

BIODIVERSITY AND NATURE FINANCE BUSINESS



Creating Markets, Creating Opportunities

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BIODIVERSITY FINANCE MARKET IS GROWING RAPIDLY

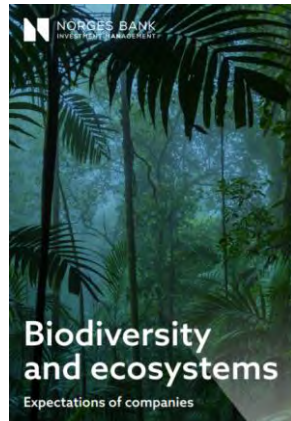
Political will



Private sector leadership



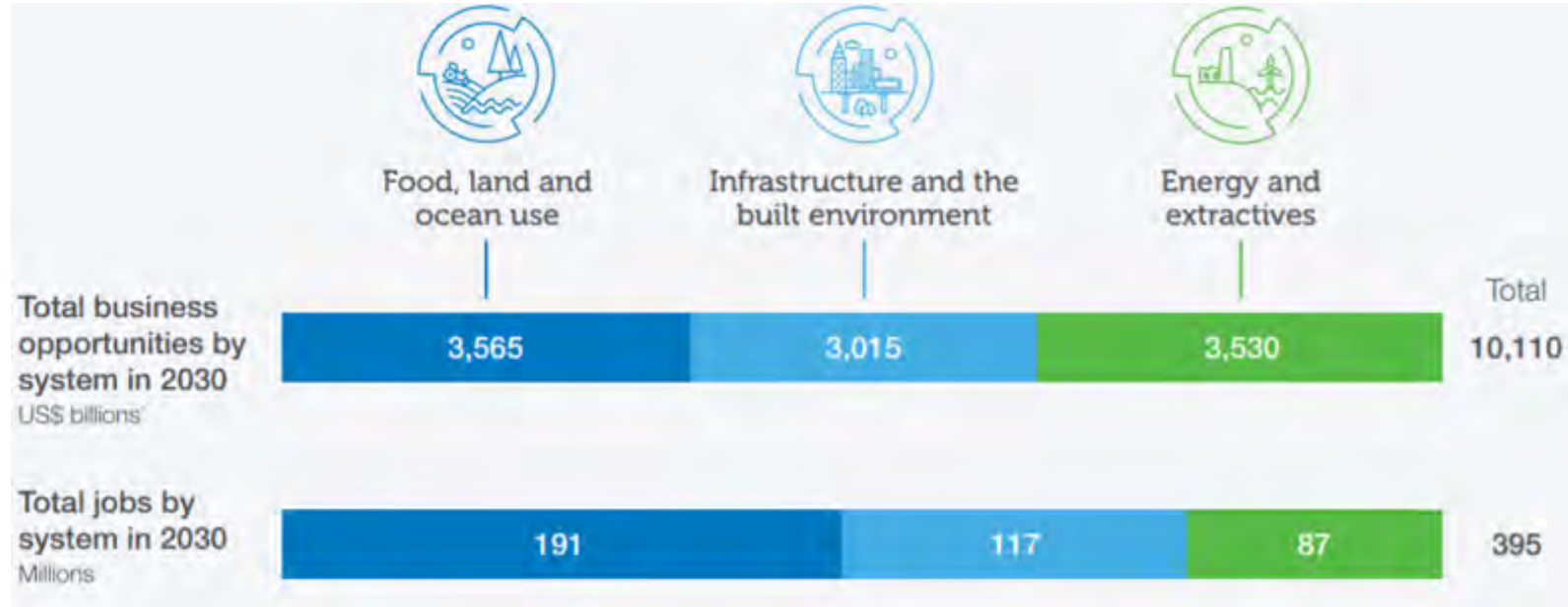
Euronext ® ESG Biodiversity Screened Eurozone 50



Rules, standards and tools



FINANCING TRANSITION TO NATURE-FRIENDLY PRODUCTION PRACTICES IS A \$10 TRILLION OPPORTUNITY

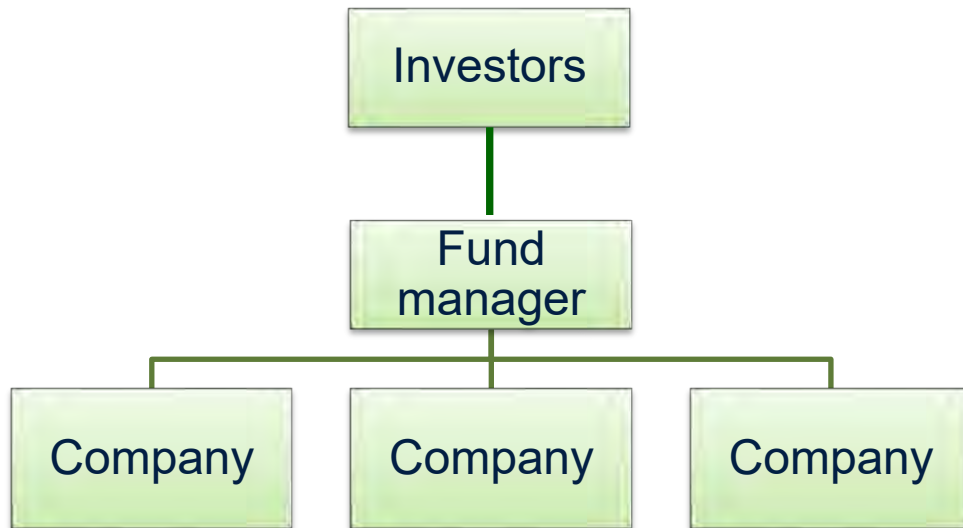


Source: WEF New Nature Economy Report II "The Future of Nature and Business," 2020

KEY BUSINESS AND MARKET DRIVERS

- Dependency risk management
- Cost reduction
- Cash flow generation
- Access to new and cheaper sources of finance
- Regulatory pressure and incentives
- New market for new products and services

EQUITY AND DEBT FUNDS



MARKET EXAMPLES

\$208 million Land Degradation and Neutrality Fund by Mirova

- Sustainable land use projects in emerging markets, including agroforestry, regenerative and sustainable agriculture

Landscape Resilience Fund by South Pole targets to raise \$100 million by 2025

- Sustainable agriculture, forestry, small-scale farming in emerging markets

Global Fund for Coral Reefs targets to invest \$500 million over 10 years for coral reef conservation

- Wild-caught marine fisheries, aquaculture, nature-based infrastructure, coral restoration, coastal and marine ecotourism, maritime transportation, ocean-based renewable energy, waste management, reef insurance, Marine Protected Areas and Locally Protected Areas

\$400 million Natural capital equity fund by Lombard Odier

- Profitable companies positioned for circular bioeconomy, resource efficiency, and zero waste.

USER-FINANCED MODEL

WATER FUNDS

- Form of a trust fund, **capitalized by downstream water users and public funding** through voluntary and/or legally required contributions
- Pooled financial resources to finance conservation of watersheds and upstream land management for clean water supply and protection from floods



MARKET EXAMPLE

Quito Water Fund by Quito's public water utility and TNC for watershed restoration and protection

- Nondeclining 80-year delimited trust fund that receives public and private contributions
- Independent financial manager invests the funds
- Initial investments: \$1,000 from TNC and \$20,000 from the Quito water company.
- Additional private contributions from electric and bottling companies
- 2% surcharge to monthly water bills
- Current size of the fund is \$12million with an annual budget of \$2 million.

USE OF PROCEEDS FINANCING MODEL

GREEN BOND AND GREEN LOAN PRINCIPLES

Use of proceeds for eligible activities

Process for project evaluation and selection

Management of proceeds

Reporting

MARKET EXAMPLE

£250 million Green Bond by Anglian Water

Use of proceeds: energy efficiency, water conservation, adaptation measures such as reducing flood risks, and positive biodiversity co-benefits.

Green Infrastructure: 1 ha constructed water treatment wetland



PERFORMANCE BASED FINANCING MODEL

SUSTAINABILITY LINKED BOND AND LOAN PRINCIPLES

Selection of key performance indicators

Calibration of sustainability performance targets

Bond/loan characteristics

Reporting

Verification

MARKET EXAMPLES

€ 750 million biodiversity-linked revolving credit facility for UPM (Finland)

- Decrease in loan interest rate is linked to achieving targets across 8 biodiversity indicators

\$500 million 10-year sustainability linked bond by Klabin (Brazil)

- 3 KPIs: water consumption; waste reuse; rewilding
- 3.2% coupon if targets achieved
- 12.5 bps coupon increase if KPI 1 is not achieved and 6.5 bps increase if KPIs 2 and 3 are not achieved.

LEVERAGING CARBON MARKETS TO FINANCE NATURE

The Woodland Nature Credits



Carbon
Dioxide



Bio
diversity



Well
being

- Developed and applied in Ireland to finance reforestation
- Sold to AXA (Euro 2 million) to meet sustainability commitments and develop new products (carbon neutral car insurance)

City Forest Credits



Carbon
Dioxide



Rainfall
Interception



Air Quality



Energy
Savings

- Developed and applied in the US for green urban infrastructure
- Sold to private companies to meet sustainability commitments
- Trade at \$22-30 per ton

IFC GUIDELINES FOR BLUE FINANCE (IN DRAFT)

- Aligned with the Green Bond Principles and Green Loan Principles
- Contributes to SDG6 (Clean Water and Sanitation) and SDG14 (Life under Water)
- List of eligible use of proceeds to support private investments;
 - Water supply and treatment
 - Ocean/water friendly products
 - Sustainable shipping and port logistics
 - Fisheries, aquaculture and seafood value chain
 - Marine ecosystem restoration and sustainable tourism
 - Offshore renewable energy



Indorama Ventures

First ever Blue Loan

Recycling of 50 billion PET bottles globally a year by 2025 including four countries in Asia and one in Latin America, diverting plastic waste from landfills and oceans



Bank of Qingdao

Blue Bond

On-lending to projects with eligible use of proceeds in line with IFC's Guidelines for Blue Finance

IFC REFERENCE GUIDE FOR BIODIVERSITY FINANCE (IN DRAFT)

- Aligned with the Green Bond Principles and Green Loan Principles
- Contributes to SDG14 (Life under Water) and SDG15 (Life on Land)
- List of eligible use of proceeds to support private investments to address key drivers of biodiversity loss:
 - Land use change
 - Overexploitation of resources
 - Pollution
 - Invasive species
- Eligible use of proceeds and indicative investment activities are grouped into three categories:
 - **Biodiversity co-benefits:** investment activities that generate biodiversity co-benefits, while supporting established business operations
 - **Nature-based solutions:** investments in conservation or restoration of ecosystem services to address a number of challenges
 - **Conservation:** investments in biodiversity conservation as the primary objective, directly financing conservation or conservation-related services.



MSC Shipping

Retrofitting ships with filters on ballast water tanks to prevent invasive species spread

Brazil

SP River CleanUp

Wastewater and solid waste treatment
Tied to performance based contracts to clean up Pinheiros River



Ethiopia

Nespresso supplier farms

Reforestation of coffee plantations with native tree species



China

Netafim

Efficient irrigation to reduce water use and to reduce chemical use

Kenya

IFC Forest Bond

Forest conservation (REDD project)
Payments to investors in cash or carbon credits