

31 AUGUST 2017 • WORLD WATER WEEK • STOCKHOLM

INVESTING IN NATURE FOR RESILIENCE: INSURANCE VALUE AND THE BONDS MARKET

JOHN MATTHEWS • JOHOMA@ALLIANCE4WATER.ORG
AGWA: ALLIANCE FOR GLOBAL WATER ADAPTATION

Climate Bonds



NBS, BONDS & INSURANCE

- How do we ensure that nature-based solution (NBS) assets are credible as investments?
- ... and as ecological assets?
- How do we evaluate resilience?
- How do we finance NBS?

An aerial photograph of a large dam and reservoir. The dam is a long, curved concrete structure with several towers. The reservoir is a large body of water. The surrounding landscape is hilly and appears to be in a semi-arid region. A large green callout bubble is overlaid on the right side of the image, containing the text 'One approach to green infrastructure'.

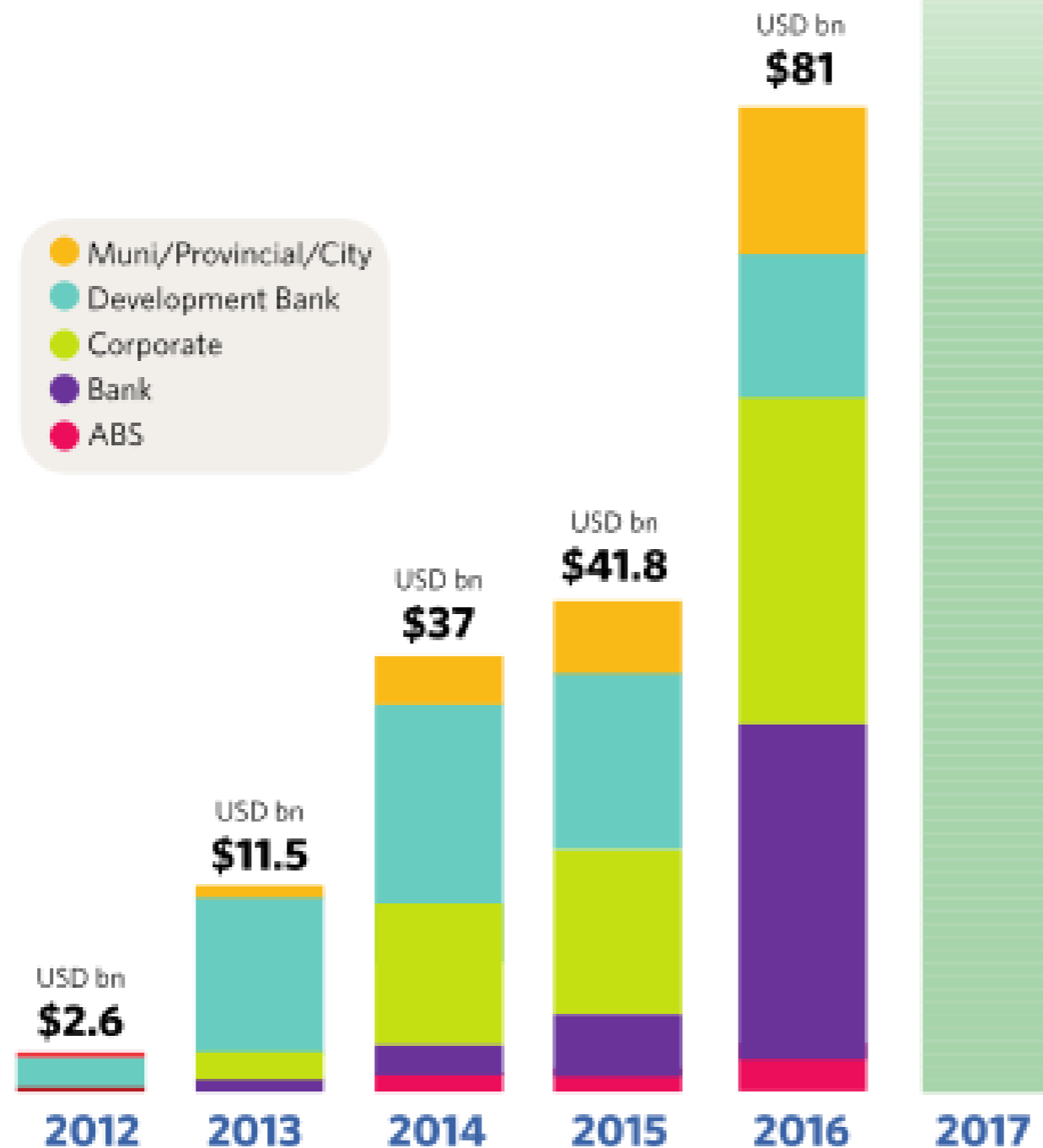
One approach to
green infrastructure

CLIMATE BONDS & CLIMATE FINANCE

- Bonds = loans
- Climate & Green Bonds date back to about 2007, with the European Investment Bank and World Bank
- Bonds from multilaterals can be formally counted as “formal” climate finance
- Private sector climate and green bonds are effectively “informal” climate finance; they do not track “additionality”



Green bonds rapid growth



BENEFITS

Issuers

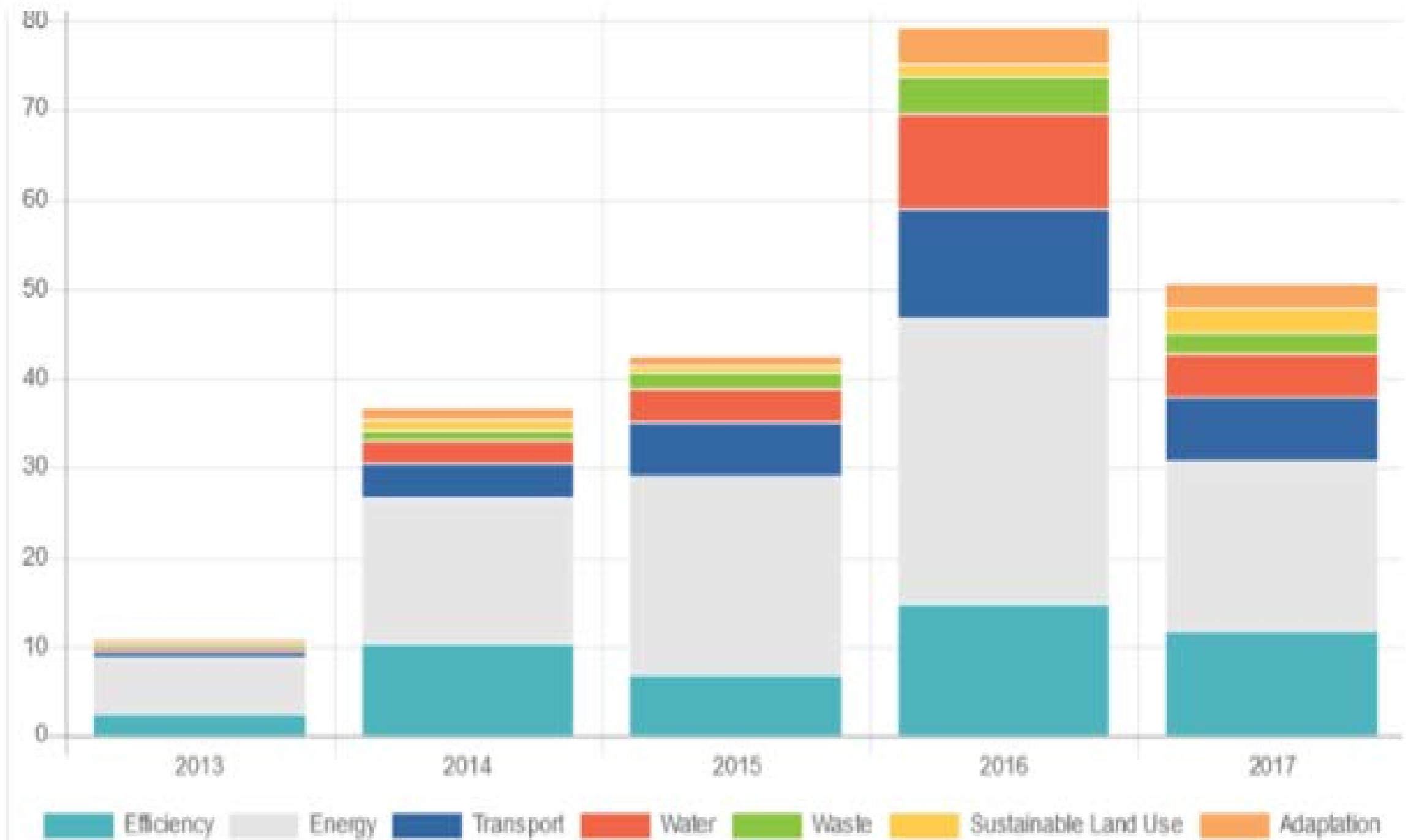
- Investor diversification
- Market positioning
- Pricing*

Investors

- Addressing climate risk
- Financial returns w/ environment benefits
- Secondary market value*

China went from zero to 40% of issuance in 2016

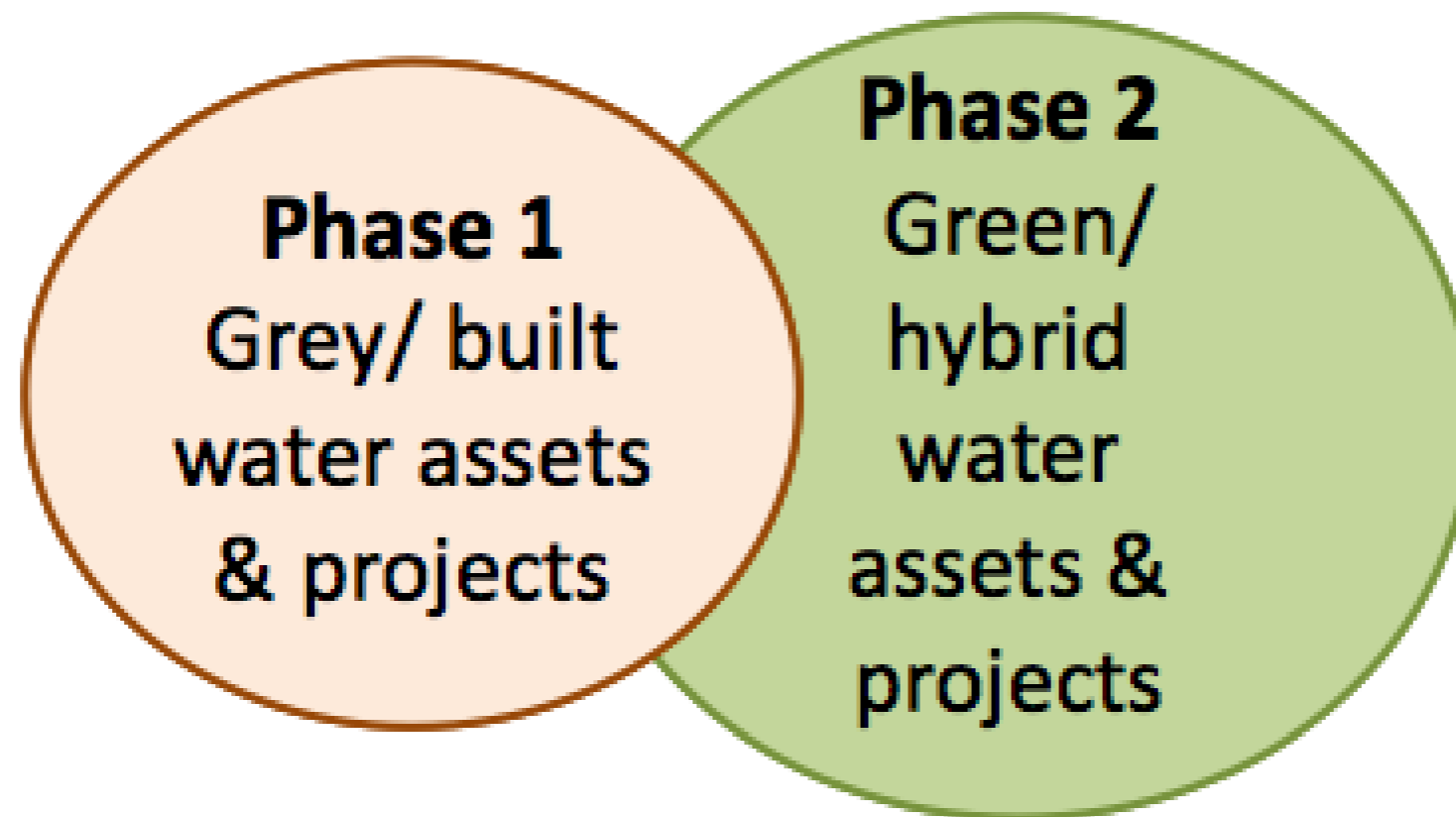
Green bonds breakdown by Sector



WATER CLIMATE BOND STANDARD: LAUNCHED 2016

CBS Water Criteria capture eligible assets and projects relating to freshwater and waste water capture, treatment and distribution (including sewage systems, water treatment plants, flood defenses, distribution systems etc)

This includes nature-based-solutions



WATER CLIMATE BOND STANDARD: INCORPORATING RESILIENCE?

- Requires completion of a vulnerability assessment, adaptation plan
- Criteria are scored against these prepared documents by the bond issuer, verified by an independent organization, then certified by the Climate Bonds board



Climate
Bond
Certified

What are Nature Based Solutions in the Water Space?

- Broadly defined as 'green' or hybrid green-grey solutions to water infrastructure
- Water NBS working group defined water infrastructure assets or projects that
 - Make use of existing ecosystems;
 - Restore existing ecosystems; and/ or
 - Use engineering to emulate ecosystem processes in some way, particularly when existing systems are degraded



WHAT IS A CREDIBLE NBS?

Condition 1

As a nature-based solution, the project reflects the intentional use of natural and/or nature-based features, processes, and functions as an integral part of addressing a human need and doing so in a manner that protects, manages, restores, and/or enhances natural features, processes, and systems in a functioning and sustainable manner.

Condition 2

Where feasible, the project prioritizes natural features over nature-based features. Such features include the protection, restoration, expansion, and/or creation of natural systems and processes as an explicit component of the desired project outcomes.

What have we seen so far?


Green bonds w/NBS features	Proceeds	USD	year	Rating
State of Massachusetts	River revitalisation, habitat restoration, wetland remediation	100m	2016	AA+
San Francisco Public Utility	Sewer system/green infra	240m	2016	AAA
Nordic Investment Bank	Waste water/biodiversity	500m	2014	AAA

ARTICLES GENERAL

Share 28 Tweet

San Francisco Makes History With New Water Bond

The city is leveraging the power of green bonds by issuing the first certified under the Water Climate Bonds Standard to help fund projects to repair the city's aging water infrastructure, including the stormwater and sewer systems.

Never miss an update. 

Sign up for our newsletter to receive weekly updates, special reports and featured insights as we cover one of the most critical issues of our time.

Enter your email address

THANK YOU!

JOHOMA@ALLIANCE4WATER.ORG

AGWA mailing list

<http://www.alliance4water.org/contact/>

Water criteria

<https://www.climatebonds.net/standard/water>

Climate Bonds

