



Enabling investment into conservation, the environment and communities at scale.

Mobilising blended finance into protected landscapes

November 2020



Environmental Finance



EF is the UK's leading environmental impact investment adviser, offering corporate finance advisory and fund management services across the natural and built environment.

Our Clients

Investment Advisory



Fund Advisory and Creation



Fund Management

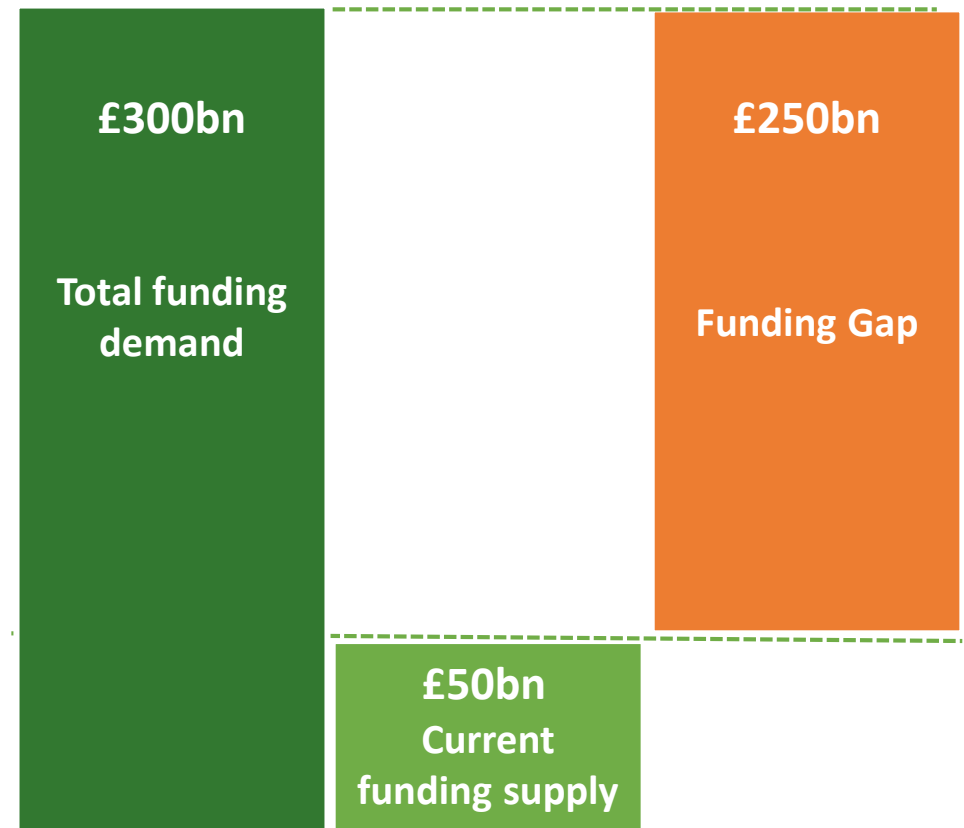


Why is investment needed?

At least £300 billion is needed per year to protect healthy ecosystems globally and preserve the earth's stock of clean air, fresh water, flora and fauna.

The Funding Gap:

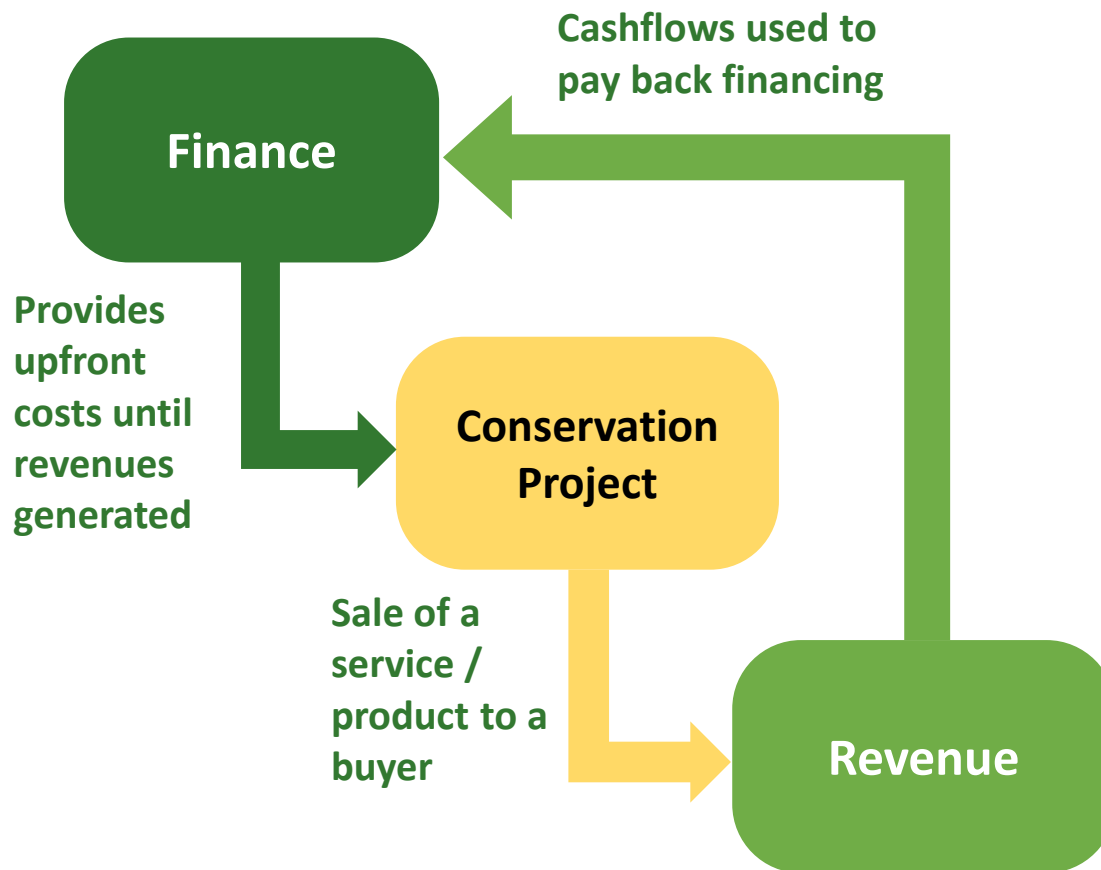
- Currently, **philanthropic and public funding sources provide less than one-sixth** of the funding need.
- It is clear that **private finance will be needed** to help plug the gap.
- Attracting private capital requires **financial returns to be generated from projects that also deliver environmental impact**.



Sources: Fabian Huwyler et al., *Conservation finance: Moving beyond donor funding toward an investor-driven approach*, 2014.
State of Private Investment in Conservation 2016, *Ecosystem Marketplace*, 2016

Revenue vs Finance

Once a market is established, finance can be used to fund the delivery of projects before revenues can be generated

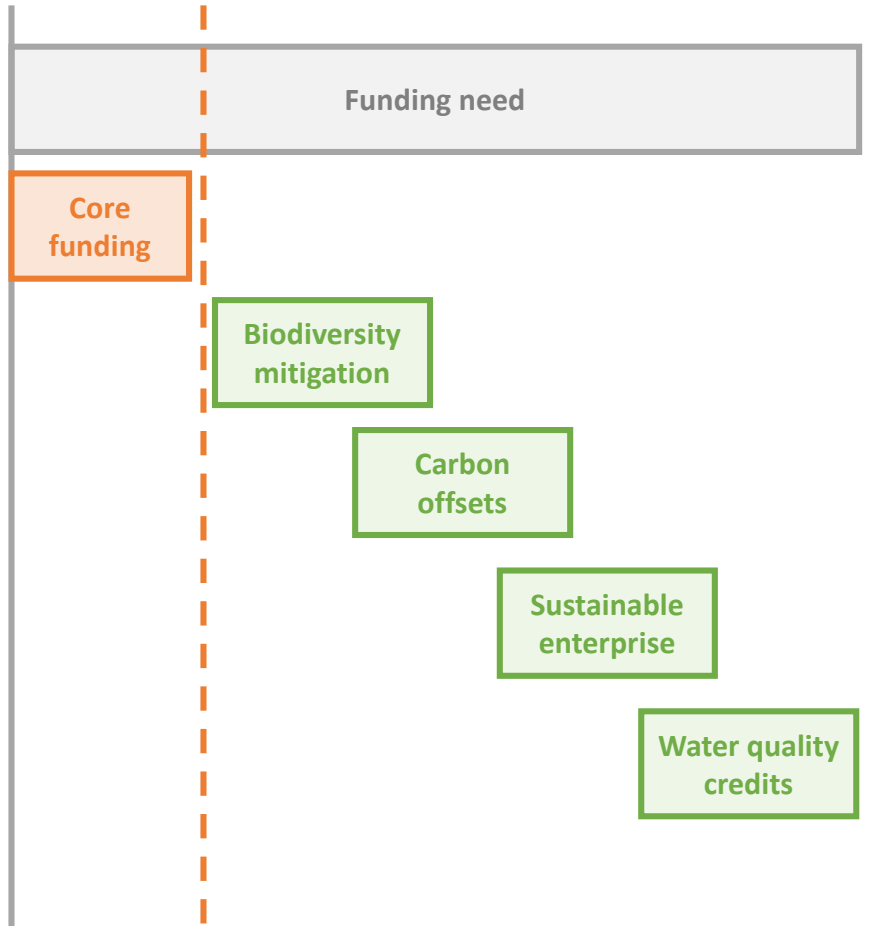


‘**Finance**’ is a tool to **bridge the time gap** in project funding needs, paid back with a **risk-adjusted return** over time as revenues are generated.

‘**Revenue**’ is the cashflow generated through the **sale of a product or service, or through the avoidance of a cost**.

Stacking of Revenue Models

Revenue stacking refers to the ability of a project to serve multiple markets, therefore attracting multiple income sources.



Benefits of revenue stacking:

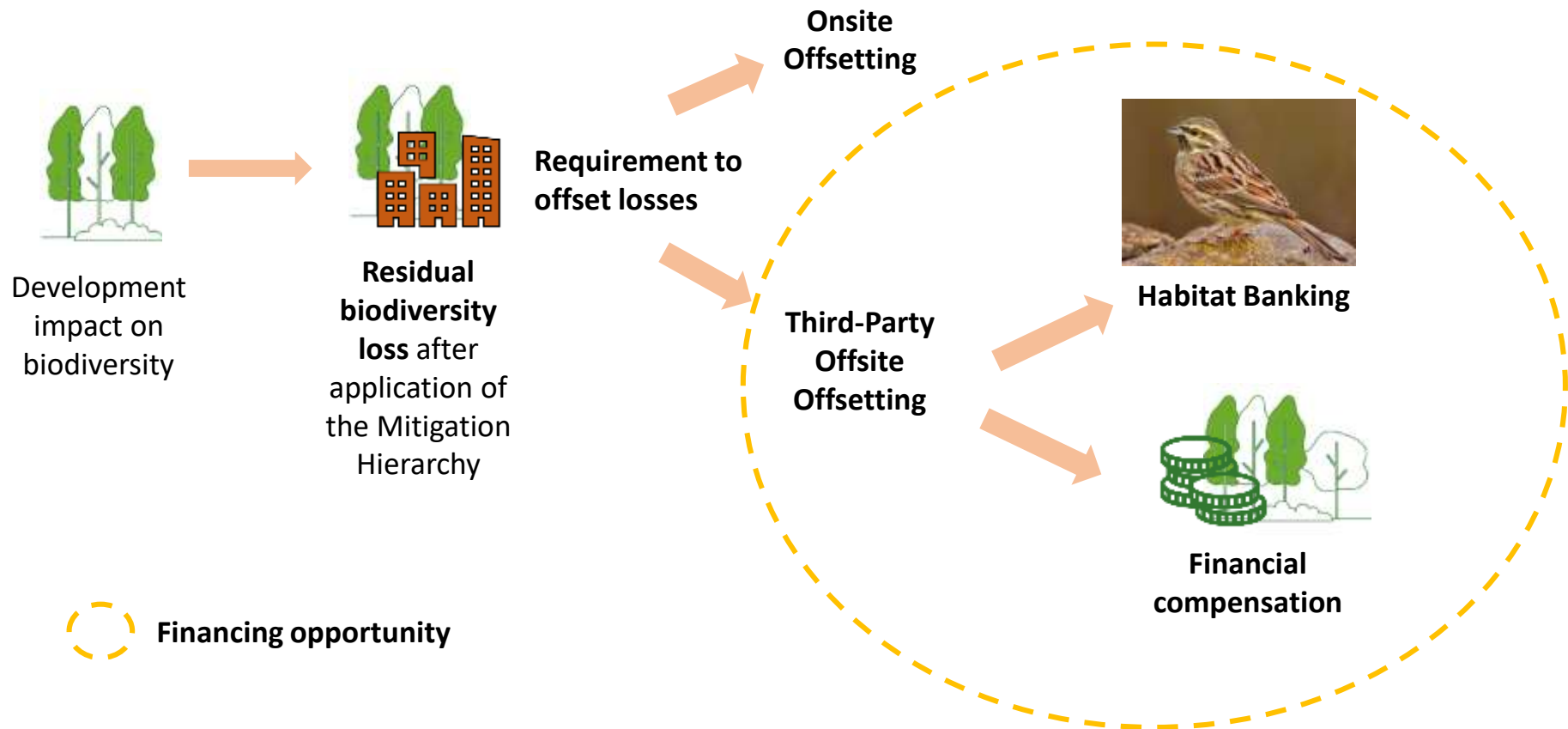
- Grant / non-repayable income streams may support access to repayable forms of capital

Considerations for *appropriate* revenue stacking:

- Timing of revenue
- Certainty of revenue
- Opportunities for risk transfer
- Risk of 'double counting' benefits
- Multiple markets:
 - = more buyers
 - = more opportunity for conflict
 - = more complexity

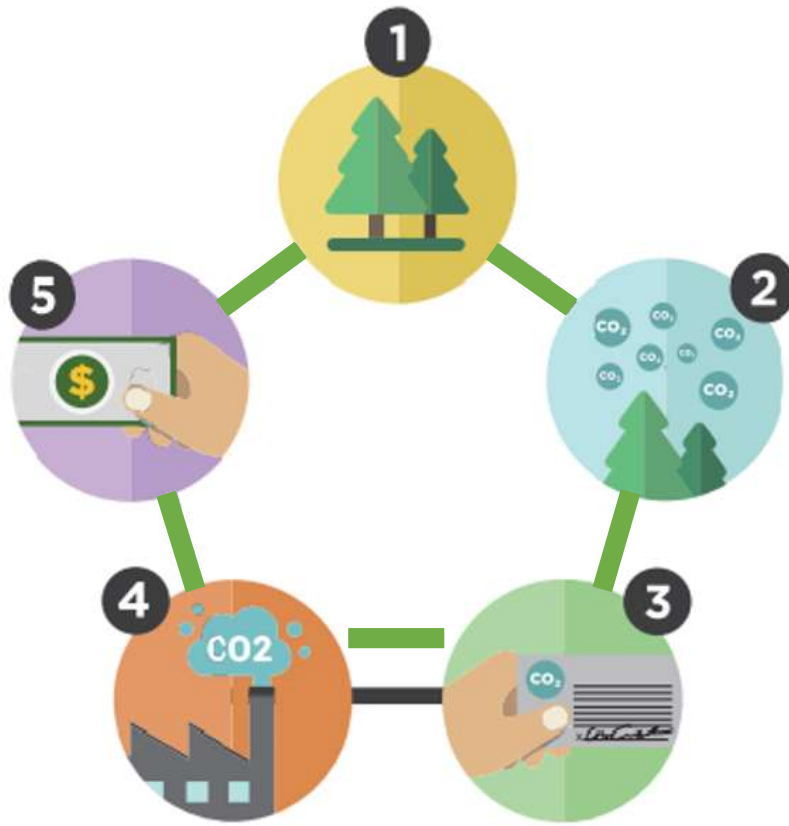
Biodiversity Mitigation and Net Gain

Biodiversity Offsetting aims to compensate for the residual negative impact to habitats, ecosystems and the functions they provide caused by development activity.



Carbon Offsets

‘**Carbon Offset**’ schemes compensate for GHG emissions. A **Carbon Credit**, representing one tonne of carbon, allows emissions to be traded and compensation projects to generate income.



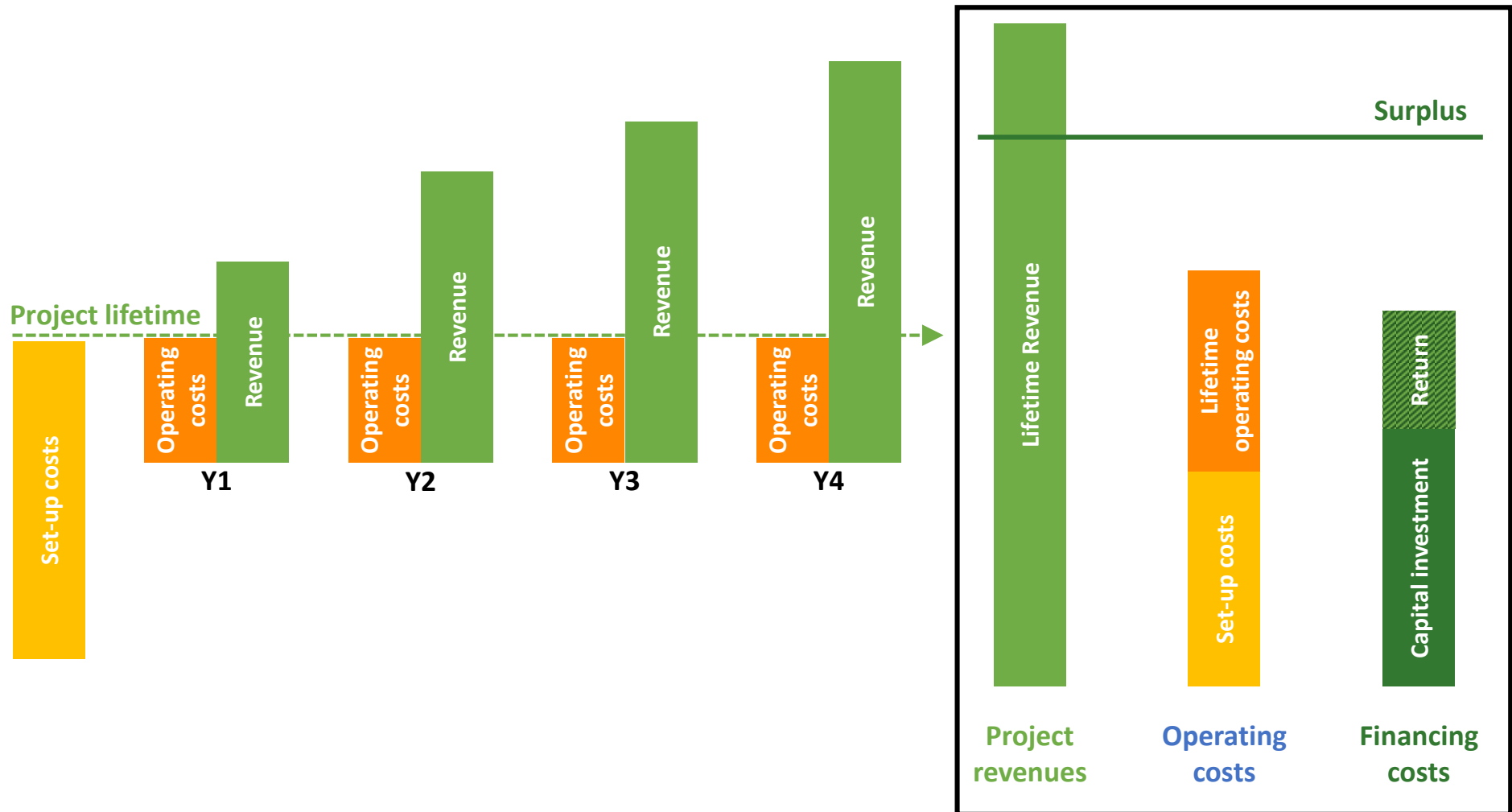
Warcop woodland creation, Cumbria



Dryhope peatland restoration, Scottish Borders

Cashflow Forecasts and Financial Surplus

To be considered “investable”, a project must generate more income than the total costs of set-up and operation, plus deliver a reasonable risk-adjusted return.



Key Resources



- Emerging funding opportunities for the natural environment. For philanthropic funders and impact investors in the environment sector
 - *Environmental Finance and Ecosystems Knowledge Network (2020)*
- CAPITALISING CONSERVATION: How conservation organisations can engage with investors to mobilise capital
 - *Clarmondial and WWF (2017)*
- From Niche to Mainstream: The Building of an Institutional Asset Class
 - *Credit Suisse and McKinsey & Company (2016)*
- Investing in Nature: Private finance for nature-based resilience
 - *TNC and Environmental Finance (2019)*
- Blueprints for bankable nature solutions to help tackle nature and climate crises
 - *WWF (2020)*



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