

# Call for submission on adaptation actions and plans that could enhance economic diversification and have mitigation co-benefits<sup>1</sup>

We thank you in advance for filling out this template with concise, evidence-based information and for referencing all relevant sources. There are several sections in the template: please fill the sections that are relevant to the work of your government or organization. As you will see on the last page of the document, more detailed information on case studies, tools/methods and other knowledge resources for dissemination through the [Adaptation Knowledge Portal](#) is welcome, but optional.

## Name of the organization or entity:

Alliance for Global Water Adaptation (AGWA)

## Type of organization:

Please choose as appropriate:

- |  |   |
|--|---|
| <input type="checkbox"/> Local government/ municipal authority                                   | <input type="checkbox"/> Regional center/network/initiative         |
| <input type="checkbox"/> Intergovernmental organization (IGO)                                    | <input type="checkbox"/> Research institution                       |
| <input type="checkbox"/> National/public entity  | <input type="checkbox"/> UN and affiliated organization             |
| <input type="checkbox"/> <input checked="" type="checkbox"/> Non-governmental organization (NGO) | <input type="checkbox"/> University/education/training organization |
| <input type="checkbox"/> Private sector  |   |

## Scale of operation:

- |   |  |
|---|--|
| <input type="checkbox"/> <input checked="" type="checkbox"/> Global | <input type="checkbox"/> Regional      |
| <input type="checkbox"/> Local                                      | <input type="checkbox"/> Subregional   |
| <input type="checkbox"/> National                                   | <input type="checkbox"/> Transboundary |

## City(ies)/Country(ies)/Region/s of operation (if appropriate):

## Description of relevant actions/plans or research:

Please describe the actions or plans that your entity has implemented. In case your entity carried out research on such actions/plans, please describe them.

Since September 2014, AGWA has been a leading member of a consortium developing Water Sector Criteria for green bond certification. This is part of the broader Climate Bonds Standard and Certification Scheme from Climate Bonds Initiative. The work is comprised of two phases: Phase I focused primarily on screening grey (built) infrastructure projects and assets, while Phase II (currently underway) focuses on developing criteria for screening nature based green infrastructure for water projects and natural asset restoration and remediation.

---

<sup>1</sup> FCCC/SBSTA/2016/2, paragraph 15 (d)

### **Description of relevant tools/methods:**

*Please describe the tools and/or methods that have been developed and/or used.*

A clear understanding of what sorts of investments are consistent with improving the climate resilience of water assets will help bond investors quickly determine the environmental credentials of water-related green and Climate Bonds.

The Climate Bonds Standard and Certification Scheme is an easy-to-use screening tool that allows investors and intermediaries to assess the climate integrity of bonds. It provides a set of transparent, verifiable compliance measures that all Certified Bonds must meet. A key part of the Standard is a set of sector-specific eligibility Criteria that can screen assets and capital projects for the purposes of identifying and certifying only those that have climate integrity, either through their contribution to climate mitigation, and/ or to adaptation and resilience to climate change. AGWA has served as a leading member in the development of a Water Sector Criteria of green bond certification. Now, AGWA and partners are developing a second component of the Water Criteria focused on resilient nature-based solutions for water services.

This second phase of the Water Criteria extends the scope to incorporate nature-based solutions, which includes green and hybrid water infrastructure for such purposes as water collection, storage, treatment or distribution, flood protection, and drought resilience. This may include forests and wetlands that filter water, aquifers that store water for drinking or for flood control, and wetlands that attenuate storm surge or process wastewater effluent.

### **Key outcomes of the actions/plans undertaken:**

*Please provide information regarding the outcomes of the actions/plans described above, and also provide qualitative assessment and/or quantitative data to substantiate the information, if applicable*

Phase I Criteria were released in October 2016. Well over 1 billion USD have been issued against these criteria from the public utilities for San Francisco, USA, and Cape Town, South Africa, over the past calendar year. A detailed scoring guide was also developed to support the application of the criteria by issuers and verifiers. The second phase of work began in February 2016 and is nearing completion. Led by Climate Bonds Initiative (CBI), funded by the Rockefeller Foundation, and supported by dozens across the AGWA network, the second phase has divided into two teams: criteria for hydropower (especially with storage reservoirs), and criteria relevant to nature-based solutions (NBS). AGWA is involved in both components, but we are most engaged in the team for the NBS working group. The NBS criteria should go to public consultation soon and should be finalized and ready for full implementation by November 2017.

### **Description of lessons learned and good practices identified:**

*Please consider the following points when describing lessons learned and good practices: (a) effectiveness/impacts of the actions/plans (including measurability of the impacts), (b) efficiency in the use of resources, (c) replicability (e.g. in different locations, at different scales), (d) sustainability (i.e. meeting the current economic, social and environmental needs without compromising the ability to address future needs).*

Water-related investments account for an enormous part of the capital assets and capital demands of

developed countries, and are a huge part of investments being undertaken in developing economies. Often finance for these assets is raised through the bond market, where there is a new and growing market in 'green' or climate bonds. In the case of water infrastructure, as the global climate changes, drought, floods and other extreme weather conditions are likely to increase in frequency and severity, and water infrastructure will need to cope with more extreme and unpredictable weather patterns. Climate Bonds are marketed as investments that can deliver the necessary climate impacts in these respects. However, standards, assurance & certification will be essential to improved confidence and transparency in the climate impacts of these investments, which in turn will enable further strong growth in the market.

#### Description of key challenges identified:

*Please describe the key challenges associated with those actions/plans or the use of those tools/methods, that policy-makers, practitioners and other relevant stakeholders should know about.*

As of 2016 there are \$694bn (US) of climate-aligned bonds outstanding – an increase of \$96bn from last year. They are comprised of 3590 bonds from 780 issuers across climate themes. The labeled green bond market makes up \$118bn (17%) of the total. At the 2015 COP21 in Paris, 188 Parties presented their national plans to try to keep global temperature rise this century below 2 degrees Celsius. These plans will require a mix of public and private sector capital – especially the \$100tn institutional investor sector. Fortunately, at the same COP, institutional investors representing \$11.2tn undertook to work to grow a green bonds market; and the insurance industry reiterated its commitment to increasing by 2020 by a factor of 10 its climate smart investments. Simultaneously, interest is growing in climate-aligned investments from signatories of the Principles of Responsible Investment (1525 to date) as well as other investor groups. While this is encouraging, there is still an enormous need to scale up these types of investments – a challenge that must be addressed soon. According to the International Energy Agency (IEA), cumulative investment of \$53tn is required by 2035 in the energy sector alone while New Climate Economy estimates that \$93tn of investment is required across the whole economy by 2030. The growing green bond market, including the water sector, will continue to play an important part in this effort to meet climate objectives. Of the current mix of issued climate-aligned bonds, water only makes up 2.6% (\$18bn) of investments. Within the labeled green bond market, water represents a slightly larger proportion of 6.2% (\$7.4bn) according to CBI. This sector represents a potential area of growth in issuances. The Water Criteria of the Climate Bonds Standard provides the transparent and robust framework for that scaling up.

#### Planned next steps (as appropriate):

*Based on this experience or research, have next steps been planned to address/study some of the identified challenges, implement, scale up (e.g. from local to national context) or scale out (e.g. from one country to another) such actions/plans?*

Phase II of the Water Criteria is expected to go to public consultation by the end of September. All of the Climate Bonds sector specific eligibility criteria are subject to a period of public consultation before they can be put to use certifying bonds. During public consultation, comments are welcomed on the drafts in order to produce a standard that the market accepts. After public consultation and revisions based on comments, Phase II is expected to launch by the end of 2017. Green bonds for projects using nature-based solutions can be issued as early as the beginning of 2018.

#### Relevant hyperlinks:

*Please provide hyperlinks to sources of information.*

CBI's full Climate Bonds Standard: <https://www.climatebonds.net/standards>

Water Sector Criteria: <https://www.climatebonds.net/standard/water>

CBI's Climate Bonds State of the Market Report 2017: <https://www.climatebonds.net/files/files/CBI-SotM-2017-Bonds%26ClimateChange.pdf>

#### **Further information:**

Please do not hesitate to submit more detailed information on case study(ies), tool(s)/method(s) and/or other relevant knowledge resource(s) that are relevant to economic diversification. The latter will be shared through the [Adaptation Knowledge Portal](#):

- [Case study\(ies\)](#)
- [Tool\(s\)/method\(s\)](#)
- [Other knowledge resource\(s\)](#) (online portals, policy briefs, training material, multimedia material, technical reports and scientific publications)