



GREEN BOND PROGRAM

June 2023

ECONOMIC OUTLOOK

- Inflation and rapidly rising interest rates have slowed economic growth in recent months.
 - Accordingly, economic activity in Québec is expected to slow from 2.8% in 2022 to 0.6% in 2023.
 - In Canada, real GDP growth is expected to be 0.8% in 2023 following a 3.4% increase in 2022.
- The year 2023 will represent a period of transition. Efforts to keep inflation stable and predictable will help restore an environment conducive to sustainable growth in 2023 and 2024, when real GDP growth is expected to be 1.4% in Québec.
- Following an average creation of 129 700 jobs in 2022 (+3.0%), 63 200 new jobs (+1.4%) are expected in 2023.
- The unemployment rate is expected to climb temporarily to an average of 4.6% in 2023, while still remaining close to the annual low of 4.3% recorded in 2022.

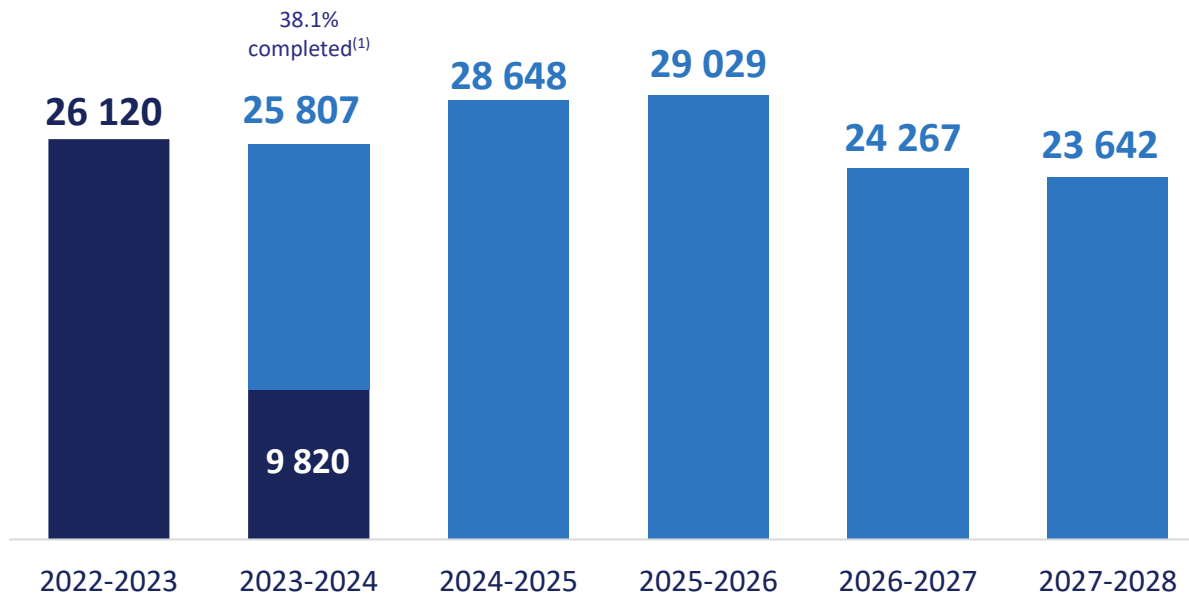
BUDGETARY SITUATION AND DEBT

- In accordance with the Balanced Budget Act, the government will eliminate the deficit over the next five years. Accordingly, the \$5.0 billion deficit projected for 2022-2023 will be gradually reduced at a rate of \$1 billion per year.
 - The financial framework provides for a contingency reserve totalling \$6.5 billion, including \$1.5 billion in 2023-2024, \$1.0 billion in 2024-2025 and 2025-2026, and \$1.5 billion in 2026-2027 and 2027-2028.
 - The return to a balanced budget is planned for 2027-2028.
- In view of the importance of continuing to gradually reduce the debt burden, the government announced a new debt reduction objective in Budget 2023-2024.
 - Net debt, which stood at 37.4% of GDP as at March 31, 2023, will gradually be reduced to a target of 30.0% of GDP within the next 15 years, that is, by fiscal year 2037-2038.

FINANCING PROGRAM

The government's financing program

(in millions of Canadian dollars)



Note: The fiscal year begins on April 1.

(1) As at June 8, 2023.

- The government's adjusted long-term [financing program](#) stands at CAD\$25 807 million in 2023-2024.
 - To date, we have borrowed \$9 820 million, which is equivalent to 38.1% of the financing program for the year.
- For the four subsequent years, the financing program is expected to reach, on average, \$26.4 billion annually.

BASES OF QUÉBEC'S GREEN BONDS

- To demonstrate its commitment to environmental protection and the development of the green bond market, Québec established a [Green Bond Program](#) in February 2017.
 - Québec updated its framework in July 2022.
- The program is based on the Green Bond Principles (GBP), a set of guidelines created to make the issuance, disclosure and reporting process more transparent.
 - Québec has been a member of the group that adheres to the GBP since October 2018.
- The Center for International Climate Research (CICERO) updated its independent opinion on Québec's new framework in August 2022.
 - The Québec Green Bond framework has obtained the highest rating, i.e., dark green.

The most recent version of [CICERO's second opinion](#) is available on the [Ministère des Finances website](#).

CHARACTERISTICS OF QUÉBEC'S GREEN BONDS

- Québec's Green Bonds are used to raise capital earmarked for specific projects that engender tangible benefits for Québec in the realm of environmental protection, greenhouse gas (GHG) emission reduction, or adaptation to climate change.
- Québec's Green Bonds display the same characteristics as conventional bonds from the standpoint of price, yield, maturity and credit ratings.
- They constitute valid Québec bonds and rank *pari passu* with each other and with all other debt issued by Québec.
- Bond holders do not assume any risk linked to the projects.

ISSUES OF QUÉBEC'S GREEN BONDS

- Since the Green Bond Program's inception in 2017, the Québec government has launched eight [Green Bond issues](#) for a total of CAD\$5.1 billion. It has committed to continuing to be a regular issuer on the green bond market and has launched:
 - a CAD\$500-million issue with a 5-year maturity (matured on March 3, 2022)
 - a CAD\$500-million issue with a 5-year maturity (matured on March 1, 2023)
 - a CAD\$800-million issue with a 5-year maturity (maturing February 22, 2024)
 - a CAD\$500-million issue with a 7-year maturity (maturing July 6, 2025)
 - a CAD\$500-million issue with a 7-year maturity (maturing February 13, 2027)
 - a CAD\$500-million issue with a 10-year maturity (maturing May 27, 2031)
 - a CAD\$1-billion issue with a 10-year maturity (maturing May 20, 2032)
 - a CAD\$800-million issue with a 10-year maturity (maturing November 22, 2032)

Québec expects to shortly launch a ninth Green Bond issue if market conditions allow.

QUÉBEC'S CREDIT RATINGS, STOCK EXCHANGE AND INCLUSION IN GREEN INDEXES

AGENCY	CREDIT RATING	OUTLOOK
Moody's	Aa2	Stable
Standard & Poor's (S&P)	AA–	Stable
Fitch Ratings	AA–	Stable
DBRS Morningstar	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AAA	Stable

STOCK EXCHANGE

Luxembourg Green Exchange (LGX) – Euro MTF Market

Note: The eight Green Bond issues are listed.

INCLUSION IN GREEN INDEXES

Bloomberg Barclays MSCI Green Bond Index

ICE BofA Merrill Lynch Green Bond Index

Solactive Green Bond Index

S&P Green Bond Index

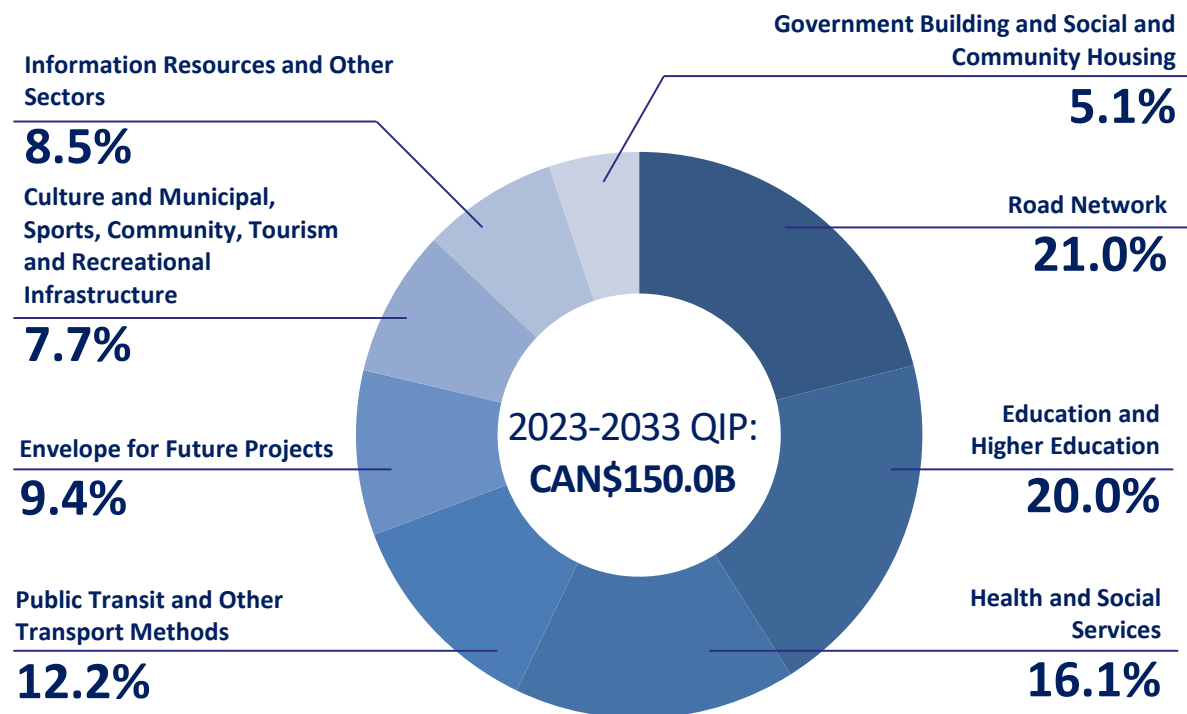
Note: The eight Green Bond issues are included.

FRAMEWORK

- Eligible green projects must fall into one of the following categories:
 - Clean Transportation
 - Green Buildings
 - Sustainable Water and Wastewater Management
 - Climate Change Adaptation
- The net proceeds for green bonds will not be allocated to projects linked to fossil fuel-based energy generation, nuclear energy generation, the weapons and defense industry, potentially environmentally harmful resource extraction (such as rare earth elements or fossil fuels), gambling or tobacco.

The ninth Green Bond issue should primarily finance Clean Transportation projects.

QUÉBEC INFRASTRUCTURE PLAN



- Eligible projects must be included in the Québec Infrastructure Plan (QIP).
- Exceptionally, projects not included in the QIP may be eligible if they are approved by the government and have already been taken into account in its financial framework.
- **Consequently, Green Bonds have no impact on Québec's debt reduction targets.**

PROJECT SELECTION PROCESS

- The Green Bond Advisory Committee (GBAC) chooses the eligible projects that meet the Québec government's rigorous standards and policies.
- The GBAC comprises representatives of government departments and bodies:
 - the Ministère des Finances (MFQ)
 - the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs
 - the Ministère des Transports et de la Mobilité durable
 - the Secrétariat du Conseil du trésor
 - the Société québécoise des infrastructures
- The GBAC evaluates and selects projects that are in line with the criteria set out in the use of proceeds section. Precisely, projects that are considered eligible are presented to the GBAC by the relevant partner – the organization which spearheads the project – so that all GBAC members can ask questions. The GBAC then votes for the selected project to be included in the eligible projects pool. The vote needs to be unanimous for a project to be included.
- During the funding process, the MFQ decides which projects included in the eligible projects pool by the GBAC will receive funding from a green bond issue.

USE OF PROCEEDS, TRANSPARENCY AND ACCOUNTABILITY

- An amount equal to the net proceeds from each Green Bond issue is credited to a designated account in order to track the use and allocation of funds related to the new financing or refinancing of eligible projects.
- The green bond's net proceeds can be applied towards new financing or refinancing of eligible projects with a look back period of up to 12 months.
- The net proceeds from green bonds are expected to be fully allocated to eligible green projects in the 12 months following an issue.
- Québec promotes its Green Bond program in a section of the MFQ website reserved for this purpose. Moreover, it publishes an annual information bulletin for investors.

The MFQ put its most recent Green Bond [information bulletin](#) online in August 2022.

- The most recent information bulletin summarizes the allocation of funds.

MARKETING STRATEGY

- The next Québec Green Bonds will be issued in Canadian dollars, as were the previous issues.
 - A domestic or “MTN CAN” (medium-term notes on the Canadian market) offering format will be used.
- To diversify its investor base, Québec will consider the entire array of investors but may give preference to those that have green or ESG (environmental, social and governance) mandates.
- The size and maturity of the bond issue will be determined according to demand and the availability of eligible projects.
- Québec may reopen this issue in the future.

POTENTIAL ALLOCATION OF FUNDS

- The next green bond issue is expected to primarily finance the following selected clean transportation projects:
 - [the new AZUR métro cars purchase](#)
 - [the Québec city tramway](#)
 - [the Bellechasse bus garage \(target: LEED Gold certification\)](#)
 - [the Réno-Infrastructures](#)
- Other projects that are eligible under the framework could also receive funds from the forthcoming issue.

To obtain information on all the eligible projects selected by the GBAC, please visit the [MFQ website](#).

POTENTIAL ALLOCATION OF FUNDS (cont.)

- As soon as the issue is closed, a minimum of \$453 million should be allocated to the following four projects:
 - a minimum of approximately \$330 million to the new AZUR métro cars purchase project
 - a minimum of approximately \$35 million to the Québec city tramway project
 - a minimum of approximately \$48 million to the Bellechasse bus garage project
 - a minimum of approximately \$40 million to the Réno-Infrastructures project

ALIGNMENT WITH THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

- Clean transportation projects are in keeping with the following United Nations sustainable development goals (SDGs):

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



- Green buildings projects related to public transit are in keeping with the following United Nations SDGs:

3 GOOD HEALTH AND WELL-BEING



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION





Photo: Société de transport de Montréal (STM)

ACQUISITION OF AZUR MÉTRO CARS

PROJECT – NEW AZUR MÉTRO CARS

DESCRIPTION

- The project involves the Société de transport de Montréal's (STM) acquisition of 71 AZUR trains (639 cars), 38 of which are to replace the 1963 métro cars (MR-63), 7 of which are to replace the 1973 métro cars (MR-73) and 26 are additional métro cars. These new cars feature leading-edge design and technology. Powered 100% by hydroelectricity, these new cars, manufactured with 60% Canadian content, will be 92.5% recyclable at the end of their useful life.



BENEFITS

- Improvement of the customers' transit experience (quality of the information provided, comfort, ventilation, safety)
- Expected gains in train performance and reliability
- Contribution to the métro's universal accessibility
- Major beneficial economic impacts for Québec

PROJECT – NEW AZUR MÉTRO CARS

MAIN SUSTAINABILITY-RELATED ADVANTAGES



Thanks to the AZUR cars, the STM aims to:

- reach 440 million public transit trips on its network by 2025;
- increase electric-powered travel on its network from 69.5% to 88.6% from 2015 to 2025;
- reduce greenhouse gas (GHG) emissions per passenger-kilometre by 6% between 2015 and 2025 (from 47.4 g of CO₂ eq. in 2015 to 44.7 g of CO₂ eq. in 2025);
- reclaim over 85% of the 8 200 tonnes of materials from the 333 MR-63 cars replaced;
- recycle the MR-73 cars (62 recycled cars and 1 car sold for a second life project).



QUÉBEC CITY TRAMWAY

Credit: Québec City.

PROJECT – QUÉBEC CITY TRAMWAY

DESCRIPTION

- The city of Québec is implementing the tramway, the biggest infrastructure project in its history. It reflects the priorities of the governments of Québec and Canada with respect to sustainable mobility. The tramway project will foster:
 - improved mobility
 - reduction of air pollution
 - stronger communities
 - economic growth
- Spanning 19.3 km, this modern, all-electric tramway will serve as the backbone of an enhanced public transit network throughout the city:
 - 29 stations, i.e., 5 transit hubs, 22 surface stations and 2 underground stations
 - a 1.8-km tunnel
 - 1 operations and maintenance centre



PROJECT – QUÉBEC CITY TRAMWAY

DESCRIPTION (cont.)

- Among public transit users, 82% will improve their travel time. With the tramway, there will be 10 million additional trips by public transport per year. As soon as the tramway arrives, a 30% increase in public transport trips is expected.
- The comfortable tramway will operate on a fixed schedule with frequent service. It will offer an attractive transportation solution that will alleviate road conditions, reduce environmental impact, and enhance the quality of life of residents.
- The Québec city tramway will be integrated into the proposed Réseau express de la Capitale (REC) and service offerings of the future Réseau de transport de la Capitale (RTC).
- The tramway is also intended to allow citizens from outlying areas to integrate the public transport network before entering areas with high congestion, by various means – Parc-O-Bus, eXpress service, Métrobus, tramway – while guaranteeing reliability, flexibility and speed of service to users.
- Depending on the sectors, the new network will thus capitalize on transportation solutions adapted to travel needs in the agglomeration.
- Preparatory work has been underway since 2020, construction work is scheduled for 2024 to 2029, and full operation of the tramway is scheduled for 2029.



PROJECT – QUÉBEC CITY TRAMWAY

BENEFITS

- Enhanced travel
 - Improved transportation offerings
 - Enhanced mobility and accessibility
 - Limitation of the deterioration in traffic conditions
- Substantial positive economic spinoff for the city of Québec
- An incentive for active transportation
- Improved urban infrastructure
- Contribution to quality of life through the redevelopment of public spaces and revegetation



PROJECT – QUÉBEC CITY TRAMWAY

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Reduction of 89 000 tonnes of CO₂ by 2041, i.e., 15 years after the tramway is put into service
- CO₂ capture due to reforestation
- Improved air quality
- Mitigation of heat islands in urban environments





BELLECHASSE BUS GARAGE (LEED)

Crédit photo : Société de transport de Montréal (STM)

LEED PROJECT – NEW BELLECHASSE BUS GARAGE

DESCRIPTION

- The Bellechasse bus garage will be the STM's first garage designed to be able to accommodate a fleet of 100% electric buses. This new centre will thus contribute to the Québec government's electrification plan.
- This project, as part of the STM's strategy to add 300 new air-conditioned hybrid buses to its fleet, announced in January 2018, will also allow an increase in the service offering.



In addition, the STM aims to obtain LEED (Leadership in Energy and Environmental Design) Gold level certification for this new building, one of the highest certifications in the industry, in order to meet sustainable development objectives.

LEED PROJECT – NEW BELLECHASSE BUS GARAGE

DESCRIPTION (suite)

- This bus garage will accommodate up to 250 buses-equivalent. The layout of the building will be planned to accommodate new technologies and therefore, allow the maintenance of all types of vehicles (standard, hybrid and electric). This concept of multistage underground building with indoor circulation will also reduce noise in the neighborhood.
- The innovative concept of the bus garage will improve working conditions and help improve the quality of life in the area. The administrative sections and certain zones dedicated to employees will be universally accessible.
- The end of the construction work for the building is currently scheduled for 2024.



LEED PROJECT – NEW BELLECHASSE BUS GARAGE

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Energy savings of more than 60% and reduction in GHG emissions of around 85% thanks to a high energy efficiency system
- Reduction of heat islands thanks to significant greening, part of which will be accessible to the public
- Reduction in drinking water consumption thanks to efficient equipment and the recycling of water from the bus wash
- Maximized diversion rate from the landfilling of construction, renovation and demolition residues/waste





Credit: Société de transport de Montréal (STM)

RÉNO-INFRASTRUCTURES

PROJECT – RÉNO-INFRASTRUCTURES

DESCRIPTION

- The Réno-Infrastructures program is aimed at to the replacement or refurbishment of the infrastructure related to the métro's network.
- This program, like the Réno-Systèmes program, aims to optimize investments by using them as levers to improve service quality and safety as well as the financial and operational performance of the Montréal métro network.
- The two projects are essential to maintaining the métro service and are therefore closely linked to the [AZUR métro car acquisition project](#), partly funded through Québec Green Bond issues.



PROJECT – RÉNO-INFRASTRUCTURES

ADVANTAGES – RÉNO-INFRASTRUCTURES

- Maintenance of the infrastructure's condition and reliability
- Maintenance of the métro network's availability and safety
- Improvement in universal accessibility
- Restoration of several works of art
- Upgrading of signage
- Upgrading of infrastructure



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