



CLIMATE ADAPTATION FINANCE

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SOCIAL IMPACT

Australia is changing – fast. This brings about challenges, and also presents new opportunities for NAB to continue to drive change for good. We've set out four goals that we're tackling to drive positive change. We're working with our people, customers and communities to help move Australia forward.

WE WILL PAY PARTICULAR ATTENTION TO:



OUR GOALS



FINANCIAL HEALTH

Helping people reduce financial stress and feel more in control of their money.

Our priorities:

- Access to financial services
- Assisting customers experiencing vulnerability and hardship
- Building the financial health of our people and customers



STRONGER COMMUNITIES

Creating more sustainable, accessible and inclusive communities across Australia.

Our priorities:

- Affordable Housing
- Indigenous Business
- Supporting the for-purpose sector
- Diversity & Inclusion



BANKING ON NATURE

Driving investment in natural assets to improve the wellbeing of our communities.

Our priorities:

- Enhancing biodiversity and ecosystems
- Future-proofing Australian Agriculture
- Natural disaster recovery and resilience



CLIMATE ACTION

Working with communities to ensure they are more resilient to climate change, and supporting a low carbon economy

Our priorities:

- Clean energy
- Just transition to a low-carbon economy
- Climate Adaptation

HOW WE'RE MAKING CHANGE

GIVING STRATEGICALLY

We're partnering with organisations to maximise the impact of our volunteering, workplace giving and grants through the NAB Foundation.

ACTING RESPONSIBLY

We're minimising our environmental and social risk impacts, creating a diverse and inclusive workplace, and supporting people in times of need.

CREATING VALUE

We're finding new commercial opportunities that address the environmental and social challenges facing Australians today.



THE INVESTMENT LANDSCAPE

Growth in responsible investments

- In 2008, the World Bank issued the first Green Bond, with \$258bn issued in 2019, and 350bn expected in 2020
- A trend toward sustainable investing, with 980bn of total professionally managed AUM, representing with 44% of AUM in Australia

Investors now increasingly seeing adaptation and resilience as a growth opportunity

- Climate Bonds Initiative has created a framework to guide resilience investments, first 'resilience bond' issued by EBRD late last year
- The EU's Technical Expert Group is prioritising the development of guidance on investments in adaptation and resilience

NAB's position

- NAB has a leadership position in the green bond space – releasing the first commercial bank issued green bond in 2014 – we are exploring how we extend our leadership into resilience themed investments

The future

- A key resilience investment, adaptation infrastructure, presents significant growth potential and has been flagged as such by the likes of Macquarie, likening it to the beginning of the renewables investment wave

Barriers to private sector investment in resilience

- Shortfall of investable projects
- New governance arrangements required
- Data

NON-FINANCIAL BARRIERS

- Non-financial and financial (grants and rebates) support
- Template documents
- Guides, materials and tools
- Assistance on government subsidies and grants
- Forecast pricing for energy spot markets, energy efficiency and renewable energy certificates

INVESTOR CONSIDERATIONS



Market outlook



RISK



**Tax: Interest deductibility
and depreciation**



Cash flows of the project



Asset ownership



Debt or equity?



Social licence

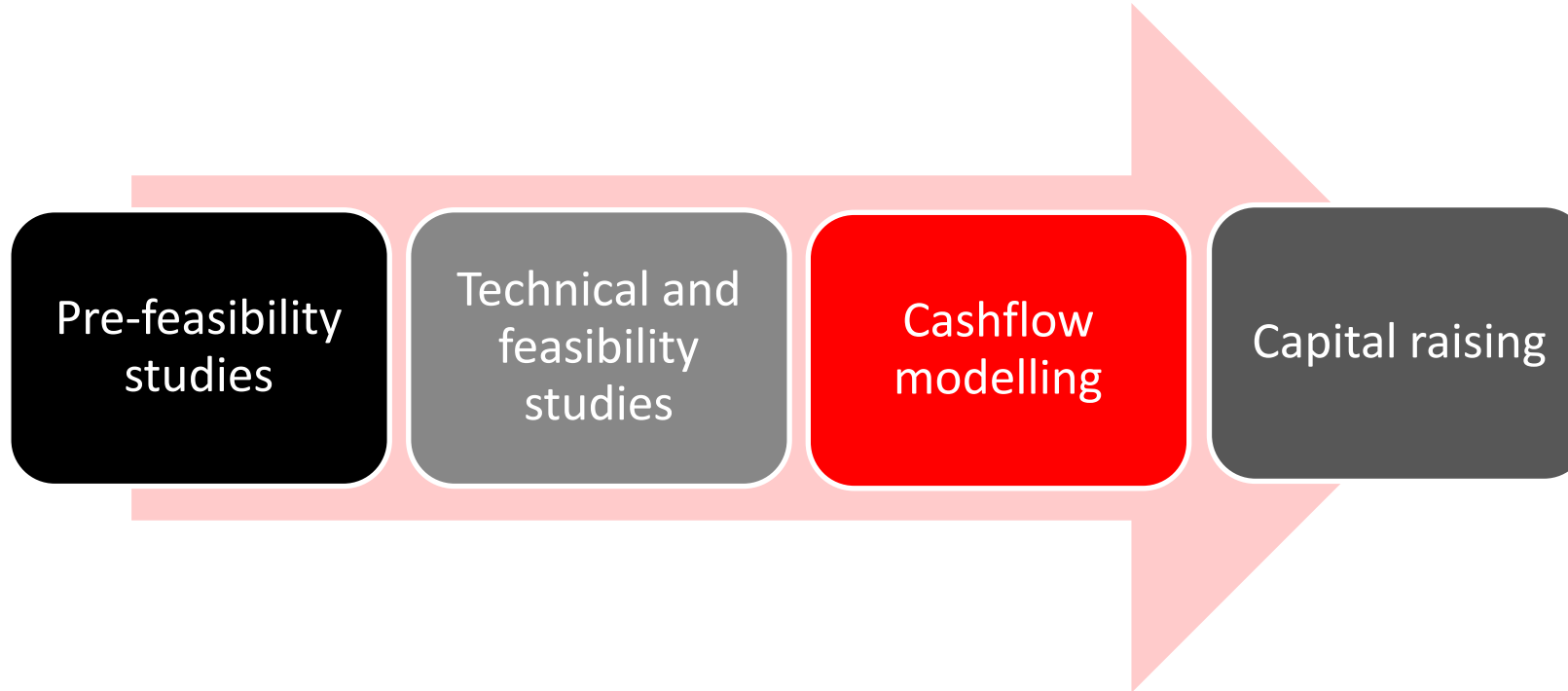


Finance exit clauses

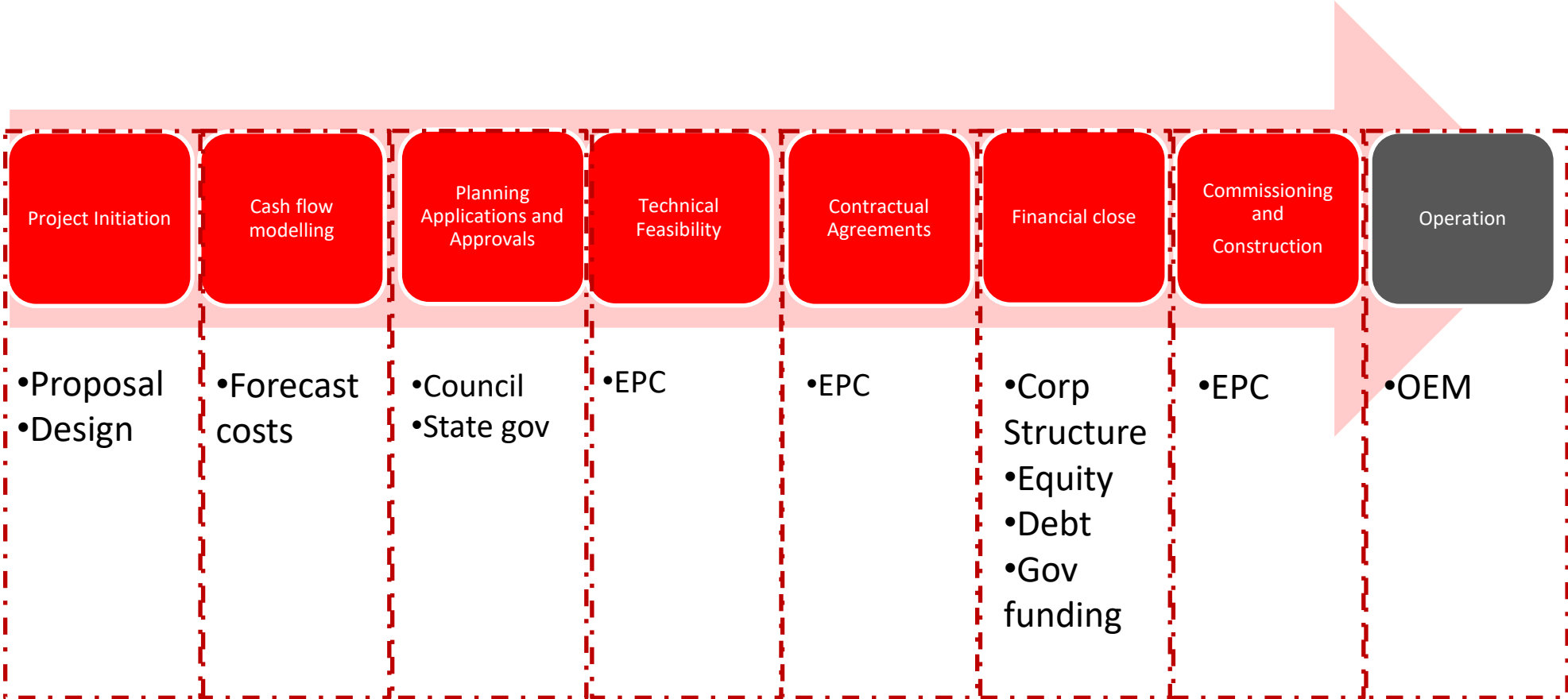
PROJECT ASSESSMENT

PROJECT ASSESSMENT PROCESS

- What type of climate adaptation project?
- What is the project solving?
- What are the main regulatory and commercial considerations to developing a project?
- Who are the stakeholders required to commission the project?
- What are the risks and how do you manage them?



PROJECT PROCESS

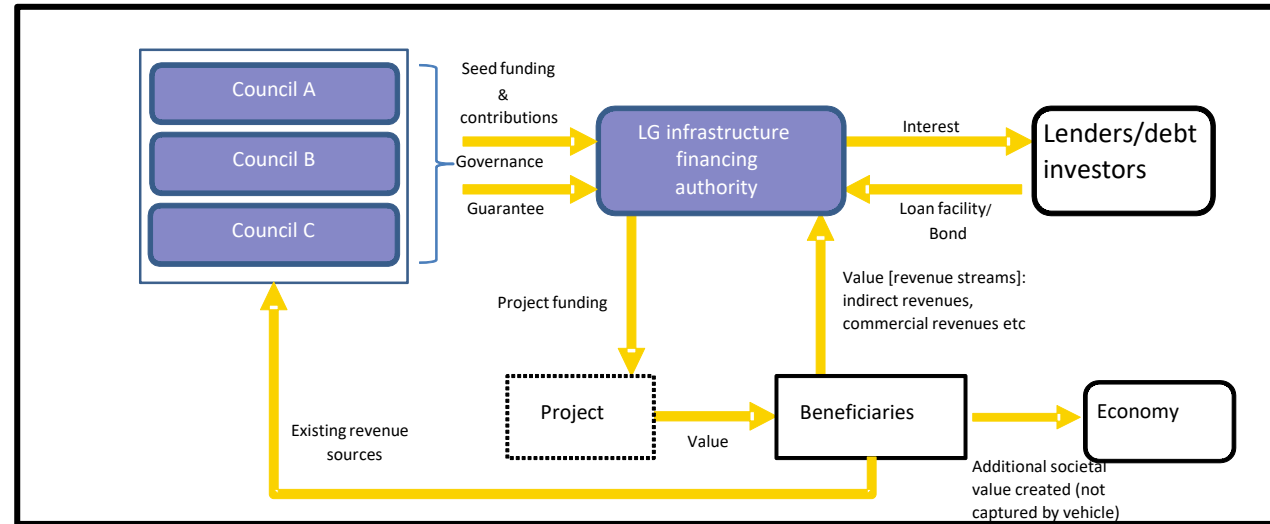


WHICH TYPE OF FINANCE?

	Size	Investors	Costs	Bankability	Time
Government Funding	Small (typically up to \$1 million)	Levels of government (local, state and federal)	Low. Resource costs	N/A	N/A
On-balance sheet finance	Medium	Bank partners	Interest costs	Revenue? Counterparty?	5-10 year finance
Project finance	Large \$50 million plus	Private and institutional investment	Lower interest costs Due diligence and contracts	Revenue?	5-10+ year finance

EXAMPLE OF FINANCING MECHANISMS

SPECIAL PURPOSE VEHICLE



EXAMPLE OF FINANCING MECHANISMS

PUBLIC PRIVATE PARTNERSHIP (PPP)

