

Media Release

Green finance wave needed to address carbon targets, climate impacts, brown to green transition

New reports back accelerated green infrastructure investment through 2020s

LONDON: SYDNEY: 27/08/2019 00:00 AEST: Australia has maintained its top 3 position in the Asia Pacific region with AUD15.6bn of green bonds issued to end June, however is yet to take advantage of opportunities to accelerate domestic green infrastructure investment, the latest annual reports from the London based Climate Bonds Initiative reveal.

Launching in Sydney today, [Green Infrastructure Investment Opportunities Australia 2019](#) (GIIO) identifies a national pipeline of over 400 green infrastructure projects with investment potential. [Green Finance State of the Market Australia 2019](#) (SoTM) provides a detailed analysis of domestic green investment as of 30th June 2019.

The reports released today are the 2nd in Climate Bonds Initiative annual Australian series. They advocate increasing green investment in the real economy including use of green bonds and other green investment products.

The [GIIO report](#) backs new long-term partnerships between banks, superannuation funds, corporations and governments to address rising emissions, urban congestion and sustainability pressures. It calls for expanded green finance mechanisms and cooperation between the public and private sector to achieve more productive capital allocation into green infrastructure, with energy, transport, water, waste and buildings as the priority areas.

The report notes that despite some progress, sustained emissions reduction has not yet been effectively integrated into national infrastructure priorities. In the face of coming climate impacts the GIIO report supports strengthening adaptation and resilience factors in social, urban and economic planning, infrastructure design and operation.

The report suggests that building Australia's green finance capabilities would also support ASX listed companies in undertaking higher levels of green investment, critical to meeting increasing institutional investor expectations of brown to green transition and progress towards low carbon and ultimately zero carbon business models.

The [2019 GIIO](#) report also points to Australia's potential role as a leading green finance hub for Asia-Pacific in the 2020s and beyond, leveraging the green financial expertise of the banking sector and the ready capital and infrastructure investment capabilities of the superannuation sector, as nations in the region seek to meet their combined infrastructure, energy, development and climate goals.

Green Finance in Australia

[Green Finance State of the Market Australia 2019 \(SoTM\)](#) reports that cumulative domestic green bond issuance reached AUD15.6bn (USD11.6bn) as of 30th June 2019, placing Australia third in the Asia-Pacific region behind China (USD91.5bn) and Japan (USD12.4bn) and in front of South Korea at fourth (USD6.7bn) and Indonesia at fifth with USD4.0bn.

Australia is tenth overall in cumulative global green bond rankings as of 30 June 2019. Total domestic issuance to date includes 35 deals (some comprising multiple tranches), from 15 issuers.

Australia's annual green bond issuance in CY 2018 was AUD6.0bn, almost double the AUD3.3bn for CY 2017, placing Australia ninth in global rankings for the 2018 year. For the first six months to 30 June 2019 green bond issuance reached a healthy AUD3.9bn. Recent transactions in 2019 include Brookfield Australia (AUD880m) green loan, bonds from Woolworths Group (AUD400m) and green ABS from FlexiGroup (AUD91m).

On a cumulative basis, low carbon buildings dominate green bond allocations with approximately 43% share of use of proceeds. Energy follows with 25%, low carbon transport at 24%, water at 6% and waste at 2%. Green bonds are yet to be issued for other industry sectors including land use and ICT.

The five largest green bond transactions to date have been led by New South Wales TCorp AUD1.8bn (USD1.313bn), Queensland Treasury Corporation AUD1.25bn (USD892m), NAB EUR750m (AUD1.2bn) and Macquarie Group GBP500m (AUD883m).

SoTM notes that the domestic green finance market is an example of international best practice with ongoing commitment from the banking sector acting as an underlying driver of both market growth and innovation.

Australia's major banks have all issued green bonds sized at AUD500m or more, supported new issuers coming to market and the sector has achieved a series of world firsts that include a green note backed by a portfolio of loans, securitisations and green deposit products.

Low carbon buildings have been financed using green RMBS tranches and green loans. NAB subsidiary UBank & Westpac have both launched Certified green deposit products for investors that invest only in assets and projects that meet Climate Bonds Sector based criteria, both examples of world firsts.

The Australian market has one of the highest densities of Climate Bonds Certifications in the world - an additional indicator of best practice.

The market is also characterised by large scale green bond issuance from state government investment entities (TCV, QTC, NSW TCorp) with low-carbon transport (53%) and low carbon buildings (22%) dominating their green bond use of proceeds as of 30th June 2019. Since then, QIC has also issued an AUD300m Certified Climate Bond.

Despite issuance from banking/financials, property and retail, green issuance from ASX listed corporations remain a lagging indicator, when compared to the US and European markets.

Attributable Comments:

Christina Tonkin, Managing Director, Loans & Specialised Finance, ANZ:

"The Australian and New Zealand sustainable finance market is accelerating with the emergence of loans in both green and sustainability-linked formats. This follows the growth of green bonds over the last three to four years."

"The Australian market has developed in line with global best practice, showing diversity of product, transparency for investors and lenders, innovation in the use of proceeds and commitment to uphold market standards."

Andrew Hinchliff, Group Executive, Institutional Banking and Markets, Commonwealth Bank of Australia:

"We are committed to playing our role in limiting climate change and supporting Australia's transition to a low-carbon economy, but we can only do this by working closely with our customers, communities and industry partners. The Green Infrastructure Investment Opportunities (GIIO) Australia report will help us pursue our goals, by outlining the projects that will make a direct contribution to international climate targets and long-term environmental sustainability."

David Jenkins, Head of Sustainable Finance, Corporate & Institutional Banking, National Australia Bank:

"More and more investors are talking to us about climate resilience and how NAB can support the capacity of the financial sector to better support investments in climate resilient and green infrastructure. The 2019 GIIO report is an essential tool for our industry because it provides a snapshot of the many projects that governments, policy, makers and investors can direct capital towards."

Lyn Cobley, Chief Executive, Westpac Institutional Bank:

"Westpac recognises the transition to a net zero emissions economy cannot be achieved without the active support of major financial system actors. Banks, insurance companies and superannuation funds all have a vital role in ensuring investment flows towards the green infrastructure that will help reach this

goal. Accelerating green finance, including green bonds, green loans and green underwriting is increasingly the market mechanism to support this transition.”

Sean Kidney, CEO, Climate Bonds Initiative:

“Australia has both the opportunity and the capital to meet its green infrastructure challenges and create a climate ready, resilient and robust economy, fit for the future. Investing in low carbon transition will create jobs, boost productivity and economic growth and help Australia meet its international obligations.”

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Notes for Journalists:

About the Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in low-carbon economy. More information on [our website](#) here.

About the GIIO 2019 and SoTM 2019: Published by the Climate Bonds Initiative, production of [the Green Infrastructure Investment Opportunities Australia 2019](#) and the [Green Finance State of the Market Australia 2019](#) reports have been jointly sponsored by ANZ, Commonwealth Bank of Australia, NAB and Westpac.

GIIO Methodology: The GIIO report explores low carbon infrastructure opportunities on a sector-by-sector basis. It adopts as its base the 360 projects identified in the 2018 Australia GIIO report that could be considered green and qualify for refinancing, additional financing, or new financing, in the near- and medium-term future.

Projects identified are aligned with international definitions of green in provision of low carbon transport, renewable energy, sustainable water and waste management, and low carbon buildings.

The Climate Bonds [Taxonomy](#) was used to identify eligible green projects under these four sectors.

To help define the scope and volume of projects the following filters were also applied:

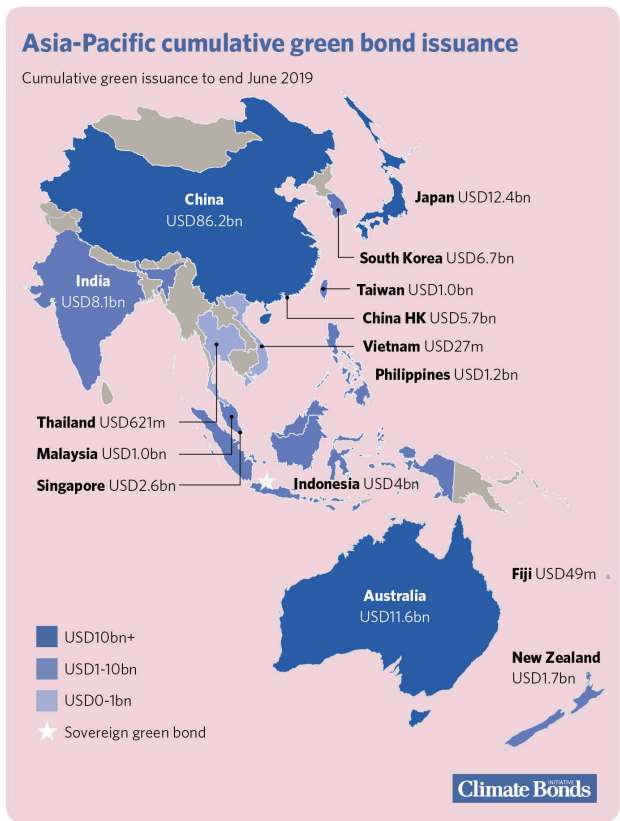
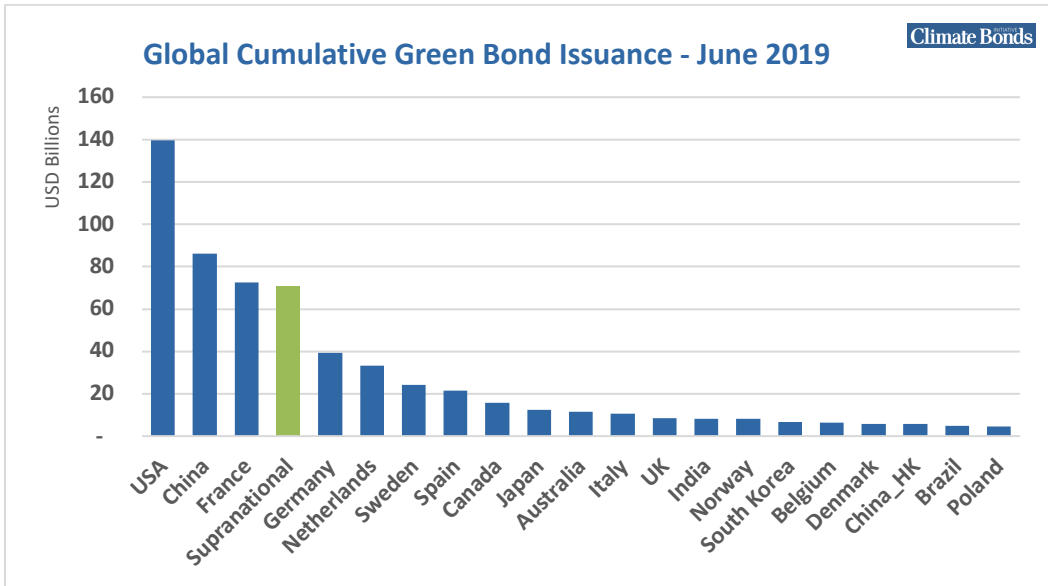
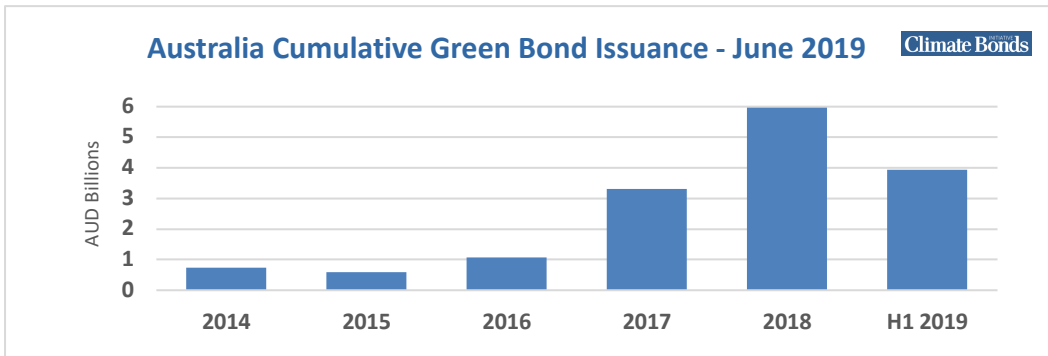
- For low carbon transport – mostly major projects valued above AUD100m
- For renewable energy – only renewable energy generation facilities above 50MW
- For sustainable water management – projects valued above AUD50mn
- For sustainable waste management – projects valued above AUD50m
- For low-carbon or green buildings – Six Star rated Green Star properties

In developing both 2019 reports, the Climate Bonds Initiative consulted with report sponsors ANZ, Commonwealth Bank of Australia, NAB and Westpac. Government, industry and financial sector bodies were also consulted.

We would also like to thank Cbus, the CEFC, the Green Building Council of Australia, GRESB, HESTA, IGCC, IFM Investors, and Responsible Investment Association of Australasia for their assistance.

Images / P4

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