

NSW Sustainability Bonds

Sydney Water is playing its part to mitigate the impacts of climate change, protect and enhance our environment while shaping a low carbon, circular and sustainable water utility for future generations. To support this approach, Sydney Water has been a major participant in the multi-award winning NSW Sustainability Bond Programme (SBP) since its launch by the NSW Treasury Corporation (TCorp) in 2018. Eligible 'green' projects that Sydney Water has showcased through this programme include those that focus on renewable energy; energy efficiency; pollution prevention and control; sustainable stormwater management; climate change mitigation; and eco-efficient and circular economy adapted production technologies.

CLIMATE THEMES ADDRESSED



NET ZERO EMISSIONS



ENERGY MANAGEMENT



CUSTOMERS + COMMUNITY



ADAPTIVE PLANNING

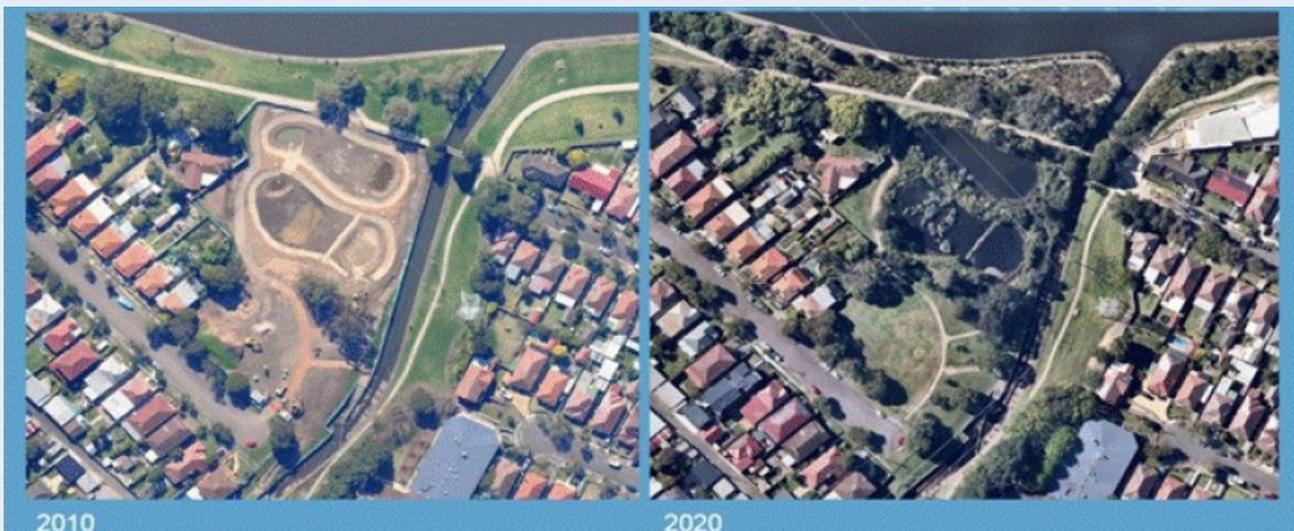


GREEN AND BLUE INFRASTRUCTURE



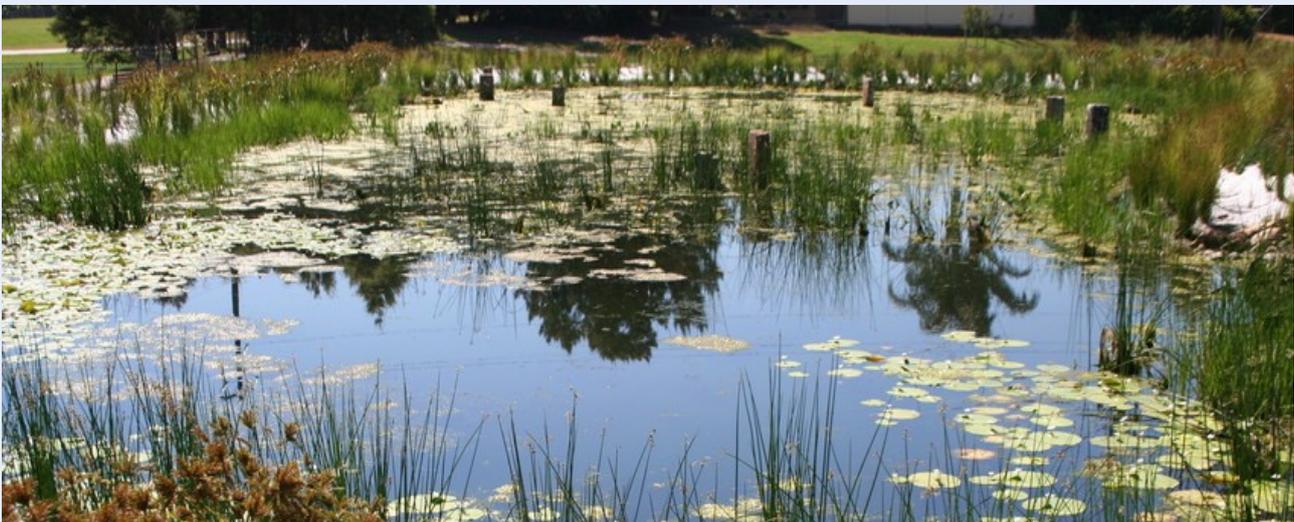
SUSTAINABILITY BONDS

FIGURE 53 Cooks River Naturalisation Project funded by TCorp NSW 2019 Sustainability Bonds



SOURCE Sydney Water

FIGURE 54 Cup and Saucer Creek wetland delivered as part of the TCorp Sustainability Bond issuance



SOURCE Sydney Water

Background

The first of its kind in Australia, the NSW SBP is underpinned by global standards including the Climate Bonds Initiative (CBI), the Green Bond Principles (GBP) and the International Capital Market Association (ICMA), and provides a mechanism for capital to flow more directly to projects which deliver positive environmental and social outcomes.

Assisting in the transition to an SDG-aligned and Net Zero carbon economy, Sydney Water has provided infrastructure to support the issuance of three bonds under the programme. The first \$1.8 billion record breaking Green Bond in 2018 was used in part to finance the Lower South Creek Treatment Program upgrades for sustainable water and wastewater management.

In 2019, the first Sustainability Bond (also \$1.8 billion) was issued, which included not only 'green' projects, but also a variety of clean transportation and social programs. Sydney Water were able to finance a suite of stormwater naturalisation and improvement projects through the Sustainability Bond.

Benefits to the utility, and to climate-related outcomes

Reimagining stormwater asset renewal through a naturalisation lens provided the opportunity for Sydney Water and investment partners to rethink the role water infrastructure can play through innovative, integrated design solutions. These natural capital or green assets also increase the lifespan of built infrastructure, improve resilience to climate change and produce a variety of co-benefits like reduced carbon emissions, recreational opportunities and habitat protection.

The key benefit for Sydney Water from participating in this type of financial instrument is to create more value for customers through new sustainable finance mechanisms and potential access to cheaper capital.

Other benefits of participating in the NSW Sustainability Bond Program for Sydney Water include:

1 Unlocking future opportunities in financing a net zero carbon economy as well as promoting an orderly transition from a linear to a circular economy.

This will be sought through partnerships and initiatives in the new Sydney Water Carbon Zero Plan and the Circular Economy and Resource Recovery Strategic Blueprint which set an ambitious direction to decarbonise operations and seek bold opportunities for value creation in many parts of our value stream.

2 Inspiring innovative cross-government solutions to NSW's most pressing environmental problems through the piloting of a new program to develop methodology that quantifies the value of natural capital and its benefits

The success of TCorp's Sustainability/Green Bond program led to the NSW Dept. Of Planning, Industry and Environment (DPIE) initiating the Recognising Natural Capital Program (ReNCaP).

ReNCaP is a new national initiative aiming to develop fit-for-purpose methodology to recognise natural capital in financial decision making and accounting. Linked to our transition with the circular economy, this will assist Sydney Water to assess the real value of the benefits of nature and the ecosystem services that nature provides that are not reflected in the current economic and monetary measures developed for the linear economy.

3 Improved integration of sustainability practices

This assists Sydney Water in the transition to an SDG-aligned and Net Zero carbon economy by contributing to global best practice in impact and outcomes measurement, reporting and transparent disclosure of sustainability outcomes.

4 Advancing sustainability and promoting investment in and development of infrastructure fit for the future whilst simultaneously achieving climate goals

This is being achieved by attracting new local and global investors which will assist in funding resilient water infrastructure in future and catalyse the market change towards a circular zero economy.