



## INSTRUMENT NAME: 8.2 COMMERCIAL INVESTING

**Pondscape-specific definition:** Commercial investors will invest in projects that deliver profits at acceptable risks. They would not treat NbS projects any different from other investments (i.e. only financial returns relevant for investment decision). The minimum investment size can be high, meaning this type of financing is most appropriate for large or consolidated projects. For pondscape developers, accepting commercial investment will require giving up some ownership of the project, and some claim on future revenues or profits. It may also be associated with high degree of business and legal formality (such as audits).

Commercial investors include venture capitalists, i.e., professional investment companies focused on capital growth, and institutional investors (Hayes et.al 2022), i.e. are large companies such as banks, insurers or pension funds, who invest the money of their clients, members, or shareholders, to conserve and grow their wealth.

|  |  |                              |   |
|--|--|------------------------------|---|
| <b>CATEGORY</b>  | Equity finance   |                              |   |
| <b>ALSO-KNOWN-AS</b>   |  |                              |   |
| <b>RELATED INSTRUMENTS</b>   | Impact investing   |                              |   |
| <b>APPROPRIATE FOR:</b><br>Who can use this type of financing instrument?                    | Private developer  | NGOs and non-profits         | Local/city/ regional govt. and agencies |
| <b>SOURCE OF FINANCE:</b><br>Who provides the finance?                                       | Professional investors, including venture capitalists and institutional investors.   |                              |   |
| <b>PAYMENT FORM:</b><br>What form is the payment?  | Any form of capital, but mostly cash.  |                              |   |
| <b>IN RETURN FOR WHAT?</b><br>What is the NBS project obliged to deliver in return?          | An ownership share of the business or/and its profits.   |                              |   |
| <b>RECIPIENT REQUIREMENTS:</b><br>What requirements must recipients meet to receive finance? | Projects managers should be well-experienced and have the necessary capacities to facilitate growth and/or revenues.   |                              |   |
| <b>PROJECT REQUIREMENTS:</b><br>What requirements must the pondscape project meet?           | <p>Investments must be bankable, i.e. profitable investment opportunity with relatively low risk. The characteristics of bankable projects include:</p> <ul style="list-style-type: none"> <li>- Cash flow generating activity</li> <li>- Sufficient collateral</li> <li>- High probability of success</li> <li>- A clear exit strategy</li> </ul> <p>An acceptable risk-adjusted rate of return (WWF 2020).</p> |                              |   |
| <b>OTHER REQUIREMENTS:</b><br>What additional requirements are attached to the financing?    | Impact investors might want a stake in management and decision-making to influence project management and strategy.  |                              |   |
| <b>SPEED:</b><br>How quickly do recipients receive money?                                    | Fast (<4months) – Medium(5-12months) – Slow (12months+)  |                              |   |
| <b>FUNDING TIMELINE:</b><br>When does the recipient receive the funding?                     | One-off or ongoing. Investors might invest only once or on an ongoing basis.   |                              |   |
| <b>NBS TYPE:</b><br>What types of NBS is the financing for?                                  | Pondscape <u>creation</u>  | Pondscape <u>restoration</u> | Pondscape <u>management</u>             |





|   |   |                    |                     |                         |
|---|---|--------------------|---------------------|-------------------------|
| <b>SCALES:</b><br>What scale of financing?                    | Small (<€10k)   | Medium (€10k-€99k) | Large (€100k-€999k) | Very large (€1million+) |
| <b>COMPLEXITY:</b><br>How complex is applying for the finance | Simple  | Medium             | Complex             |                         |
| <b>EXIST NOW IN EU?</b>                                       | Yes   |                    | No                  |                         |
| <b>REFERENCES:</b>  | <p>WWF. (2020) Blueprints for bankable nature solutions to help tackle nature and climate crises. Available here: <a href="https://wwf.panda.org/discover/our_focus/freshwater_practice/?364413/Blueprints-for-bankable-nature-solutions-to-help-tackle-nature-and-climate-crises">https://wwf.panda.org/discover/our_focus/freshwater_practice/?364413/Blueprints-for-bankable-nature-solutions-to-help-tackle-nature-and-climate-crises</a></p> <p>Banton C.; Drury A.; Jackson A. (2022) Equity Financing: What It Is, How It Works, Pros and Cons [Website, accessed Oct. 5<sup>th</sup> 2022]. Available here: <a href="https://www.investopedia.com/terms/e/equityfinancing.asp">https://www.investopedia.com/terms/e/equityfinancing.asp</a></p> <p>Cenname A. (2022) Angel investors vs. venture capitalists. [Website, accessed Oct. 5<sup>th</sup> 2022]. Available here: <a href="https://www.chase.com/personal/investments/learning-and-insights/article/angel-investors-vs-venture-capitalists">https://www.chase.com/personal/investments/learning-and-insights/article/angel-investors-vs-venture-capitalists</a></p> |                    |                     |                         |



**Instrument: 8.2 Commercial Investing**

**Example name: 8.2.1 Mill Creek Mitigation Bank**

**Example description:** JMT, an infrastructure development company, and the Lyme Timber Company purchased the mitigation use right easement for a 1,034 ha wetland landscape in Richland County, South Carolina. The mitigation use right easement means that, in return for improving, protecting and managing the wetland habitat, they are allowed to offset unavoidable damages to similar wetland habitats in the same watershed (in accordance with the USA federal Clean Water Act). The Lyme Conservation Opportunities Fund, managed by the Lyme Timber Company, invested in the project in return for an undisclosed share of the project.

**NBS DESCRIPTION**

|                                 |   |             |            |
|---------------------------------|---|-------------|------------|
| <b>LOCATION</b>                 | Richland County, South Carolina   |             |            |
| <b>NBS TYPE</b>                 | Creation  | Restoration | Management |
| <b>ECOSYSTEM TYPE</b>           | Wetland   |             |            |
| <b>NBS BENEFITS</b>             | Conservation value  |             |            |
| <b>NBS DESCRIPTION</b>          | The project consists of the restoration and management of a wetland habitat. It is created as a habitat bank to allow offsetting of unavoidable damages to similar wetland habitats in the same watershed.  |             |            |
| <b>SCALE (SIZE)</b>             | 1,034 ha (total property including wetland and other landscape types).  |             |            |
| <b>NBS PERFORMANCE CRITERIA</b> | <p>The project is established as a mitigation bank under Clean Water Act, for which federal- but also state specific requirements apply. General eligibility for mitigation banking in South Carolina is assessed on a case by case basis, but projects have to fall within one of the following broader categories:</p> <ul style="list-style-type: none"> <li>• wetland protection and enhancement,</li> <li>• wetland restoration,</li> <li>• wetland creation,</li> <li>• a combination of the above (SCDHEC).</li> </ul> |             |            |
| <b>NBS PERFORMANCE</b>          | Not explicitly reported; the project is already listed in the portfolio of the Lyme Conservation Opportunities Fund, indicating success.  |             |            |

**FINANCING DESCRIPTION**

|                               |  |  |  |
|-------------------------------|--|--|--|
| <b>SOURCE OF FINANCING</b>    | The Lyme Conservation Opportunities Fund, managed by the Lyme Timber Company.  |  |  |
| <b>RECIPIENT</b>              | JMT, an infrastructure development company.  |  |  |
| <b>SCALE (FINANCING)</b>      | Not reported for this specific project. The Lyme Conservation Opportunities Fund holds >\$50 million (Capital for Climate 2021).   |  |  |
| <b>TIMELINE</b>               | Not reported for this specific project. The Lyme Conservation Opportunities Fund has an investment period of 3-4 years.  |  |  |
| <b>FINANCING REQUIREMENTS</b> | The investment case was entirely dependent on the existence of a wetland banking mechanism, through which the project is able to generate revenues by selling offsetting credits.  |  |  |
| <b>FINANCING PERFORMANCE</b>  | Not reported for this specific project. Mitigation credits are estimated to be \$2,500 to \$10,000 per acre of wetland (Fenstermaker Team 2022). The Lyme Timber Company has created seven funds, investing around \$400 million over the past five years in restoration projects, carbon sequestration, habitat banking, sustainable forestry, and high-value conservation real estate.   |  |  |
| <b>TRANSACTION COSTS</b>      | Not reported. The substantial coordination costs of fund management require economies of scale and the pooling of multiple projects.   |  |  |
| <b>REFERENCE</b>              | <p>The Fenstermaker (2022) How Much Does Wetland Mitigation Cost? [Website, accessed Oct. 5th 2022]. Available here: <a href="https://blog.fenstermaker.com/wetland-mitigation-cost/">https://blog.fenstermaker.com/wetland-mitigation-cost/</a></p> <p>Capital for Climate (2021) The Lyme Conservation Opportunities Fund [Website, accessed Oct. 5th 2022]. Available here: <a href="https://nbs.capitalforclimate.com/fundsandvehicles/35">https://nbs.capitalforclimate.com/fundsandvehicles/35</a></p> <p>SCDHEC. Undated. Wetlands Mitigation Guidelines. Available here: <a href="https://scdhec.gov/sites/default/files/docs/Environment/docs/Mitigation_Guidelines.pdf">https://scdhec.gov/sites/default/files/docs/Environment/docs/Mitigation_Guidelines.pdf</a></p> |  |  |

