Western Australian Treasury Corporation

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Engagement Team:
Akshay Chandrakapure, akshay.chandrakapure@morningstar.com
Tomya Sardana, tomya.sardana@morningstar.com
Bhakti Chikhalikar, bhakti.chikhalikar@morningstar.com

Introduction

The Western Australian Treasury Corporation (WATC) issued a green bond in 2023 (the "2023 Green Bond") raising a total of AUD 2.37 billion between June 2023 and October 2024 to finance projects in renewable energy generation, energy efficiency improvement, clean transportation and sustainable water and wastewater management. In 2024, WATC engaged Sustainalytics to review the projects financed with proceeds from the 2023 Green Bond (the "Nominated Expenditures") and provide an assessment as to whether they meet the use of proceeds criteria and whether WATC complied with the reporting commitments in the Western Australian Treasury Corporation Sustainability Bond Framework (the "Framework").[1] Sustainalytics provided a Second-Party Opinion on the Framework in April 2023.[2] This is Sustainalytics' second annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in November 2023.[3]

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and WATC's reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Sustainable Water and Wastewater Management	• Sustainable and resilient water infrastructure to provide clean drinking water • Wastewater treatment, recycling and storage facilities • Water desalination plants	• Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m^3 per year and population equivalent per annum and as percentage • Annual absolute amount of biosolids that are reused (in wet tonnes per annum and in percentage) • Number of new household water connections
Renewable Energy and Energy Efficiency	• Solar PV systems, battery storage and LED lighting upgrades • Large scale renewable energy generation and consumption projects	• Annual GHG emissions reduced/avoided in tCO_2e per annum • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)

[1] WATC, "Western Australian Treasury Corporation Sustainability Bond Framework", (2023), at: https://www.watc.wa.gov.au/media/cr0hwq1c/watc-sustainability-bond-framework-april-2023.pdf
[2] Sustainalytics, "Second-Party Opinion, Western Australian Treasury Corporation Sustainability Bond Framework", (2023), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/western-australia-treasury-corportation_sustainbilty-bond-framework_-second-party-opinion-(2023).pdf?sfvrsn=4ce27815_1
[3] Sustainalytics, "Annual Review, Western Australian Treasury Corporation", (2023), at: https://www.watc.wa.gov.au/media/zd2chxha/watc-sustainability-bond-annual-report-november-2023-sustainalytics-assurance-report.pdf

	including wind, solar, geothermal, hydro power and green hydrogen • Power Purchase Agreements that utilize solar, wind or other renewable energy technologies and are longer than five years • Research and development to drive renewable energy innovation, generation and consumption • Grid and standalone infrastructure to enable increased generation and use of renewable energy, including smart metering technology • Waste to energy plants	• Increased percentage of rural areas or households with access to clean, affordable energy • Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tCO_2e per annum • Number of people benefitting from energy efficiency infrastructure
Clean Transportation	• Electrified public transport including infrastructure, rolling stock and vehicles such as electrified rail, trams, cable cars and buses with no direct emissions • Electric and fuel cell vehicles, plus dedicated charging and alternative electric fuel infrastructure • Public walking and cycling infrastructure	• Annual GHG emissions reduced/avoided in tCO_2e per annum • Passenger trips or passenger kilometers • Total in kilometers of new or improved train lines or dedicated bus, BRT, LRT corridors bicycle lanes • Number of EV charging stations • Annual savings for people benefitting from capped fares for outer-metropolitan travel

Issuer's Responsibility

WATC is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from WATC's 2023 Green Bond. The work undertaken as part of this engagement included collection of documentation from WATC and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by WATC. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by WATC.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,[4] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. WATC has disclosed to Sustainalytics that the proceeds from the 2023 Green Bond were fully allocated as of October 2024.

[4] Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	WATC reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation Reporting

Table 3: Allocation of Proceeds from the 2023 Green Bond

Use of Proceeds Category	Project	Project status	Project Description	Net Proceeds Allocation (AUD million)
Sustainable Water and Wastewater Management	Renewable Desalination Plant[5]	Design[6]	A desalination plant will be built that can produce 50 billion liters of water each year, using renewable energy. This will help support Western Australia's growing population and reduce the use of groundwater to protect the environment.	30
Renewable Energy	Wind Farms	Planning[7]	Two new wind farms are planned in the Wheatbelt and Great Southern regions to increase the renewable energy production on the South West Interconnected System (SWIS) and help replace coal-fired power plants.	35
	Standalone Power Systems[8]	Under construction/partly operational[9]	The project involves replacing of traditional poles and wired infrastructure vulnerable to climate events with up to 4,000 renewable off-grid energy systems.	80
	Solar School Programme	Under construction/partly operational[10]	The project involves installation of rooftop solar panels at 35 remote schools, predominantly located in the Kimberley and Pilbara regions.	5
Energy Efficiency	Large-scale Batteries[11]	Under construction/partly operational[12]	The project involves installation of three large batteries with a total capacity of 800MW/3000MWh to boost the use of renewable energy in SWIS, the electricity grid that serves over 85% of Western Australia's population.	1,000
	Advanced Metering Infrastructure	Implementation over 60% complete[13]	This project aims at installing advanced meters for all homes and businesses by 2027 to make rooftop solar power use more efficient and support new technologies.	100
	LED Streetlights	Under construction/partly operational[14]	This project aims at replacing all standard streetlights on local roads with the SWIS with LED lights by 2035.	15

[5] WATC has confirmed that an appropriate waste management plan for brine disposal will be implemented at desalination plants at the start of the project. Additionally, the desalination plants will either be powered by renewable energy or will have an average electricity consumption carbon intensity of 100 gCO_2e/kWh or lower.
[6] WATC has confirmed that the renewable desalination plan is currently in the design phase and is expected to move to the construction phase in 2025 and will be operational by 2028.
[7] WATC has confirmed that the wind farms in the Wheatbelt and Great Southern regions are in the process of procuring a contractor to commence the construction of wind farms.
[8] WATC has confirmed that the back-up generator powered by diesel, which is a part of Standalone Power Systems will be used solely for restart capabilities and monitoring, operating and resilience measures in the event of insufficient renewable power in the system.
[9] WATC has confirmed that approximately 10% of the units under Standalone Power Systems are operational at present.
[10] WATC has confirmed that approximately 95% of the Solar School Program is complete and will be fully operational by the end of 2024.
[11] WATC has confirmed that more than 67% of the newly installed capacity in the Western Australia Grid is below 100 gCO2e/kWh, measured on a life cycle basis in accordance with the electricity generation criteria, following the EU Taxonomy.
[12] WATC has confirmed that one of the three batteries is operational. The other two would be operational by the end of 2025 and 2026, respectively.
[13] WATC has confirmed that the Advanced Metering Infrastructure project is expected to be completed by the end of 2027.
[14] WATC has confirmed that the LED Streetlights project is 25% complete and is expected to be fully installed by 2035.

Clean Transportation	METRONET[15]	Under construction/partly operational	This project focuses on the expansion of the metropolitan electric rail network by 40%, adding 72 km of track and 23 new stations.	1,000
	Electric Vehicle Initiatives[16]	Under construction/partly operational	This project aims at constructing Australia's longest EV charging network, stretching over 7,000 km and offering rebates to encourage customers to switch to electric vehicles.	35
	Active Infrastructure[17]	Under construction/partly operational	The project aims at delivering a network of safe, high-quality paths for cyclists and pedestrians connecting key activity and education centers.	65
Total Amount Allocated				**2,365**
Total Proceeds Unallocated				**0**
Total Net Proceeds Raised				**2,365**

[15] WATC has confirmed that LED Streetlights project is 25% complete and is expected to be completed by June 2028.
[16] WATC has confirmed that Electric Vehicle Initiatives is 90% completed and is expected to be fully operational by end of 2024.
[17] WATC has confirmed that Active Infrastructure project is 50% complete and is expected to be fully operational by end of 2025.

Appendix 2: Reported Impact

Table 4: Reported impact from 2023 Green Bond

Use of Proceeds Category	Project	Reported Impact
Sustainable Water and Wastewater Management	Renewable Desalination Plant	i. Annual output capacity of the desalination plant: 50 gigalitre
Renewable Energy	Wind Farms	i. Total renewable energy generation capacity to be installed: 250 MW
	Standalone Power Systems	i. Number of Standalone Power Systems commissioned as of 30 June 2024: 291 ii. Kilometers of overhead power lines removed as of 30 June 2024: 778
	Solar Schools Program	i. Total renewable generation capacity installed as of 30 June 2024: 1,165 KW ii. Number of regional and remote schools equipped with rooftop solar panels as of 30 June 2024: 34
Energy Efficiency	Large Scale Batteries	i. Total storage capacity installed as of 30 September 2024: 100MW/200MWh ii. Average daily withdrawal of (predominantly renewable) energy from the grid as of FY2024: 275 MWh
	Advanced Metering Infrastructure	i. Number of Advanced Metering Infrastructure installed as of 31 August 2024: 746,821 (61% of network connections converted.)
	LED Streetlights	i. Number of standard streetlights converted to LED lights as of 31 August 2024: 73,652 (25% of the streetlights converted.) ii. Annual GHG emissions avoided for FY2024: 9,192 tCo_2e iii. Percentage of reduction in energy consumption: 66%
Clean Transportation	METRONET	i. Kilometers of new rail line commissioned as of 30 September 2024: 23 km ii. Number of new stations as of 30 September 2024: 8 iii. Number of new line passenger trips for FY2024: 4.9 million (29% increase from the previous year.) iv. Total network passengers for FY2024: 59.72 million (12% increase from the previous year.)
	Electric Vehicles Initiatives	i. Number of EV charging locations completed as of 30 September 2024: 42 ii. Number of charging ports installed as of 30 September 2024: 114 iii. Number of purchase rebates provided for FY2024: 5,463 iv. Estimated tailpipe GHG emissions avoided for FY2024: 609 tCO_2e
	Active Infrastructure	i. Total kilometers of new or improved dedicated pedestrian/bicycle lanes as of 30 June 2024: 34 km

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