



Dutch State Treasury Agency  
*Ministry of Finance*

# HSBC AAA Issuer and Investor Summit

Dutch State Treasury Agency

The reopening of the Green Dutch State Loan (DSL) 2040 through a Dutch Direct Auction (DDA) on 14 June 2022

Latest update: 10 May 2022





# The Netherlands & the Green DSL 2040

## Creditworthy issuer

- › Highest creditrating (Aaa/AAA/AAA)
- › Strong economic recovery from pandemic and 3.6% GDP growth projected for 2022
- › Solid budget: EMU-debt well below 60% GDP

## Strong green credentials

- › Updated Green Bond Framework designed to jointly comply with the [EU Taxonomy](#), the [ICMA 2021 Green Bond Principles](#) and the [CBI Climate Bonds Standard](#)
- › Ambitious climate commitment: aim for 60% emissions reduction in 2030
- › [Priority allocations](#) to identified Green Investors via the Investor Letter







# 1. Climate Outlook



# Climate change is already affecting the Netherlands

- › Average yearly temperature **increased 1.1°C** between 1961-1990 and 1991-2020 and there has been an **8% increase in precipitation** over the same period\*
- › Severe weather conditions are occurring more often (both precipitation and drought)
  - Example: floodings in Limburg in July 2021
- › As a **country mostly below sea level**, more than 50% of the country is vulnerable to flooding
- › Measures already taken:
  - [Room for the River](#) programme
  - [Delta Works](#)

\*Source: The Royal Netherlands Meteorological Institute (KNMI) (2021), Klimaatsignaal '21 ([link](#), in Dutch)



# Climate mitigation is a policy priority

- › **New government** was appointed on 10 January 2022
- › Coalition agreement\* covers renewed ambitions for **climate policy** by adopting the targets set in the EU Green Deal:
  - Reduction in carbon emissions of at least 55% in 2030 (aiming for 60%), 70% by 2035 and 80% by 2040
  - Ambition to become **climate-neutral by 2050**
- › Appointment of **first ever minister for Climate and Energy Policy** (next to the minister for Economic Affairs and Climate)
- › Revision of climate policy expected to bring it in line with European '**Fit for 55**' package after adoption

\*Source: Coalition Agreement 'Looking out for each other, looking ahead to the future' ([link](#))



# New policies include the establishment of a Climate and Transition Fund and measures to reduce emissions

## Climate and Transition Fund

- › Fund of € 35 billion for the next 10 years
- › Additional to current Renewable Energy Grant Scheme SDE++
- › Fund will cover:
  - Investment in required energy infrastructure (electricity, heat, hydrogen and CO2)
  - Green industrial policy
  - Sustainable transport and built environment

## Reducing emissions

- › Increased supply of renewable energy by doubling the target for offshore wind generation from 11 to 21 GW in 2030;
- › Construction of a national hydrogen backbone to link five industrial clusters and neighbouring countries;
- › The implementation of a National Insulation Programme to insulate 2.5 million houses by 2030;
- › Binding, customised agreements with the 10 to 20 biggest emitters of greenhouse gases.





## 2. The Green DSL





# Green Bond Framework was updated in May 2022

The Framework aligns with best market practices

- › EU Taxonomy 2021 Delegated Act
- › Green Bond Principles 2021, as administered by ICMA
- › CBI Climate Bonds Standard Version 3.0

DSTA obtained a Second Party Opinion by Sustainalytics confirming the alignment of the Green Bond Framework with the above market standards and regulation







# The structure of the Green Bond Framework

## 1. Use of Proceeds

Four Green Bond Principles categories:

Renewable Energy	Clean Transportation
Energy Efficiency	Climate Change Adaptation & Water Management

## 2. Process for Evaluation & Selection

Interdepartmental Green Bond Working Group to conduct an annual evaluation

## 3. Management of Proceeds

Eligible Green Expenditures will be monitored via the National Financial Annual Report. The DSTA intends to allocate at least 50% of the net proceeds to expenditures in the budget year of issuance or future budget years and applies a look-back period of maximum two years. Full allocation targeted within two years after the issuance.

## 4. Allocation & Impact Reporting








Reporting annually until full allocation will be available on the [DSTA website](#)

## 5. External Reviews

Pre-issuance: SPO by Sustainalytics and Pre-Issuance certification by CBI  
Post-issuance: Verification by the Independent Central Government Audit Service and Verification of the alignment with the CBI Post-Issuance requirements by Sustainalytics.



# Eligible Green Expenditures included in the Framework

GBP Category and SDG's	Eligible Green Expenditures (Eligible expenditures in 2021 and 2022)	EU Taxonomy Economic Activity
<b>Renewable Energy</b> 	Expenditures to support the development of renewable energy generation capacity, limited to <b>solar energy, onshore and offshore wind energy</b> and the <b>construction of a national transport network for hydrogen</b> . (€ 1,312 mln.)	4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power 4.14. Transmission and distribution networks for renewable and low-carbon gases
<b>Energy Efficiency</b>  	Expenditures for the improvement of <b>energy efficiency in the built environment</b> . (€ 150 mln.)	7.2. Renovation of existing buildings
<b>Clean Transportation</b>  	Expenditures for the development, maintenance and management of <b>fully electrified railway infrastructure</b> (including rail, light rail, tram and metro), excluding dedicated freight railway infrastructure. (€ 4,414 mln.)	6.13. Infrastructure for personal mobility, cycle logistics 6.14. Infrastructure for rail transport 6.15. Infrastructure enabling low-carbon road transport and public transport
<b>Climate Change Adaptation &amp; Sustainable Water Management</b>  	Expenditures under the Dutch Deltaprogramme to ensure <b>flood risk management, freshwater supply and spatial planning</b> will be climate-proof and water-resilient. (€ 2,402 mln.)	5.1. Construction, extension and operation of water collection, treatment and supply systems





## Case Study Energy Efficiency

### Abolition of Landlords' tax

- Landlords are making more than 45,000 social homes more sustainable
- Upgrade of at least 3 label steps, and to a minimum of EPC label B to ensure an improvement in primary energy demand of at least 30%
- € 150 mln. in 2021



# The Eligible Expenditures align with the EU Taxonomy, for certain Eligible Expenditures there are no TSC yet

- › Sustainalytics assessed the alignment of the use of proceeds criteria with the EU Taxonomy. Sustainalytics could map Eligible Expenditures to eight EU activities. These eight all fully align with the applicable Technical Screening Criteria and Do No Significant Harm Criteria.
- › Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.
- › For Studies 'Wind op Zee' and certain expenditures under the Deltafund such as flood risk management there are no TSC yet. According to Sustainalytics, this does not infer that such expenditures do not contribute to climate change mitigation and still have a positive environmental impact.





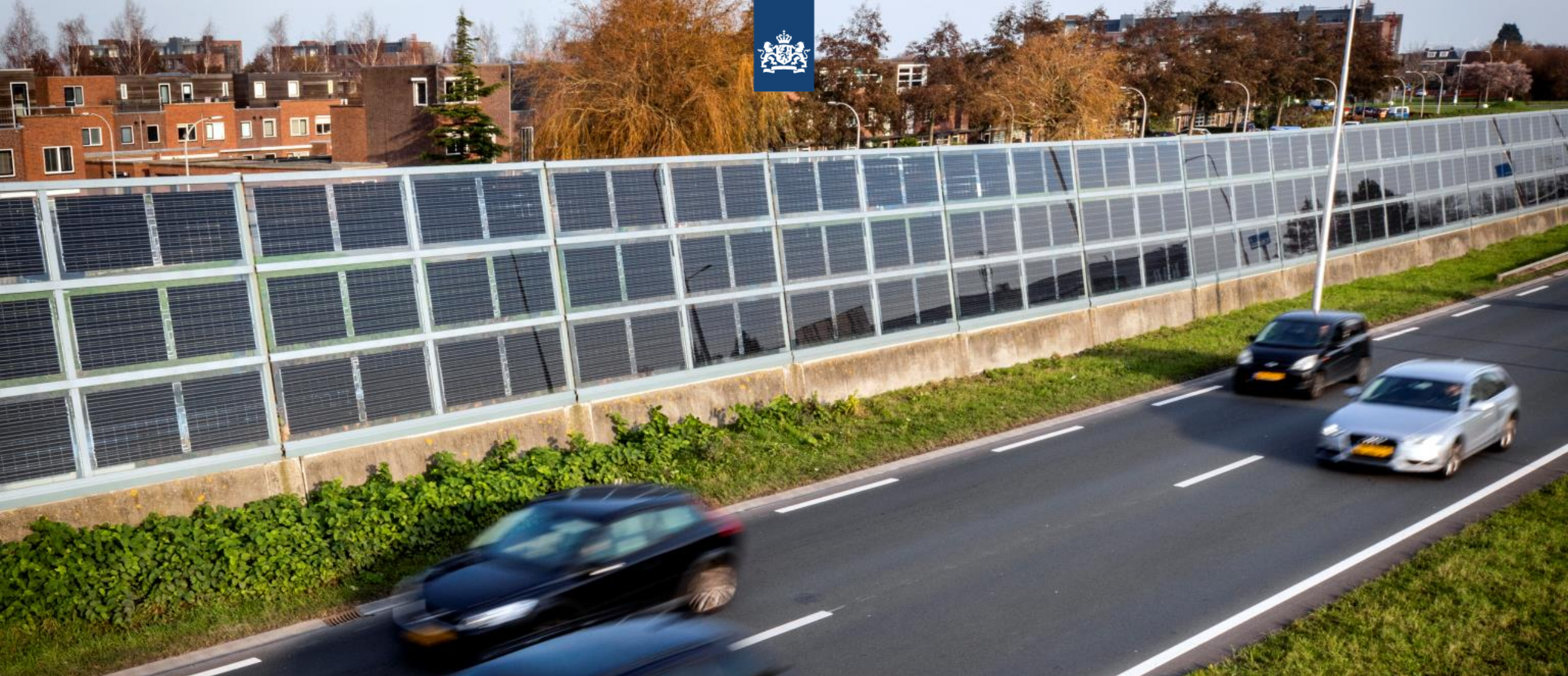
# Reporting will be in line with the objectives set out in the EU Taxonomy

- › Allocation and impact reports will be published the year following the issuance or re-opening of a Green Bond on the [DSTA website](#)
- › The impact report will be based on existing publicly available reporting of the results and impact of Eligible Green Expenditures

## Anticipated impact indicators

- Specific results (e.g. total number of projects)
- Environmental impact indicators (e.g. avoided CO<sub>2</sub> emissions)
- Climate change related impact indicators for the Netherlands (e.g. percentage of renewable energy production)
- The DSTA also strives to provide social impact metrics to illustrate the expected social benefits generated by the Eligible Green Expenditures when feasible and relevant (e.g. number of beneficiaries)
- When feasible, an estimation of adverse environmental and social impact related to the Eligible Green Expenditures will be provided.





## 3. Economic Outlook





## The economy recovered strongly from the pandemic

% change compared to same period last year	2019	2020	2021	2022*	2023*
GDP	2.0	-3.8	4.8	3.6	1.7
Consumption (households)	0.9	-6.6	3.5	4.7	1.5
Consumption (government)	2.8	1.0	7.1	1.7	2.6
Investments	7.7	-5.4	-2.0	5.4	4.4
Imports	3.2	-5.5	5.2	5.5	5.5
Exports	2.0	-4.8	6.9	4.9	4.3

Source: CPB, March 2022 ([link](#))

\* Forecast by CPB, March 2022



# Risks to the outlook, but mitigating factors exist

## RISKS

### **Tight labour market**

- › Mismatch between vacancies and skills of unemployed, shortages in multiple sectors

### **High inflation**

- › Levels of inflation were already high as a result of the pandemic

### **War in Ukraine**

- › Sanctions are further driving up inflation, leading to a decrease in purchasing power
- › The Dutch economy is relatively sensitive to trade distortions in Europe. However, Ukraine and Russia are no big trading partners

## MITIGATING FACTORS

### **Resilient financial landscape**

- › The Dutch economy and financial sector are able to absorb macroeconomic shocks

### **Strong fundamentals**

- › Recovery from pandemic shows resilience of the Dutch economy

### **Solid budgetary position**

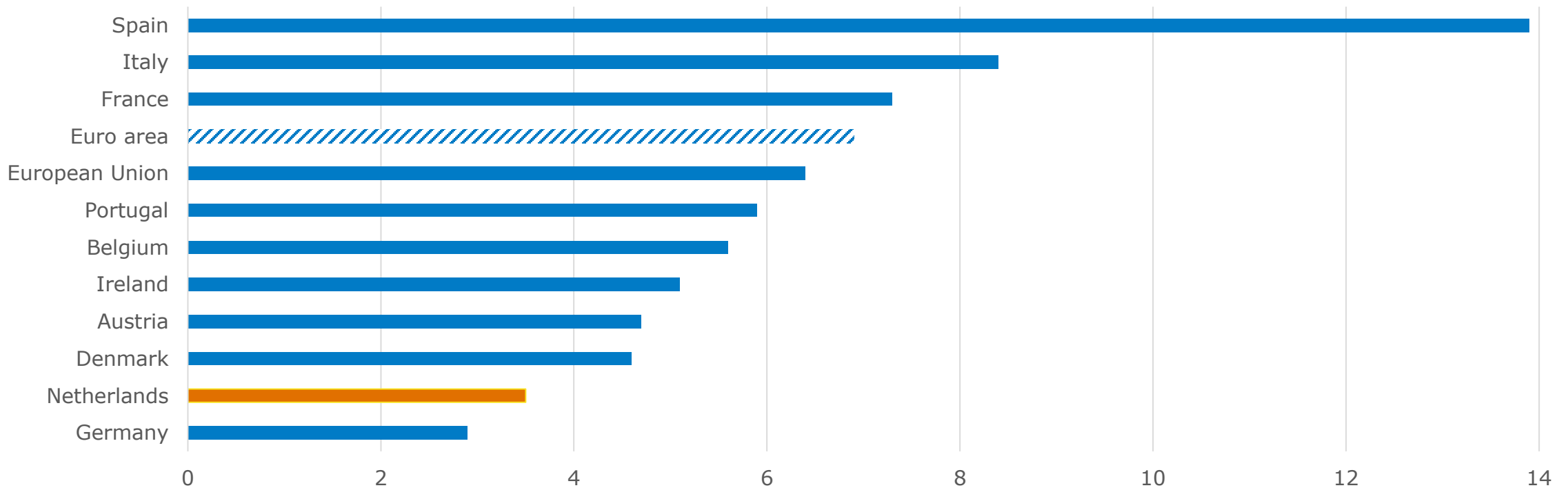
- › Current budgetary position leaves room for relevant interventions





# Labour market in the Netherlands is historically tight

Unemployment rate March 2022 (in %)

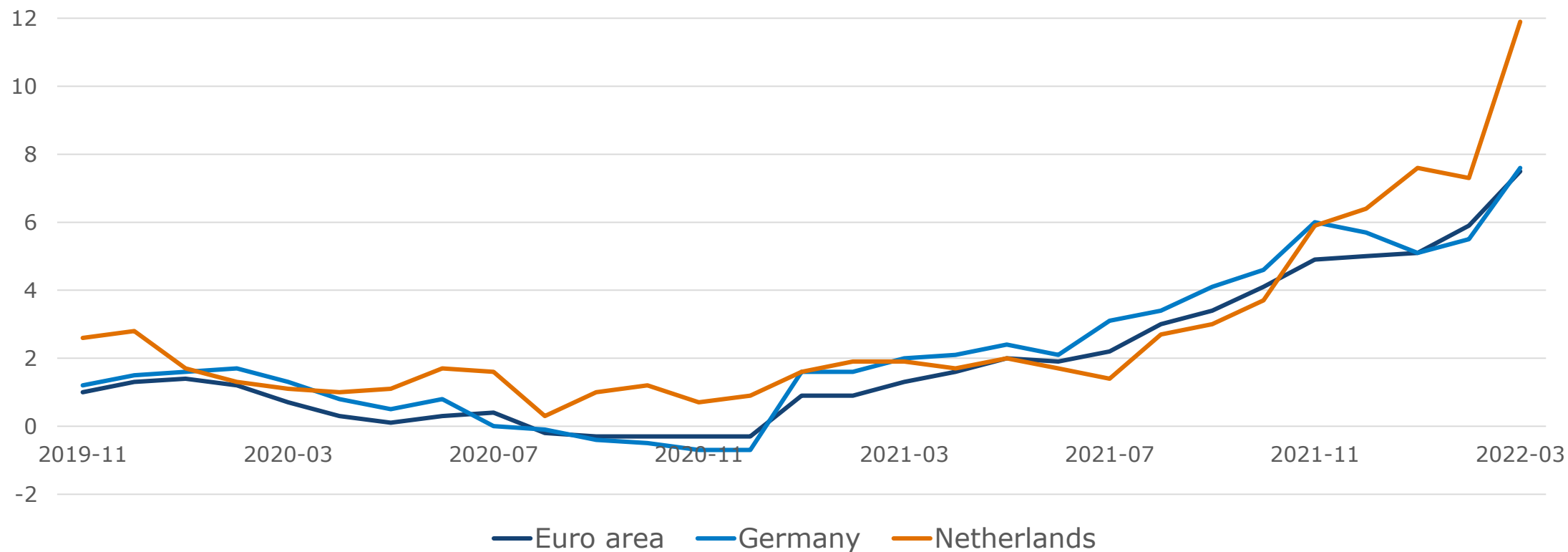


Source: Eurostat, April 2022 ([link](#))



# Dutch inflation strongly affected by rising gas prices

Inflation, HICP annual rate of change (in %)



Source: Eurostat (2022) HICP – monthly data (annual rate of change) ([link](#))





## 4. Budgetary Outlook



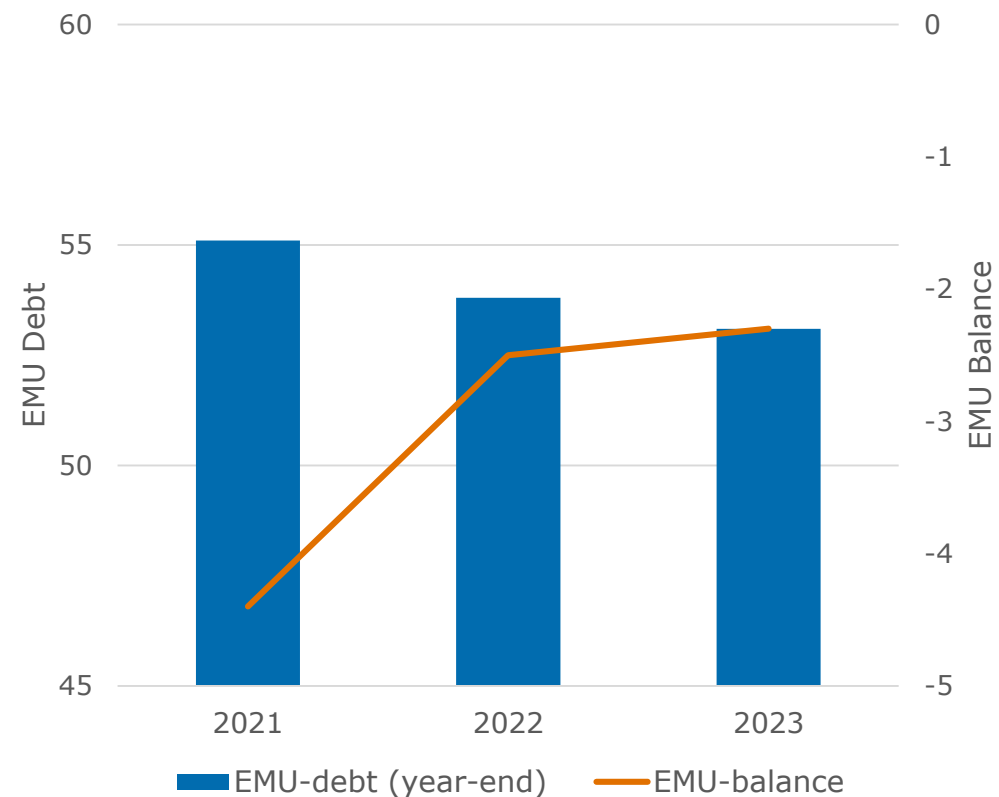




## Debt to GDP remains well below debt ceiling

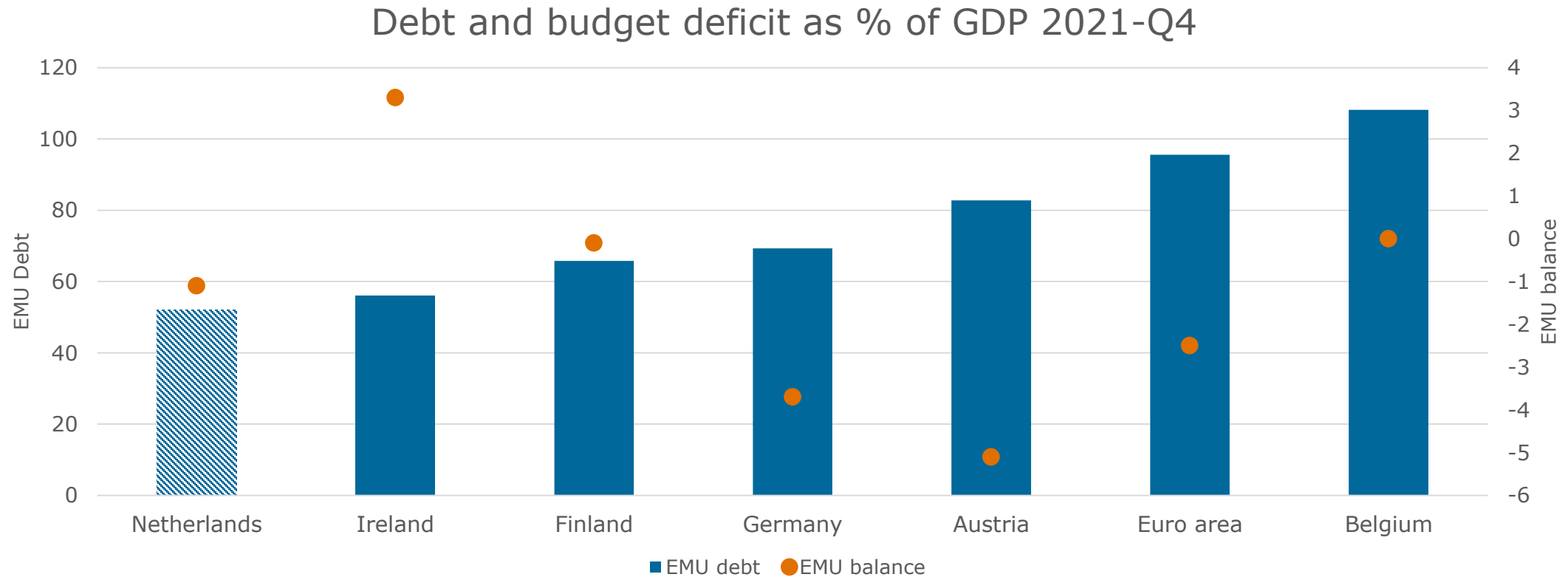
Fiscal position remains strong after large amount of pandemic related budget support

in % of GDP	2021	2022	2023
EMU-balance	-4,4	-2,5	-2,3
EMU-debt	55,1	53,8	53,1





## Low debt to GDP compared to peers



Source: Eurostat (2022) General government gross debt – quarterly data ([link](#))

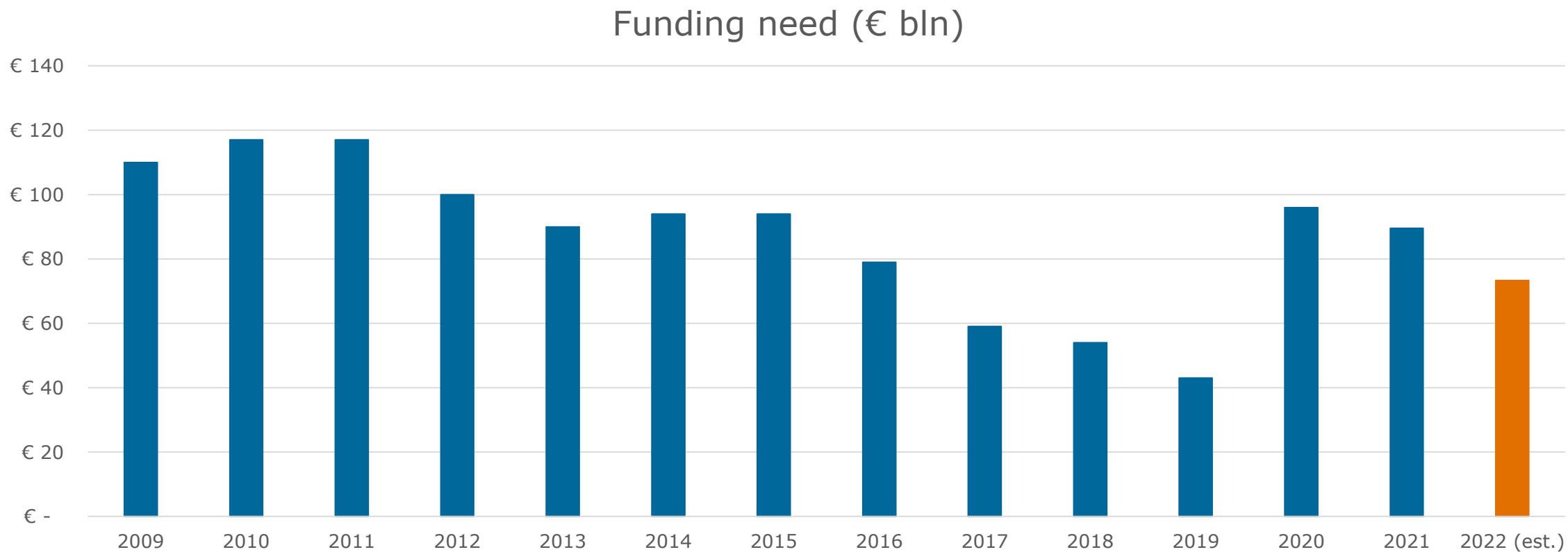




## 5. Funding and issuance



# Funding need 2022 lower than previous two years





## A closer look at the funding need

- › Funding need may increase due to extra government expenditures, such as:
  - Energy compensation measures;
  - Extra defense expenditures;
  - The Supreme Court decision that the Dutch tax authorities can no longer base the capital gains tax (the so-called 'box 3'-tax) on fictitious returns.
- › However, tax revenue remains robust
- › Final impact on funding need is subject to uncertainty

Funding need	Amounts (in € bn)
Capital market redemptions 2022	30.7
Money market ultimo 2021	19.3
Cash deficit*	23.3
<b>Total funding need 2022</b>	<b>73.3</b>

\* A cash deficit is shown as a positive number because it increases the total borrowing requirement





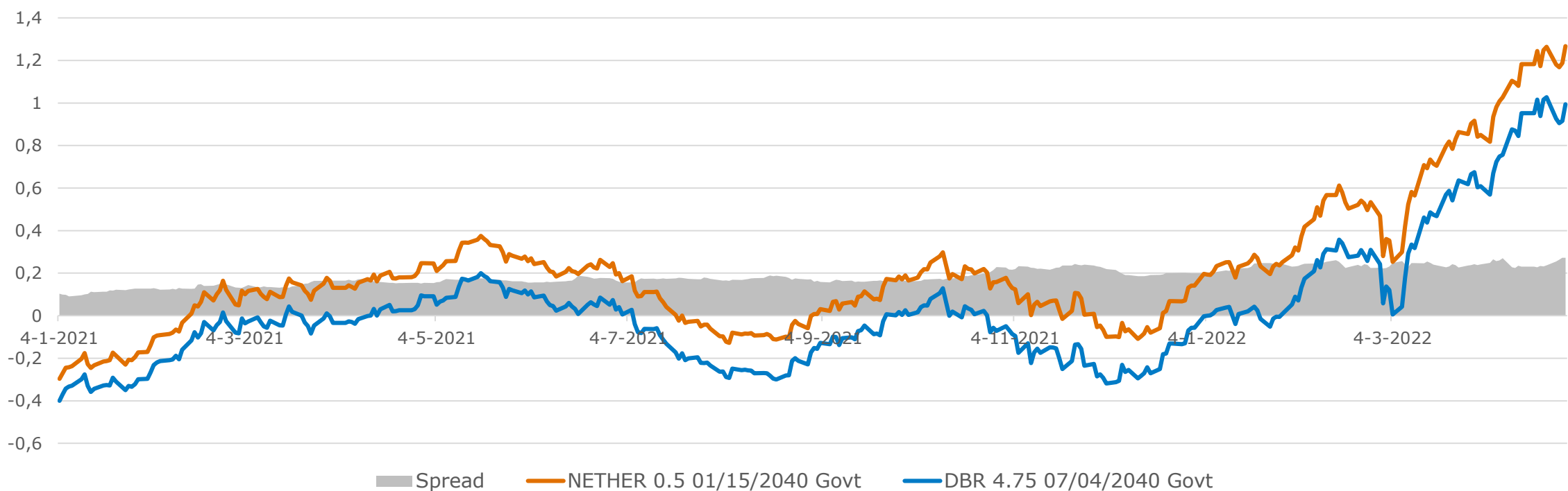
## DSL Issuance in 2022

- › Around €45 billion of capital market issuance in 2022
- › Consisting of:
  - Reopening of the Green DSL 2040;
  - Launch of a new 10-year benchmark bond (*launched on 15 February*);
  - Launch of a new 30-year benchmark bond;
  - Launch of a new DSL 15 January 2026 (*launched on 11 January*);
  - Tap auctions in on-the-run and off-the run DSLs.
- › So far the total amount raised on the capital markets is €23 billion



# Dutch yield spreads attractive vs. German bund

DSL 15 January 2040 vs. DBR 4 April 2040





## Auction details Green Dutch State Loan 2040

<b>Reopening Green DSL 2040</b>	
Auction date	Tuesday 14 June 2022, start 10:00 CEST
Maturity date	15 January 2040
Reference bond	DBR 4.75 % 4 July 2040
Target volume	€ 4 - € 5 billion
Current outstanding volume	€ 10.7 billion
Pricing	Aim to price on the auction day, but no later than 12:00 CEST on Wednesday 15 June
Settlement date	Two days after the issuance price is set
Coupon	0.50%
Initial spread guidance	To be announced on Monday 13 June 2022
Country rating	Aaa / AAA / AAA





## Time schedule DDA of Green DSL 2040

- › Book opens 10:00 CEST on Tuesday 14 June 2022
- › Final spread guidance will be announced no later than 15:00 CEST on the auction day
- › Book closes at the latest 17:00 CEST on the auction day
- › Allocation communicated as soon as possible after closing the book; preferably on the auction day but no later than 09:00 CEST the following business day
- › Pricing from 30 minutes after allocation and preferably on the auction day itself; but no later than 12:00 CEST the following business day