May 2026

Sustainable Finance newsletter

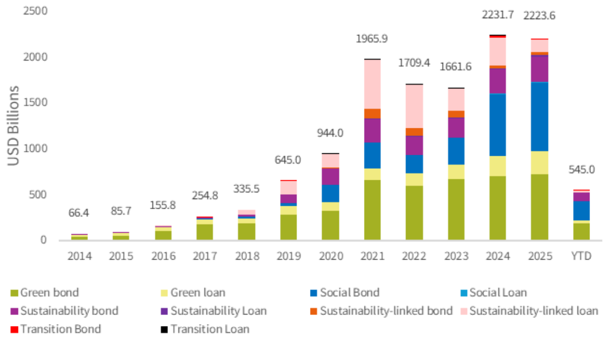
Welcome to NAB’s newsletter on the Sustainable Finance market from an Australasian perspective.

Market overview – data as of 31st March 2026

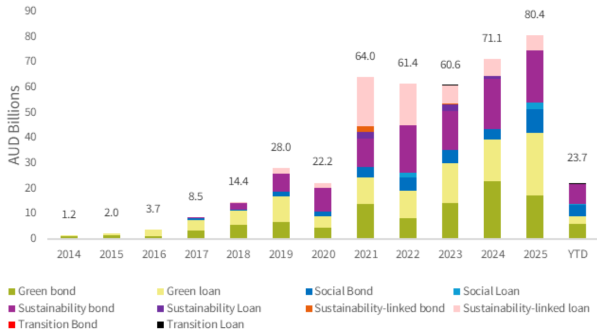
USD	USD	AUD
$545bn	**$156bn**	**$24bn**
Global GSSS Issuance YTD 2026	Global GSSS Mar 2026	AUD GSSS Issuance YTD 2026

Source: Bloomberg

Global sustainable debt issuance GSSS (USD billions)



Australian sustainable debt issuance GSSS (AUD billions)

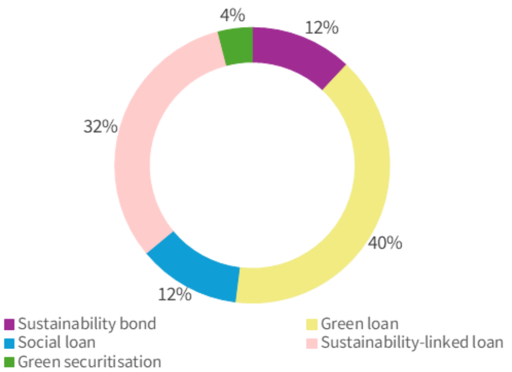


- Publicly disclosed Green, Social, Sustainability, Sustainability-Linked (GSSS) volume totalled USD 545bn in Q1 2026, with issuance front-loaded in January (USD 240bn) and then stabilising around USD 150bn in February/March, amid heightened geopolitical volatility linked to the Middle East conflict.
- Corporate and financial supply weakened after January, with February's pullback extending into a softer March.
- Social bonds led the quarter at USD 211bn (39% of Q1 GSSS) with strong SSA issuance supply, ahead of green bonds (USD 189bn) and sustainability bonds (USD 93bn).
- March’s green bond supply was notably sovereign heavy with ~USD 19bn of green bonds (highest since May 2024), led by the UK, Germany and Austria.
- Use-of-proceeds (UoP) themes were consistent, with renewable energy remaining as the largest green-bond UoP theme (~31% Q1). For Social labelled issuance, employment generation accounted for 48% of March volumes.
- Sustainability-linked bonds issuance remained weak with YTD volumes below USD 20bn, continuing the multi-year decline as investors question KPI integrity, continuing greenwashing concerns and reporting challenges remaining of concern globally.

- AUD public GSSS issuance volumes approached AUD 24bn in Q1 2026, with issuance activity consistent across January (AUD 10bn) and February (AUD 11bn) before slowing to AUD 3bn in March as bond markets reacted to rising Middle East conflict impacts.
- Green labelled bond and loan issuance was the largest share (AUD 8.91bn), followed by Sustainability bonds (AUD 7.68bn) and Social bonds (AUD 4.95bn).
- January was dominated by SSA Kangaroo supply, including major social bond deals from AfDB and CEB as issuers front-loaded ahead of 2026 refinancing needs. This mirrored global SSA dynamics, where a wave of legacy green-bond maturities in late 2025-26 is encouraging issuers to refinance earlier.
- Notable issuance in the latter stages of Q1 were from corporates, including MTR Corporation’s AUD 2bn Green Kangaroo Bond and NBN Co’s inaugural AUD 850m sustainability bond following a brief pause in AUD primary issuance amid heightened geopolitical volatility.
- Overall market trajectory remains upward, with Australia posting record sustainable-debt issuance in both 2024 and 2025, supported by continued investor and lender appetite for AUD-denominated labelled formats.

Source: Bloomberg

NAB-led GSSS product breakdown by deal count for Q1 2026



- The above chart illustrates the product breakdown of NAB-led labelled GSSS financings by deal count for Q1 2026. Green loans were the leading product type, followed by Sustainability-Linked Loans and then an even split between Social Loans and Sustainability Bonds, which is broadly consistent with deal flow seen in the prior quarter.

Investor and market news

- A recent **UN News** analysis on the Middle East conflict has highlighted how dependence on fossil-fuel supply routes can amplify energy-security and price risks, intensifying discussion around the pace of the energy transition and the resilience of decarbonisation and electrification plans. It also highlighted how supply disruptions and price volatility can strengthen the case for faster renewable energy deployment, while delays to renewable infrastructure may prolong reliance on imported fossil fuels.
- Middle East fuel-supply disruption and higher pump prices have coincided with a sharp lift in Australian EV demand. March 2026 **VFACTS** data showed battery electric vehicles reaching a record 15,839 sales, or 14.6% of total sales, nearly double the 7.5% share recorded last year. Australian market data also shows a widening running-cost gap, with EV charging typically around one-third to one-half of petrol costs on a per-kilometre basis. In turn, recent policy settings have sharpened focus on continued investment in public charging infrastructure to support sustained EV uptake beyond near-term fuel-price pressures.
- The **UK government** unveiled a £2.5bn Fusion Strategy to develop a domestic fusion industry, including a prototype power plant by 2040. This program supports the delivery of its Industrial Strategy, which includes the evolution of advanced energy and clean power as priority growth areas by establishing the UK as "the first country… with a clear path to commercial fusion energy". The program's mission is to generate net energy from fusion to prove the technology's commercial viability and help stimulate the UK fusion industry.
- The **Net Zero Asset Managers (NZAM)** initiative has relaunched with a revised signatory commitment avoiding explicit 2050 net zero language and allowing signatories to independently set targets. The new framework requires near-term climate targets and strengthened stewardship to aid in addressing material climate risks and opportunities.
- Australia's GSSS market is entering a pivotal reinvestment phase in 2025–26 as the first major maturity cycle from 2019–22 issuance releases substantial capital, driving strong early-year demand from super funds, banks and offshore ESG investors seeking AUD exposure. This mirrors the larger global 2026 maturity wall, when ~€287 bn of GSSS bonds mature, shifting markets from expansion to quality as reinvestment becomes more dependent on stronger frameworks, clearer taxonomy alignment and credible impact reporting.

Regulatory developments

- The **Australian Sustainable Finance Institute (ASFI)**, the peak body for Australia's sustainable finance sector, released guidance for issuance of taxonomy-aligned use-of-proceeds debt. Developed with Australian Treasury, sovereign and semi-sovereign debt managers and New Zealand Treasury, the guidance provides a common approach to applying the Australian Sustainable Finance Taxonomy in debt markets. It marks a shift from framework design to practical application, supporting consistent adoption by issuers, investors and reviewers and strengthening confidence in climate-aligned capital allocation.
- The **Australian government** has introduced a new set of national expectations for data centres and AI infrastructure developers, taking a more active role in steering the rapid growth of energy intensive digital assets toward national priorities. Released under the National AI Plan, the five expectations on national interest, energy, water, skills and innovation will effectively shape which developments progress fastest and create a de-facto filter for new proposals entering the approval pipeline.
- ASX-listed companies such as Rio Tinto, Santos, Woodside, QBE Insurance, Ampol and Scentre Group have published the first reports under **AASB S2**. Early disclosure trends (produced by KPMG) among publicly available AASB S2 Group 1 entities show increasing maturity: 27% are voluntarily obtaining assurance beyond the minimum requirement, and 37% have disclosed at least one material climate opportunity.
- **Australian Competition and Consumer Commission (ACCC)** released 2026-27

Enforcement Priorities including acting on misleading environmental and sustainability claims, with a strong focus on greenwashing. The regulator will continue enforcement alongside guidance and education to improve integrity in sustainability claims.

- **Fiducian Group** will pay $7.3 million for making false and misleading statements about the socially responsible and ethical nature of its Diversified Social Aspirations Fund.
- Australia's Federal Court has dismissed a landmark greenwashing lawsuit against **Santos**, finding the company did not mislead investors through its climate strategy or net zero representations, and therefore did not breach corporations or consumer law. The case was the first in Australia to legally challenge the validity of a company's plan to reach net zero.
- The **ECB** has fined Crédit Agricole €7.6m for non-compliance with climate risk requirements, signalling an escalation in enforcement of guidance.
- The **International Organization for Standardization (ISO)** has launched Climate Change Adaptation a new international standard to support organisations, local governments and communities in designing, implementing and monitoring adaptation plans. It provides a structured framework on governance, stakeholder engagement, climate-risk assessment and effective planning for environmental related risks. The standard outlines processes developing strategies, tracking progress and evaluating outcomes to continuously improve adaptation plans.
- The **U.S. Environmental Protection Agency (EPA)** finalised a rule rescinding the 2009 Endangerment Finding, eliminating the scientific and legal basis for federal regulation of GHG emissions under the Clear Air Act, and simultaneously repealing GHG standards for light-, medium- and heavy-duty vehicles. This rollback removes requirements that previously shaped emissions limits across transport and power sectors, marking the largest deregulatory action in U.S. history.
- The UK has released **Guidance for UK Sustainability reporting Standards** (SRS S1 and S2), aligned with international ISSB frameworks, enabling companies to voluntarily report consistent sustainability and climate-related financial information. The standards introduce flexibility on transition reliefs, including one-ended Scope 3 reporting relief, while regulators consider future mandatory action.

Selected recent deals

- **NBN** reopened the domestic market in March with an AUD 850m 10-year sustainability bond, following volatility driven by the Iran conflict. The deal attracted over AUD 2.25bn in final orders, including AUD 115m from leads, with NAB acting as Joint Lead Manager.
- **Together Housing Group** completed a Social Loan, financing two affordable housing projects, supporting 359 homes for teachers, nurses, frontline workers, veterans and women at risk of homelessness. NAB acted as Joint Sustainability Coordinator and lender.
- **Plenti** priced an AUD 400m personal and green loan ABS transaction backed by personal and renewable energy receivables. NAB acted as arranger, Sustainability Coordinator and a Joint Lead Manager.
- **PowerCo** issued a debut AUD 350m Green Kangaroo bond. Having monitored conditions for several years, PowerCo said the outcome justified the timing of its debut, with the deal nearly 4x oversubscribed and more than half of allocations placed into Asia. Proceeds were aligned with CBI-certified Electrical Grids and Storage use-of-proceeds categories.
- **UK Debt Management Office** issued its first syndicated Green Gilt in 5 years, raising GBP 6.25bn with a new 2037 green bond. This was the first issuance under its updated UK Green Financing Framework which now includes nuclear power. It was also the first UK green gilt directly offered to retail investors at launch.
- **African Development Bank (AfDB)** 5-year AUD 1bn Social issuance is the largest ever from AfDB. The proceeds will promote sustainable economic development and social progress in Africa.
- **Council of Europe Development Bank** (CEB), 5-year A$650m Social inclusion bond, also CEB's largest kangaroo issuance order book.
- **MTR Corporation** issued an inaugural AUD 2bn dual-tranche senior unsecured green bond. The transaction is understood to represent the largest AUD corporate orderbook on record and the largest Kangaroo bond transaction by an Asian corporate issuer.
- **Tokyo Metropolitan government** issued the world's first certified resilience bond raising EUR 300m (¥53bn) to fund climate adaptation and resilience projects. The bond's use of proceeds is dedicated exclusively to adaptation and resilience measures under the Tokyo Resilience Project including flood-defence upgrades, coastal protection, and other infrastructure to strengthen the city's climate resilience.
- **Germany** issued its first EUR 4bn 15-year green bond under its new Green Bond Framework updated in January. The new framework improves reporting and transparency regarding expenditure evaluation and selection.

Insight on Data Centres: Financing Sustainable Data Centre Growth

Rapidly growing data centre pipeline

Australia is entering a period of rapid data centre expansion as digital infrastructure becomes increasingly central to national productivity, industrial capability and long-term economic growth. The Australian Government's Department of Industry, Science & Resources indicates AI and automation alone could contribute up to $600 billion annually in GDP by 2030. Realising the opportunity, however, depends on whether the growth in digital infrastructure can be financed and delivered in a way that is compatible with the energy transition and Australia's electrification agenda.

CEFC and Baringa modelling suggests by 2035, data centres could account for ~8–11% of national electricity consumption, up from ~1% in 2025, reshaping Australia's demand profile. Without sufficient renewable energy generation, storage and network investment, this demand risks placing upward pressure on wholesale prices and exacerbating grid constraints.

Social licence as a constraint

While electricity is the most visible constraint, data centre development is increasingly shaped by a broader social licence to operate, encompassing land use, water consumption, local employment and community impacts. Internationally, this dynamic is playing out. In Amsterdam, concerns around power intensity and land use have contributed to a moratorium on new data centres until 2034, underscoring how planning and community acceptance can slow sector growth.
In Australia, expectations are becoming more explicit. In March 2026, the Australian Government released its Expectations of Data Centres and AI Infrastructure Developers, outlining priorities including alignment with national interest, support for the energy transition, efficient water use, investment in local workforce capabilities, and contribution to domestic innovation. Projects not closely aligned with these expectations have been identified as unlikely to be prioritised in regulatory assessments, elevating social licence from a reputational consideration to a practical development risk.

Standards and benchmarks

Alongside developing government expectations, industry-led standards are evolving to provide a clear framework for sustainable data centre development. In April 2026, the **Green Building Council of Australia** launched its Sustainable Data Centres program in partnership with Data Centres Australia. The initiative aims to define best-practice sustainability outcomes across design, construction and operation of data centres, considering Australia's climate, grid and water context.

Operational energy efficiency sits at the centre of current benchmarking approaches. In Australia, NABERS Energy for Data Centres, provides a relevant domestic reference point for measuring performance on the basis of operational data rather than design intent. Ratings are assigned on a one- to six-star scale linked to Power Usage Effectiveness (PUE), with a 5-star NABERS rating corresponding to a PUE of 1.34. This approach also aligns with international standards. Under the Climate Neutral Data Centre Pact, new facilities operating at full capacity are expected to achieve PUE ≤ 1.3 in cool climates and PUE ≤ 1.4 in warm climates, with similar standards extending to existing facilities by 2030.

Recent commentary from S&P Global Ratings notes PUE remains as one of the most frequently cited metrics used by data centres and is used in 90% of its data centre related sustainable finance second party opinions. S&P, however, also notes PUE is increasingly viewed as a relatively narrow metric that does not, on its own, capture key issues such as equipment efficiency, workload utilisation, carbon intensity of the power source, and water stress. S&P's position on PUE signals tougher scrutiny for AI-driven data centre expansion in carbon-heavy or water-constrained regions, with greater emphasis on where power and water come from and on broader disclosure, which may drive framework updates and tighter second party opinions.

Global and regional taxonomies are beginning to shape how data centres are assessed within sustainable finance markets. Frameworks such as the Australian Sustainable Finance Taxonomy, EU Taxonomy, ASEAN Taxonomy and Singapore–Asia Taxonomy are being used to support more consistent classification and disclosure across jurisdictions. Depending on the taxonomy, relevant objectives extend beyond energy efficiency and renewable electricity to include themes such as green buildings, water, circular economy, pollution prevention and control, and biodiversity and ecosystems. As these taxonomies develop, they are helping to reinforce consistent expectations for data centres across policy, industry and sustainable finance contexts.

Sustainable finance and data centre growth

Sustainable finance can align broad sustainability expectations for data centres with sustainable debt financing frameworks, which provide a credible basis for funding environmentally sustainable capex and decarbonisation measures for datacentre development and enhance investor confidence in reported environmental impacts and metrics.

Green use-of-proceeds financings align funding with eligible expenditure for data centre development, either as whole-of-development investment assessed under green building or energy efficiency pathways, or as specific capex items such as energy efficient cooling systems, renewable PPAs, battery storage, and water-efficient or recycled-water systems. In contrast, sustainability-linked financing structures embed performance incentives over time, linking margins to metrics such as PUE, renewable electricity use, water usage effectiveness (WUE) and emissions intensity.

Market precedents are also helping to standardise expectations around what is measured and disclosed across labelled green, social and sustainability-linked financing. Commonly applied metrics include 12-month average operating PUE, renewable electricity as a share of total electricity consumption, recycled water use as a share of portfolio water consumption and greenhouse gas emissions reduced or avoided.

In practice, these frameworks can support both the financing and refinancing of new and existing data centre assets, as well as investment in the enabling technologies required as the sector transitions, supporting asset resilience and long-term competitiveness.

For further reading, see NAB's C&IB Digital infrastructure powers US opportunities and NAB Economics and Markets Research Primer on Data Centres.

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