



RESTORE 
OUR FUTURE
 BONN CHALLENGE

Natural Capital Financing Facility



Stephen Hart, EIB, 16/07/2020



Webinar on Financing Forest Landscape Restoration in Eastern and South-East Europe

16 July 2020
14:00 Geneva time



NCFF - DG ENV, DG CLIMA, EIB pilot initiative

Stimulate financing for

- Climate adaptation of businesses and cities using nature-based solutions
- Financing conservation, biodiversity, ecosystems restoration using market based financing instruments

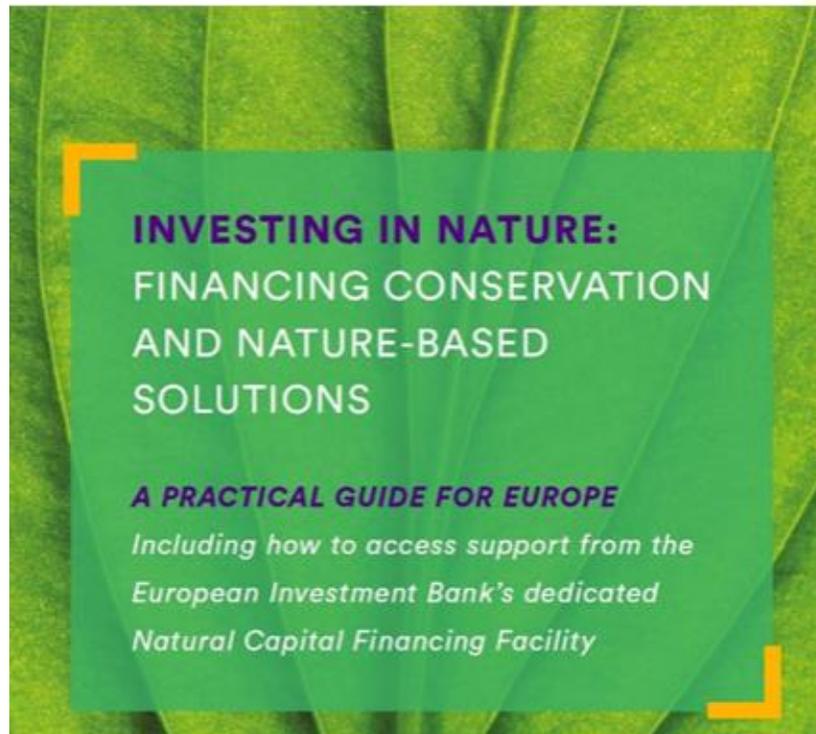
Address the market failure and demonstrate to private investors the attractiveness of revenue-generating or cost-saving natural capital projects

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	Bar chart showing initial negative cash flow (orange) followed by positive cash flows (green) that increase over time.
SUSTAINABLE AGRICULTURE	Bar chart showing initial negative cash flow (orange) followed by positive cash flows (green) that increase over time, with some initial positive flows shown as dotted bars.
SUSTAINABLE AQUACULTURE	Bar chart showing initial negative cash flow (orange) followed by positive cash flows (green) that increase over time.
ECOTOURISM*	Bar chart showing initial negative cash flow (orange) followed by positive cash flows (green) that increase over time.
CARBON SEQUESTRATION PAYMENTS	Bar chart showing initial negative cash flow (orange) followed by positive cash flows (green) that increase over time.
GREEN INFRASTRUCTURE*	Bar chart showing initial negative cash flow (orange) followed by positive cash flows (orange with diagonal lines) that increase over time.

Case: 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 - CDC Biodiversité – no net loss in France



Against a **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. The operation supports the CDC Biodiversité programme of biodiversity compensation services in France, financing ecological restoration works management of sites of conservation interest around France, **enabling the sale of *Unités de Compensation* to clients required to offset their impacts as a condition of planning permission.**

Structured as two separate contracts;

- EUR 1,300,000 **contingent loan** to be reimbursed from the sales of compensation units from the Cossure flagship site already identified.
- EUR 3,690,000 ordinary loan to finance the development of the new pipeline of projects.

Cossure is in the Provence-Alpes-Côte d'Azur region, based on an abandoned 357 ha orchard restored to its original Mediterranean dry steppe ecosystem, now recolonised by many species typical of this threatened habitat.

Case: Athens urban resilience

Athens Urban Resilience Green infrastructure in urban renewal

Amount: EUR 5m

Country: Greece

Signed : December 2018



- The fourth operation consists integrating **green infrastructure components into a larger urban development project in the City of Athens**
- The NCFE is financing the integration of green components into the restoration of public squares and streets, will aim at creating 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](#)

SLM Silva Equity Fund

SLM Silva Fund

Sustainable Forestry in Ireland

Amount: EUR 7.38m

Countries: Ireland

Signed: March 2018



Investment rationale:

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



- SLM Silva Fund, a 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' or 'Close to Nature' management**, an alternative to the widely-used single-species clearfell-replant system.
- Continuous Cover Forestry 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**. The Fund has now reached its first close and is initiating its investment period.
- Half of Ireland's young forest estate is privately owned. Many private forest owners have small plantations, and do not have the know-how to manage their holdings as they approach maturity. There is interest in market options to sell or lease their holdings.

Policy setting

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➤ EIB Priorities

- Climate and environment (EIB Climate Action)
- Innovation and skills (RDI)
- SMEs & MidCaps

➤ Supporting EU policy objectives & achievement of SDGs

- Paris Agreement (UNFCCC), REDD+, EU FLEGT, SFM (Forest Europe process), EUTR, Forest Certification (e.g. FSC/PEFC)
- EU Directives (e.g. RE, EE, IED, Habitat & Birds)
- EU Strategies (e.g. Forest, Bioeconomy, CE, Biodiversity)
- Rural Development (EAFRD)
- EU Economic, Social and Territorial Cohesion

General approach

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➤ Excluded activities

→ those activities that the Bank will not engage in supporting, because of their expected negative environmental and social impact and their associated risks;

➤ Investment guidelines

→ principles guiding EIB financing in the forestry sector, which may be indicative of prescriptive according to the financing instrument used;

➤ Eligibility criteria

→ criteria applied to identify the activities of an investment/project that can be supported by EIB funding (i.e. eligible project costs for EIB financing).

Investment guidelines seek projects that are...

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- **Environmentally sustainable**
 - e.g. positive environmental outcomes; increased biodiversity; do not lead to ecosystem degradation; combating desertification
- **Socially acceptable**
 - Respect human and social rights; adequate labour standards; no child/forced labour, land grabbing and involuntary resettlement; compliance with FAO's VGGT
- **Economically profitable**
 - Ensure long-term economic sustainability after the investment
- **Technically sound**
 - support national strategic action plans and programmes of afforestation/ forest rehabilitation, forest fire prevention/mitigation
 - comply with SFM principles; implement FMPs; GIS/digital mapping systems; forest certification; forest governance (EU FLEGT)



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Some excluded activities

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- Commercial concessions over, and logging on tropical natural forest; conversion of natural forests to plantations
- Purchase of logging equipment for use in tropical natural forests or high nature value forests; and activities that lead to significant degradation of tropical natural forests or high nature value forests
- Destruction of Critical Habitat
 - High biodiversity value areas (i.e. “IUCN” classification); Habitat for endangered species (i.e. IUCN Red List of Threatened Species); Primary Forests and High Value Conservation Forests
- Extensive monoculture plantations
 - do not comply with EIB’s Biodiversity objectives; high financial and economic risks
- Palm oil plantations
- Conversion of drylands to irrigated forest plantations
- Purchase of agricultural/pasture land

Biodiversity and forests



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- Competition for space
- Management plans - lock-in of biodiversity and climate
- Long term business - long-term optimal path (?)
- Benefit sharing, landscapes, aggregation

- Supply chain risk – different products
- Diversity and staggering of revenue streams
- Nature based solutions and other benefits
- Fire risk management, thinning and rewilding
- Carbon sequestration / offsetting

- ***Cost of acquisition/leasing***



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Thank you!



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