Financing our business – sustainable finance

Big businesses like ours have a huge role to play in securing a sustainable future for the communities and the environment in which we operate. We've made our own commitment crystal clear through our Purpose and in the changes we've made to our Articles of Association (see page 12). That commitment also extends to the way we finance the capital investments we make, directly benefiting our customers and our region because of the increased investor universe green finance opens up to us.

Sustainable finance – that is, finance which integrates environmental, social and governance (ESG) criteria into investment decisions – has never been higher on the corporate agenda than it is today. Forward-thinking investors recognise that environmental and social responsibility is no longer an add-on to decision making, but a fundamental element in addressing climate change and making the right choices to safeguard both the planet and their investment. As Larry Fink, chairman of BlackRock, the world's biggest money management firm, wrote to CEOs in his annual letter earlier this year, "While government must lead the way in this transition, companies and investors also have a meaningful role to play."

This approach to finance is not new to Anglian Water. We led the way in this emerging field when we became the first European utility company to launch a Sterling Green Bond in 2017, and with six Green Bonds now in operation, green finance has become 'business as usual' for us.

Many businesses choose not to finance investments with Green Bonds as they consider it too difficult to meet or evidence the necessary standards for demonstrating sustainability under the principles required by bond investors. Crucially, in our case we didn't have to change any day-to-day processes to qualify. Our strong governance culture ensures we continuously drive to generate value for customers and society while delivering environmental benefits.

We are very proud that all our capital activity meets the strict environmental criteria set for Green Bond investment. All of it qualifies under our AMP6 (2015–2020) Governance Framework, which follows the ICMA Green Bond Principles. One main impact indicator is our reduction in carbon, which is subject to BSI (British Standards Institute) PAS 2080 verification. This is a standard sponsored by the Green Construction Board to encourage a consistent approach to the management of carbon by everyone involved in infrastructure. It sets out principles and components to manage whole-life carbon emissions and deliver reduced carbon over the whole value chain.

Generating power from waste

Cotton Valley

One of the ways we generate renewable energy is by turning waste into biogas. So when we needed to upgrade capacity at our Sludge Treatment Centre at Cotton Valley in Milton Keynes to meet the needs of the town's growing population, we took the opportunity to ramp up the centre's biogas production. We constructed an additional digester – a large tank that uses the process of fermentation to break down sewage to produce biogas – along with an additional cooling tower and heat exchanger.

The site can now process 25,000 tonnes of dry solids every year, delivering 0.9MWh of renewable energy per tonne. This is more than enough to power the water recycling centre next door – with excess being exported to the local grid.

The site is also eligible for renewable incentives, which, when combined with the power savings and income from the exported power, are worth over £2 million. Self-generation of renewable energy is also one of the most significant ways in which we're reducing our carbon emissions, helping us in our progress towards net zero carbon by 2030.

Capital carbon saving:
114 tonnes of CO_2e (21%).

Our activity meets the strict environmental standards set out in the ICMA Green Bond principles: "sustainable water and wastewater management including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation". And notwithstanding Brexit, we also stand ready to link in with the standards of the EU's new taxonomy for sustainable investments when it is introduced. The aim of the taxonomy, or classification system, is to create a common language for investors to use when they invest in projects and economic activities that have a substantial positive impact on the climate and the environment.

Our first £250-million, eight-year bond will mature in August 2025 with a return to investors of 1.625 per cent. Since the successful launch of that debt transaction, we have raised a further £627 million of Green Bonds to investors in the UK and the United States in accordance with the ICMA Green Bond Principles.

The investments financed through this debt have avoided 160,736 tonnes of carbon, as measured in 2019. They include innovative water abstraction projects, drought and flood resilience schemes, and progressive water recycling and water resource management projects. Find out more in our 2019 Green Bond Impact Report (available via www.anglianwater.co.uk/investor-information).

As we head into AMP7, we will need to raise a very significant amount of capital to fund vital projects across our region. We propose to raise the vast majority of this capital as sustainable finance. We also use liquidity bank facilities that incentivise the delivery of agreed environmental and social goals.

Our investors recognise that running our business sustainably, with long-term resilience in mind, isn't just the right thing to do, but makes good business sense too.