate Change Canada



Yukon Buckwheat in Yukon South Beringia. Source: Shannon Stotyn

Description

The Priority Places for Species at Risk Initiative contributes to the protection and recovery of species at risk and biodiversity. Focusing effort in specific places with high biodiversity and concentrations of species at risk helps conserve habitat that benefits many species simultaneously. It also allows the government of Canada to bring together partners with common goals to improve collaboration and coordination. Through partnership, the government works to achieve sustainable protection and recovery of species at risk.

There are currently 11 priority places identified under the Pan-Canadian Approach to Transforming Species at Risk Conservation in Canada. This new approach shifts from a single-species approach to conservation to one that focuses on multiple species and ecosystems. The priority places cover nearly 30 million hectares, including two million hectares of critical habitat for species at risk. More than 300 species at risk can be found in these places, many of which have more than half of their range in a priority place.

In addition, Environment and Climate Change Canada has expanded on the 11 priority places for species at risk by funding 18 partner-led Community Nominated Priority Places for Species at Risk (CNPPs). Together the CNPPs cover almost 20 million hectares and are home to more than 120 species at risk. The CNPP initiative supports coordinated, multi-partner initiatives to implement on-the-ground conservation actions in places where there are opportunities to protect and recover species at risk and their habitat through multi-species and ecosystem-based approaches.

Environmental Impacts and Social Co-Benefits of Priority Places and Community Nominated Priority Places

- Contribute towards recovery of species at risk and their habitat (measured by the number of species expected to benefit from conservation actions implemented, total hectares stewarded and secured).
- Advance partnerships and collaboration, including with Indigenous peoples (measured by the number and type of partnerships developed).
- Contribute to priority co-benefits such as contribution to achieving protection of 25 per cent of Canada's land by 2025 (measured by the number of hectares protected), provision of ecosystem services, climate change adaptation and mitigation and socio-economic benefits.

Legal Considerations

This Allocation Report does not constitute, or form part of, a prospectus or other offering document.

This Allocation Report is not, and should not be construed as, an invitation or offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities of the Government of Canada in any jurisdiction or an inducement to enter into investment activity.

For further information, please refer to the Government of Canada's Green Bond Framework and, in particular, the Disclaimer section at the end of the document.

Third-Party Verification



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Opinion

We have audited the schedule of allocation of green bond net proceeds of the Government of Canada (managed by the Department of Finance) as at 31 March 2022 and notes to this schedule (together "the schedule").

In our opinion, the schedule is prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the schedule.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Department of Finance in accordance with the ethical requirements that are relevant to our audit of the schedule in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Department of Finance to meet the allocation reporting requirements of the Green Bond Framework. As a result, the schedule may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter

Our audit was limited to the allocation of green bond net proceeds. The eligibility of green expenditures, under the Green Bond Framework, and ensuring the amounts allocated have been used for eligible programs were not within the scope of our audit and accordingly we do not express an opinion thereon.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Government of Canada Green Bond Allocation Report, but does not include the schedule and our auditor's report thereon.

Our opinion on the schedule does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the schedule, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the schedule or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Schedule

Management is responsible for the preparation of the schedule in accordance with the basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Department of Finance's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Finance's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read "Normand Lanthier". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Normand Lanthier, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
26 January 2023

**Schedule of Allocation of Green Bond Net Proceeds (\$ million)
As at March 31, 2022**

Net Proceeds from March 22, 2022 green bond issue	4,992.50
Allocation to Eligible Green Expenditures:	
2 Billion Tree Program	66.59
Agricultural Clean Technology Program	20.63
Agricultural Climate Solutions	2.10
Agricultural GreenHouse Gases Program	8.68
Canada Greener Homes Grant Initiative	26.91
Canadian Forest Service Scientific Program	98.75
Capital Facilities and Maintenance Program - Other Community Infrastructure and Activities - Energy	37.65
Capital Facilities and Maintenance Program - Other Community Infrastructure and Activities - Structural Mitigation	43.63
Capital Facilities and Maintenance Program - Solid Waste Management	54.07
Capital Facilities and Maintenance Program - Wastewater	272.19
Clean Energy for Rural and Remote Communities (CERRC)	105.28
Clean Fuels Fund Program	10.38
Climate Change Preparedness in North	26.77
Disaster Mitigation and Adaptation Fund	86.97
ecoENERGY for Renewable power program (ecoERP)	95.37
Electric Vehicle and Alternative Fuel Infrastructure Deployment Initiative	53.97
Emerging Renewable Power Program (ERPP)	90.99
First Nation Adapt	25.92
Food Waste Reduction Challenge	5.06
Forest Innovation Program	85.92
Green Construction through Wood (GCWood) Program	24.00
Green Infrastructure Program - Electric Vehicles Infrastructure Demonstrations	28.59
Green Infrastructure Program - Energy Efficient Buildings RD&D	17.34
Habitat Conservation and Protection	346.33
Incentives for Zero-Emission Vehicles Program	505.97
Indigenous Community-Based Climate Monitoring	17.29
Investing in Canada Infrastructure Program - select Public Transit projects	405.02
Investments in Forest Industry Transformation Program	81.48
Living Laboratories Initiative	14.35
Low Carbon Economy Fund	177.49
Marine Conservation Targets	43.20
Northern REACHE	20.47
Pacific Salmon Strategy Initiative	15.40
Réseau express métropolitain (REM)	651.30
Smart Grid Program	57.25
Smart Renewables and Electrification Pathways Program (SREPs)	103.83
Species at Risk	150.00
Strategic Innovation Fund (SIF)	44.67
Sustainable Development Technology Canada (SDTC) - SD Tech Fund	328.19
Zero-Emission Bus Initiative	0.75
Zero-Emission Vehicle Infrastructure Program	41.98
	<hr/>
Total allocated net proceeds	4,292.73
Unallocated net proceeds as at March 31, 2022	<hr/> 699.77

Notes to the Schedule of Allocation of Green Bond Net Proceeds

1. Background

On March 3, 2022, the Government of Canada published Canada's Green Bond Framework (the Framework) which aligns with Canada's climate and environmental priorities and identifies expenditures that are eligible for allocation ("Eligible Green Expenditures") to issued green bonds ("Green Bonds").

The Department of Finance is responsible for the issuance of Green Bonds and the management of the Green Bond net¹⁰ proceeds. The Green Bond proceeds are deposited to the Government of Canada's Consolidated Revenue Fund and managed in the same way as funds raised through conventional Government of Canada debt issuances. On an annual basis, the Department of Finance will monitor the level of realized Eligible Green Expenditures via a virtual register and determine the allocation of the Green Bond net proceeds towards Eligible Green Expenditures.

2. Basis of Accounting

The Schedule of allocation of green bond net proceeds presents the allocation of Green Bond net proceeds to Eligible Green Expenditures that occurred as at March 31, 2022, including the unallocated amount.

For each green bond issuance, Eligible Green Expenditures are limited to federal Government expenditures of relevant departments, agencies and Crown corporations occurring no earlier than two fiscal years prior to the issuance, the fiscal year of issuance, and no later than two fiscal years following the fiscal year of issuance ("Eligible Expenditure Window"). The Department of Finance seeks to allocate at least 50 per cent of the net proceeds to Eligible Green Expenditures related to the fiscal year of issuance or two fiscal years following the fiscal year of issuance, subject to expenditure availability, target issuance size, and other considerations.

On an annual basis, the allocation is reviewed to determine if any changes are necessary. If any expenditure has been cancelled, postponed, or is otherwise no-longer eligible, the Department of Finance intends to replace such expenditure with another Eligible Green Expenditure.

¹⁰ Net proceeds result from the deduction of issuance fees, including syndication fees, from the total proceeds of the bond.

ANNEX A - Detailed Allocation of Net Proceeds (Unaudited)

Table of Allocations

			Allocated Amount (\$CAD million)			
Name	Category	Description	2019-20	2020-21	2021-22	Total
Investments in Forest Industry Transformation Program	Circular Economy Adapted Products, Production, Technologies and Processes	Funding to support studies and capital investment projects of new and innovative bioeconomy products and processes for the forest industry at the pre-commercialization stage for a sustainable forest sector.	18.47	13.75	49.26	81.48
Green Construction through Wood (GCWood) Program	Circular Economy Adapted Products, Production, Technologies and Processes	Funding to support decarbonization of the Canadian built environment through use of wood as a low-carbon building material.	6.46	6.68	10.86	24.00
Food Waste Reduction Challenge	Circular Economy Adapted Products, Production, Technologies and Processes	Funding to support new innovations and solutions that can help address the problem of food waste and loss across the food supply chain, thereby reducing the associated economic, environmental, and social costs of food waste.	0.29	1.88	2.89	5.06
Forest Innovation Program	Circular Economy Adapted Products, Production, Technologies and Processes	Funding to accelerate the research, development and technology transfer activities to develop new high-value and low-carbon wood-based bioproducts for the Canadian forest sector.	32.95	22.81	30.16	85.92
Incentives for Zero-Emission Vehicles Program	Clean Transportation	Funding to provide point-of-sale purchase incentives for eligible zero-emission vehicles. This program is aimed at increasing the adoption of more affordable zero-emission vehicles by helping to offset the higher purchase price associated with these cleaner vehicles.	170.94	91.31	243.72	505.97
Investing in Canada Infrastructure Program - select Public Transit projects	Clean Transportation	Financing for the construction, expansion, and improvement of public transit infrastructure.	10.80	127.43	266.79	405.02
Réseau express métropolitain (REM)	Clean Transportation	Financing to help support the construction of a new automated light-rail network serving the greater Montreal area.	513.00	138.30	0.00	651.30
Zero-Emission Bus Initiative	Clean Transportation	Financing to support upfront costs of Zero-emission buses for municipal transportation systems.	0.00	0.00	0.75	0.75

Zero-Emission Vehicle Infrastructure Program	Clean Transportation	Funding to address the lack of zero-emissions charging and refueling stations in Canada by supporting the installation of stations throughout the country.	1.72	10.36	29.90	41.98
Electric Vehicle and Alternative Fuel Infrastructure Deployment Initiative	Clean Transportation	Funding to support the establishment of a coast-to-coast network of fast chargers along the national highway system, natural gas refueling stations along key freight corridors and hydrogen refueling stations in major metropolitan areas.	22.08	10.23	21.66	53.97
Green Infrastructure Program -Electric Vehicles Infrastructure Demonstrations	Clean Transportation	Funding to support the demonstration of next-generation and innovative electric vehicle charging and hydrogen fueling infrastructure.	10.31	6.01	12.27	28.59
Disaster Mitigation and Adaptation Fund	Climate Change Adaptation	Funding to strengthen the resilience of Canadian communities through investments in public infrastructure projects, including natural infrastructure projects.	10.86	32.77	43.34	86.97
Capital Facilities and Maintenance Program - Other Community Infrastructure and Activities - Structural Mitigation	Climate Change Adaptation	Funding for structural mitigation projects and adaptation measures in First Nations communities, in response to a changing climate.	15.23	10.74	17.66	43.63
Indigenous Community-Based Climate Monitoring	Climate Change Adaptation	Funding for Indigenous communities to monitor climate and the effects of climate change on their communities.	6.50	4.19	6.60	17.29
First Nation Adapt	Climate Change Adaptation	Funding for First Nation communities on-reserve to assess climate change impacts on infrastructure and disaster risk reduction.	10.00	5.82	10.10	25.92
Climate Change Preparedness in North	Climate Change Adaptation	Funding for climate change adaptation projects in Yukon, Northwest Territories, Nunavut, Nunavik and Nunatsiavut.	12.00	6.07	8.70	26.77
Agricultural Clean Technology Program	Energy Efficiency	Funding to support businesses and other organizations develop and adopt clean technology that will reduce GHG emissions and support other environmental benefits in Canada's agriculture and agri-food sector.	1.19	4.67	14.77	20.63

Canada Greener Homes Grant Initiative	Energy Efficiency	Funding to provide homeowners grants of up to \$5,000 to make their homes more energy efficient and resilient. These retrofit grants are supported by a home energy evaluation for which the program will provide a grant of up to \$600 to undertake.	0.00	0.75	26.16	26.91
Green Infrastructure Program - Energy Efficient Buildings RD&D	Energy Efficiency	Funding to support the development and implementation of building codes for existing buildings and new net-zero energy-ready buildings through RD&D initiatives.	5.25	3.95	8.14	17.34
Agricultural Climate Solutions	Living Natural Resources & Land Use	Funding to support collaborative research (farmers and scientist) in the development of new agricultural practices and technologies with the goal to reduce GHG emissions from the agricultural sector, and sequester carbon in the soil and to provide other environmental benefits related to soil health and water.	0.00	0.00	2.10	2.10
Agricultural Greenhouse Gases Program	Living Natural Resources & Land Use	Funding to support research into the development of new agricultural practices and technologies with the goal to reduce GHG emissions from the agricultural sector and to provide other environmental benefits related to soil health and water.	5.67	3.01	0.00	8.68
Living Laboratories Initiative	Living Natural Resources & Land Use	Funding to conduct science in the agricultural landscape across rural communities to develop and implement new mitigation technologies and beneficial management practices that will improve the sustainability of the sector.	4.36	3.96	6.03	14.35
Canadian Forest Service Scientific Program	Living Natural Resources & Land Use	Funding to support the Canadian Forest Service science program. The program contributes to the scientific understanding of the complexity of forest ecosystems, including addressing climate change through designing and implementing climate change mitigation and advancing the understanding and practice of sustainable forest management.	33.58	24.49	40.68	98.75
2 Billion Tree Program	Living Natural Resources & Land Use	Funding to support tree planting projects in collaboration with governments and non-governmental organizations in Canada.	0.00	0.00	66.59	66.59

Habitat Conservation and Protection	Living Natural Resources & Land Use	Funding to secure, protect, connect, improve and restore ecologically sensitive habitat, including wetlands, to contribute to the conservation and protection of migratory birds, species at risk and other wildlife, and reduce GHG emissions.	92.20	93.93	160.20	346.33
Sustainable Development Technology Canada (SDTC) - SD Tech Fund	Multiple	Funding to support Canadian companies with the potential to become world leaders in their efforts to develop and demonstrate new environmental technologies that address climate change, clean air, clean water and clean soil.	131.49	105.47	91.23	328.19
Strategic Innovation Fund (SIF)	Multiple	Funding to support large-scale, transformative and collaborative projects that help position Canada to prosper in the global knowledge-based economy and moving towards Net Zero.	0.00	0.00	44.67	44.67
Capital Facilities and Maintenance Program - Solid Waste Management	Pollution Prevention & Control	Funding to support First Nations to develop sustainable waste management systems through modern infrastructure, operations, training and partnerships.	14.70	22.43	16.94	54.07
Low Carbon Economy Fund	Pollution Prevention and Control	Funding to support projects that help to reduce Canada's GHG emissions, generate clean growth, build resilient communities, and create good jobs for Canadians.	71.05	46.56	59.88	177.49
Capital Facilities and Maintenance Program - Other Community Infrastructure and Activities - Energy	Renewable Energy	Funding for renewable power projects to ensure First Nations communities have reliable and sustainable energy to operate community infrastructure.	10.10	8.70	18.85	37.65
Northern REACHE	Renewable Energy	Funding for renewable energy and efficiency projects, and related capacity building in Yukon, Northwest Territories, Nunavut, Nunavik and Nunatsiavut.	4.80	3.57	12.10	20.47
Clean Fuels Fund Program	Renewable Energy	The Clean Fuels Fund is an investment of \$1.5 billion over five years to de-risk the capital investment required to build new or expand existing clean fuel production facilities (including facility conversions).	0.00	0.00	10.38	10.38
Smart Renewables and Electrification Pathways Program (SREPs)	Renewable Energy	Funding to facilitate the replacement of fossil-fuel-generated electricity with renewables that can provide essential grid services while supporting Canada's equitable transition to a Net Zero economy.	0.00	0.00	103.83	103.83

Clean Energy for Rural and Remote Communities (CERRC)	Renewable Energy	Funding for projects which reduce reliance on fossil fuels for heat and power in Indigenous and Remote communities.	35.96	20.64	48.68	105.28
ecoENERGY for Renewable power program (ecoERP)	Renewable Energy	Funding for an incentive program per kilowatt hour of electricity produced from renewable energy projects over a ten year period.	70.15	25.22	0.00	95.37
Emerging Renewable Power Program (ERPP)	Renewable Energy	Funding to increase the portfolio of renewable energy resources and technologies available to provinces as they decarbonize their electricity grids.	45.75	22.75	22.49	90.99
Smart Grid Program	Renewable Energy	Funding to support promising, near-commercial smart grid technologies and the deployment of integrated smart grid systems, increasing energy efficiency and integration of renewable power sources.	25.87	13.46	17.92	57.25
Capital Facilities and Maintenance Program - Wastewater	Sustainable Water & Wastewater Management	Working in partnership with First Nations communities, funding supports improved wastewater infrastructure on reserve.	88.73	41.68	141.78	272.19
Species at Risk	Terrestrial & Aquatic Biodiversity	Funding to provide for the recovery of extirpated, endangered or threatened wildlife species, and manages species of special concern to prevent them from becoming endangered or threatened. This includes activities aimed at protecting species at risk and their critical habitat, as well as developing and delivering stewardship programs and actions to achieve conservation objectives.	39.80	33.60	76.60	150.00
Marine Conservation Targets	Terrestrial and aquatic biodiversity	Funding to support establishing new federal marine protected areas and other effective area-based conservation measures, such as marine refuges to meet the Government's commitments to conserve 25 per cent of its oceans by 2025 and 30 per cent by 2030.	4.30	2.50	36.40	43.20
Pacific Salmon Strategy Initiative	Terrestrial and aquatic biodiversity	Funding to conserve and restore Pacific salmon populations and their ecosystems.	0.00	0.00	15.40	15.40
		Total	1,526.56	969.69	1,796.48	4,292.73

ANNEX B – List of Departments Participating in the Interdepartmental Green Bonds Committee

The Interdepartmental Green Bond Committee (IGBC) is currently comprised of representatives from:

- Finance Canada (Co-Chair)
- Environment and Climate Change Canada (Co-Chair)
- Natural Resources Canada
- Innovation, Science and Economic Development
- Infrastructure Canada
- Agriculture and Agri-food Canada
- Transport Canada
- Public Safety Canada
- Fisheries and Oceans Canada
- Indigenous Services Canada
- Crown-Indigenous Relations & Northern Affairs Canada
- Canada Infrastructure Bank

Other departments, agencies and Crown Corporations may be added to the IGBC as required.

In accordance with the Green Bond Framework, the IGBC supports Finance Canada and Environment and Climate Change Canada with:

- Implementation and maintenance of the Green Bond Framework
- Identification, evaluation and selection of Eligible Green Expenditures for Green Bond proceeds
- Identification of potential expenditures for Green Bond proceeds
- Allocation and management of the Green Bond proceeds
- Annual Green Bond reporting on the allocation and environmental impact of the net proceeds

Canada 