



Natural Capital Financing Facility

Stephen Hart

NCFF - DG ENV, DG CLIMA, EIB pilot initiative

Stimulate financing for

- Climate adaption of businesses and cities using nature-based solutions
- Conservation, biodiversity, ecosystems restoration using market based financing instruments

Address market failure and demonstrate to private investors the attractiveness of revenue-generating or cost-saving natural capital projects

Focus on proof of concept, pilot projects, replicable/ scalable/ bankable

2015 - 2021

PROJECT CATEGORIES

Pro-biodiversity business

Green infrastructure

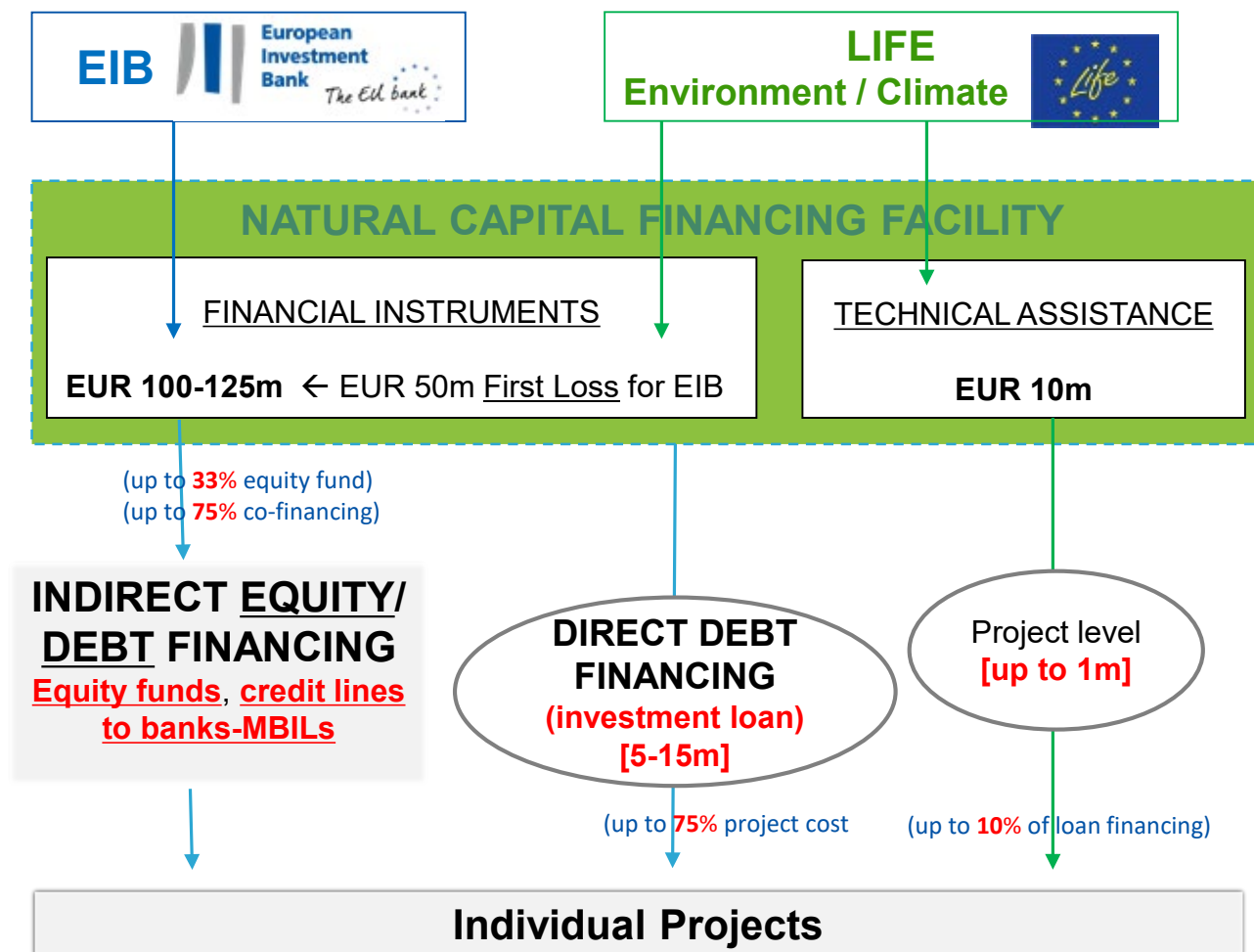
Payment for ecosystem services

Biodiversity offsetting



PROJECT EXAMPLE	TYPICAL CASH FLOW PATTERNS OVER TIME
SUSTAINABLE FORESTRY	
SUSTAINABLE AGRICULTURE	
SUSTAINABLE AQUACULTURE	
ECOTOURISM*	
CARBON SEQUESTRATION PAYMENTS	
GREEN INFRASTRUCTURE*	

NCFF - Structure



Portfolio
guarantee

Equity & Debt
+ TA

Market trends and sources of interest in the NCFF

- Sustainable forestry for resilience and reliable sourcing for new applications
- Agricultural transition, regenerative agriculture
- Large and medium players in circular/bioeconomy value chains
- Greater interest in mainstreaming NBS/biodiversity in urban investments/infrastructure
- Climate – nature synergies, local and global
- Mission driven intermediaries, but very diverse
- Professionalised NGO project developers
- Market/DFI/NPI interest in fund structures/de-risking models

Case study: Rewilding Europe Capital

Rewilding Europe Capital

On-lending in support of rewilding

Amount: EUR 6m

Country: Netherlands-based,
investing in several
EU countries

Signed: April 2017



Rewilding Europe Capital was established to positively stimulate and mature enterprise economies connected to natural landscapes:

- 1. Address negative socioeconomic impacts caused by rural land abandonment in Europe;**
2. Support rewilding processes
3. Deliver economic returns from nature and wildlife-related sectors that create **incentives to conserve natural landscapes and rural cultures and heritage connected to them.**

PEATLAND RESTORATION - SNOWCHANGE

This project aims **restoration and recovery of damaged peatland landscapes in Northern Finland created by commercial exploitation**, with a particular focus on sites drained for intensive forestry and peat mining.



Case study: 12.5m equity for SLM Silva Fund

SLM Silva Fund

Sustainable Forestry in Ireland

Amount: EUR 50m

Countries: Ireland

Signed: March 2018



- Excellent natural conditions for a productive forest sector, with highest growth rates in Europe.
- Continuous Cover is associated with important cost-savings and more even cash flow compared to the clearfell model.

- Specialised fund focusing on sustainable forestry in Ireland. The strategy of the Fund is to **acquire semi-mature plantations and to transition these forests to 'Continuous Cover Forestry' (CCF)**, an alternative to the widely-used single-species clearfell-replant system.
- CCF maintains permanent forest cover and **promotes a mixed forest structure**. It is a commercially viable management model which safeguards biodiversity, **soil health and landscape value**.
- Half of Ireland's young forest estate is privately owned. Many private forest owners have small plantations, and do not have the know-how.

Case study: Athens urban resilience

Athens Urban Resilience Green infrastructure in urban renewal

Amount: EUR 5m

Country: Greece

Signed : December 2018



- The NCFF is financing the integration of **green infrastructure components into a larger urban development project in the City of Athens**, specifically the restoration of public squares and streets. It aims to create green corridors between greened areas and contribute to the natural restoration of Athens's second landmark hill after the Acropolis, Lycabettus hill.
- Objectives: **reduction of urban heat islands, increased water infiltration into the ground**, increasing attractiveness of the areas they are implemented in. If replicated throughout the city other benefits are hoped to be achieved, e.g. air quality, better conditions for pedestrians, mental health. [Press](#), [Video](#)

Case study: CDC Biodiversité

CDC Biodiversité

Supporting No Net Loss of biodiversity in France

Amount: EUR 5m

Country: France

Signed: May 2019



Support CDC Biodiversité's rehabilitation, ecological restoration works and management of sites of conservation interest around France, enabling the sale of *Unités de Compensation* under the August 2016 law for recovery of biodiversity.



- Against the strong regulatory background of the August 2016 law for recovery of biodiversity, nature and landscapes, CDC Biodiversité's mission is to **meet the growing demand for biodiversity offsets and conservation services** in France, and to realise the commercial potential of this emerging field.
- Specific support is being provided to the ongoing ecological rehabilitation of an **abandoned 357 ha orchard which has been successfully restored to its original Mediterranean dry steppe ecosystem**. It has been recolonised by many species typical of this threatened habitat. [Press release](#), [Video](#)

A few lessons so far

- ▶ Demand for broad range of products, including equity type instruments
- ▶ Projects often small – need to develop market for mission driven intermediaries
- ▶ Working with programmes and promoters that already have momentum and are used to taking debt - enhancing, accelerating or expanding nature elements
- ▶ Strong potential in supply chains such as forestry looking for resilience
- ▶ Investing in sectors with regulated revenues
- ▶ Leverage full (EIB) organization to mainstream and deploy multiple instruments
- ▶ Technical Assistance for implementation provides strong value added, but also need for project development and facilitation
- ▶ Approach to landscape projects in Europe still work in progress
- ▶ General low level of investment in nature, absent regulation to that effect
- ▶ Regenerative models competing on unlevel playing field with extractive models
- ▶ Competition for space
- ▶ Subsidy and tax regimes inflate value of land that is central to conservation strategies, while land is generally not eligible for IFI financing

Thank you

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Extra slides

Integration with portfolios / programmes (& NBS)

- ▶ Biodiversity elements
- ▶ Timing, Streamlining, Incentive
- ▶ Eligibilities, standards
- ▶ Land

Metrics?

Technical Assistance

- ▶ Opportunities for enhancement, expansion, acceleration, visibility
- ▶ Translation of policies into practise – strong practical/technical orientation
- ▶ Credibility and monitoring for scaling
- ▶ Financial incentive

Intermediaries, aggregators

- ▶ More interest from mission driven intermediaries
- ▶ Diverse and not mainstream (yet)
- ▶ New players without banking experience
- ▶ Need to think in terms of win-win for intermediary and end beneficiary
- ▶ Particular instruments for de-risking
- ▶ Many lessons to be learned from past and existing instruments; eg. funds, microfinance

Technical Assistance

- ▶ Project identification / preparation
- ▶ Capacity building and operational support for intermediaries
- ▶ Monitoring

“Landscapes”

- ▶ Development of physical ecosystem services objectives together with social and economic objectives
- ▶ Methodology for definition (scale, integration) and monitoring evolving
- ▶ Integration of payment for ecosystems services evolving (carbon)

Technical Assistance

- ▶ Dialogue, facilitation
- ▶ Less blueprint design, more process design
- ▶ (Feasibility) studies
- ▶ Monitoring

Process and standards?

Grants / guarantees / equity for special purpose vehicles?