



ENVIRONMENTAL BENEFIT BONDS

**An Innovative Approach to
Protecting and Improving
Our Environment**

A Tim Nicholls-led Liberal National Government will use Environmental Benefit Bonds – rewarding innovative environmental management.

The Problem

For too long in environmental and social policy, governments have focused on inputs and the amount of money thrown at a program instead of achieving real results.

That focus has shifted in recent years. Governments are increasingly partnering with community organisations and private providers on policy issues to achieve an outcome. This is particularly true in the social services space, with the increasing use of Social Benefit Bonds, or Social Impact Bonds, across the world.

This approach is also transferrable to environmental policy, where environmental bonds are increasingly being looked at as an innovative outcomes-based approach.

Queensland has a diverse and rich array of natural environments needing protection and nurturing to weather the climate impacts to come. The LNP is committed to looking at innovative approaches to conservation policy to achieve real and practical results for our natural environment.

Our Record

The LNP is committed to practical environmental action to improve and protect the environment. We have a demonstrated record of supporting grassroots organisations and taking practical action to improve the environment. In government, the LNP:

- Developed the Reef 2050 Long-Term Sustainability Plan guiding the protection and long-term management of the reef
- Invested \$35 million each year to improve water quality, including support for graziers and cane growers to develop best farm management programs and adopt reef-friendly practices
- Invested more than any previous government in protecting koalas through our record breaking \$26.5

million habitat, research and rescue program

- Started the Resilient Rivers Initiative to improve water quality and soil erosion in the south east and invested \$2 million annually in the Healthy Waterways program, and
- Established the popular *Everyone's Environment* grants program which provided \$12 million to community organisations to clean-up, restore and protect their local environment.

Our Real Plan

A Tim Nicholls-led LNP Government will deliver real and workable solutions to protect our environment for all Queenslanders.

As part of our *Greener Queensland* plan we are committing to a trial of three Environmental Benefit Bonds (EBBs).

EBBs are based on the same premise as Social Benefit Bonds. They involve the government identifying an environmental issue that could benefit from long-term, outcomes-based funding. The government will then negotiate with a private investor who is interested in tackling this problem before entering into a payment by results contract. **The LNP will invest \$4 million for the Environmental Benefit Bonds trial.**

The investor will provide the upfront capital and partner with a service provider or community organisation to work towards a solution for the problem, but a return on that investment is only paid if agreed outcomes and benchmarks are met. Payment is dependent on achieving results. If the identified outcome is met it results in savings to the government in the form of future avoided costs and these savings are used to repay the upfront investment and a financial return for investors.

The LNP believes this approach, which has been successfully implemented in the social services space, can produce outcomes in environmental policy.

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The LNP will launch three EBB pilots. The types of initiatives the LNP will be targeting include (but are not limited to):

- Improving soil erosion and water quality in river catchments
- Reducing outbreaks of the Crown-of-thorns starfish in the Great Barrier Reef, and
- Increasing suitable koala habitat and actions to boost koala numbers.

Delivering from Opposition

From Opposition the LNP led the way and delivered a scheme to end single-use plastic bags in Queensland. The Palaszczuk Labor Government also adopted our policy to deliver a container deposit scheme that refunds 10 cents for aluminium, glass and plastic drink containers returned for recycling either at 'reverse vending' machines or designated collection centres.

These are the types of policies the LNP is committed to. Ones that change thinking and promote practical actions to improve the environment in the long-term.

Frequently Asked Questions

What is an Environmental Benefit Bond and how does it work?

Environmental Benefit Bonds (EBBs) are based on the same premise as Social Benefit Bonds or Social Impact Bonds (SIBs).

SIBs are a financial instrument that pays a return to an investor based on their ability to achieve an agreed social outcome. Essentially, the government enters into a payment by results contract and the return the private investor gets is dependent on delivering those contractually agreed outcomes.

In practice, SIBs typically involve a government identifying a social problem that could benefit from outcomes-based funding. Intermediary organisations are asked to structure a deal, involving performance-based contracts ('pay-for-performance' or PFP contracts) for service delivery between the outcome funder (government), investors, service providers and evaluators.

Investors fund service delivery through paying a principal, which is used as capital by service providers. Evaluators

determine if service outcomes have been met. If outcomes are met successfully, the government is required to pay the principal plus any additional payments to investors, in accordance with the contract.

What is the benefit of this approach?

The benefit to the government is that payment is determined by outcome. If the outcome is achieved it removes a future cost the government would have been required to pay (for example, by reducing the number of children in out of home care and returning them to a safe environment with their family, it reduces the total government investment in the child protection system).

Are Social Benefit Bonds used in Queensland?

Three Social Benefit Bond pilots have been launched in Queensland focused on the areas of alleviating youth reoffending, homelessness and social problems affecting Aboriginal and Torres Strait Islander people. These type of bonds are increasingly being used by other governments, including in New South Wales, Victoria and South Australia.

Can this approach be successfully applied to the environment space?

Environmental bonds are considered the logical extension of SIBs. Studies suggest EBBs are easier to implement than SIBs. Social outcomes can be more difficult to measure than environmental outcomes, with pre-existing scientific standards providing guidance.

Where are Environmental Benefit Bonds currently being used?

The first environmental bond was launched in the United States. It was issued by the District of Columbia Water and Sewer Authority and is intended to provide management of storm water through the installation of green infrastructure. Another bond in the US – still in pilot phase – is a forest resilience bond being developed by Blue Forest Conservation. This is designed to provide upfront capital for forest restoration, particularly the clearing of forest litter to reduce the risk and severity of wildfires. The principal outcome funder is the United States Forest Service, which can justify this immediate investment insofar as it reduces the future risk of fires.

Environmental outcomes also form a part of many existing social bonds that are currently operating throughout the world.