INSTRUMENT NAME: 7.1 LOANS/GREEN LOANS

Pondscape-specific definition: Loans are an instrument for raising finance from a private or public provider (commonly a bank), where the borrower receives a sum of money (the principal) from the lender in return for a promise to repay it in the future, as well as interest. Green loans are loans where the finance is used exclusively to finance "green" projects, i.e. those that generate an environmental benefit. Lenders for green loans are commonly public banks (such as the European Investment Bank or KfW) though private banks and others can also offer green loans. What qualifies as "green" may differ depending on the lender. A commonly used reference is the Green Loan Principles[1]. Green loans are generally smaller and less complex than green bonds.

CATEGORY	Debt instruments			
ALSO-KNOWN-AS	Green promotional loans			
RELATED INSTRUMENTS	Bonds, green bonds, revolving market funds			
APPROPRIATE FOR: Who can use this type of financing instrument?	**Pondscape developer**	**NGOs and non-profits**	**Local/city/ regional govt. and agencies**	**National govt. and public agencies**
SOURCE OF FINANCE: Who provides the finance?	Private, public: Private banks or public banks (e.g. European Investment Bank)			
PAYMENT FORM: What form is the payment?	Cash (the principal)			
IN RETURN FOR WHAT? What is the NBS project obliged to deliver in return?	Principal repayment over time plus interest payments. Depending on the loan conditions, the loan may be guaranteed by the lender having recourse to collateral related to loan (e.g. the infrastructure built using the loan) or to the borrower.			
RECIPIENT REQUIREMENTS: What requirements must recipients meet to receive finance?	- The requirements will differ depending on the loan and who it is being offered by. Some green loans will only be available to national and/or regional governmental bodies, while others will be exclusively available for private actors. - Recipients will need to be able to demonstrate that they can manage the loan and repay it. This may require formal registration as an association or business, as well as evidence of capacity (e.g. bank statements, financial plans, etc.)			
PROJECT REQUIREMENTS: What requirements must the pondscape project meet?	-Projects must be "green", i.e. the financing must be used only for projects that deliver environmental benefits (referred to as "Use of Proceeds"). Pondscape creation/restoration/management are likely to be considered green. - A common definition of what is considered "green" is given by the LMA, APLMA & LSTA (2018) Green Loan Principles, which requires projects to deliver environmental benefits. This is closely linked to the requirements for the Green Bond Principles. The Green Loan Principles also require transparent pre- and post-issuance reporting and management of proceeds. - To attract creditors, projects may need to be able to demonstrate that the project will generate economic returns (that will enable repayment of the principal).			

[1] The Green Loan Principles are closely related to the Green Bond Principles (*see Bonds/green bonds)*. They state that to be labelled "green", the proceeds of the loans must be used for projects that deliver environmental benefits, and that this is clearly evaluated and justified, that funds are managed transparently, and there is transparent reporting (LMA, APLMA & LSTA, 2018).

OTHER REQUIREMENTS: What additional requirements are attached to the financing?	- Transparent pre- and post-issuance reporting: Borrowers commonly need to justify to lenders that their project is eligible for a green loan (as well as evidence that they will be able to repay the bond), as well as report on the project over the life of the loan.
SPEED: How quickly do recipients receive money?	**Fast (<4months)** – **Medium(5-12months)** – Slow (12months+)
FUNDING TIMELINE: When does the recipient receive the funding?	One-off: the debtor receives the principle up front. They must then pay creditors regular interest payments (e.g. annually), as well as repay the principal when the loan is due.
NBS TYPE: What types of NBS is the financing for?	**Pondscape creation** / **Pondscape restoration** / **Pondscape management**
SCALES: What scale of financing?	**Small (<€10k)** / **Medium (€10k-€99k)** / **Large (€100k-€999k)** / **Very large (€1million+)**
COMPLEXITY: How complex is applying for the finance	**Simple** / **Medium** / **Complex**
EXIST NOW IN EU?	**Yes** / No
REFERENCES:	LMA, APLMA & LSTA (2021) Green Loan Principles: Supporting environmentally sustainable economic activity. https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

Instrument: 7.1 Loans/green loans example

Example name: 7.1.1 Linnunsuo – Rewilding Europe Capital loan

Example description: The restoration of the Linnunsuo wetland in Finland sequestrates carbon, restores habitats, and enables various cultural and providing ecosystem-services services. The purchase of the wetland was financed with a commercial loan of 75,000€ by Rewilding Europe Capital, which supports so-called 'rewilding' enterprises.

NBS DESCRIPTION			
LOCATION	Finnish North Karelia, Finland		
NBS TYPE	Creation	**Restoration**	Management
ECOSYSTEM TYPE	Wetland		
NBS BENEFITS	Conservation value; Greenhouse gas sequestration; Education and research; Culture and Heritage.		
NBS DESCRIPTION	The restoration of the Linnunsuo wetland improves the quality of the surrounding 9,000ha Jukajoki watershed as a ground for traditional-cultural subsistence, including hunting, fishing, berry picking, and cultural-spiritual health, while sequestrating carbon and providing habitats for regional biodiversity, including protected bird species. The site is also used for educational purposes and bird watching-related tourism.		
SCALE (SIZE)	110 ha		
NBS PERFORMANCE CRITERIA	Internal monitoring indicators include: - Decreased levels of acidic compounds and heavy metals from former industrial peat extraction - Increased presence of bird and fish species Rewilding Europe Capital's general wetland restoration impact indicators include: - Extension of the area within the original floodplain with a natural flooding system; - Extension of the river length without dams; - Extension of the river length with natural erosion and sedimentation; - Extension of natural marshlands; - Extension of natural estuaries; - Increased fish migration and water- and marshland bird populations		
NBS PERFORMANCE	Not reported		
FINANCING DESCRIPTION			
SOURCE OF FINANCING	Rewilding Europe Capital (REC), a limited liability company owned by the non-for-profit foundation Rewilding Europe, based in the Netherlands.		
RECIPIENT	NGOs and non-profits. Snowchange Cooperative is a Finland based non-profit organization, representing Arctic Indigenous communities, and supporting the restoration and conservation of landscapes and heritage.		
SCALE (FINANCING)	This case: 75.000€. Generally, REC loans for wetland restoration and water management range from €25,000 to €600,000.		
TIMELINE	One-off, within a 1-year process, with a general REC loan-term of 6-8 years.		

FINANCING REQUIREMENTS	REC is looking to finance wetland-related activities capable of generating a commercial return that may include: - Rewilding of former polders: To change from unsustainable farming to more productive aquatic ecosystems, that at the same time can play a role in flood management (especially in deltas); - Natural protection: Cooperation in protecting natural vegetation on riverbanks and mountain slopes to avoid erosion of these areas and water management problems downstream; - Wildlife habitats: Form habitats protecting wildlife, for example the colonisation of beaver in its natural river habitat, especially upstream where beaver dams can help to store and buffer water (upstream water retention) which flattens flood peaks; or the creation of natural marshes that provides breeding habitat for marshland birds, providing nature-tourism opportunities; - Natural breakwaters: Stimulate the development of natural vegetation as a breakwater in front of dykes and dams, reducing the costs of management of such infrastructure; - Removal of (obsolete) dams: Eliminating maintenance costs and restoring free flowing rivers with natural fish migration that provide new sources of income from wildlife tourism and (sustainable) fishing; - Drinking water: Protecting sources of drinking water through the establishment of nature reserves is important for both conservation and supplies of high-quality drinking water.
FINANCING PERFORMANCE	Interest rate: 2.5%–6%
TRANSACTION COSTS	Not reported
REFERENCE	Rewilding Europe Capital (2022) Wetland restoration and water management – Factsheet. Available here: https://rewildingeurope.com/our-story/ Rewilding Europe Capital (2017) Finland's Snowchange purchases wetland with its first Rewilding Europe Capital loan. Available here: https://rewildingeurope.com/news/finlands-snowchange-purchases-wetland-with-its-first-rewilding-europe-capital-loan/

Instrument: 7.1 Loans/green loans example

Example name: 7.1.2 Clean Water State Revolving Fund loan - Winona Wetlands

Example description: The Winona Wetlands serve as a critical biodiversity habitat, regulating stormwater and capturing accumulative pollutants. The $400,000 purchase of the wetland was enabled by the Clean Water State Revolving Fund (CWSRF), which finances diverse nonpoint source projects with loans below market rate. As loans are repaid to the fund, it sustains its capacity to support more and more projects over time, making it a revolving fund.

NBS DESCRIPTION			
LOCATION	Port Townsend, Washington, US		
NBS TYPE	Creation	Restoration	**Creation**
ECOSYSTEM TYPE	Wetland		
NBS BENEFITS	Flood management, water quality improvement, conservation value		
NBS DESCRIPTION	Port Townsend bought the Winona Wetlands for the purpose of its preservation as a biodiversity habitat and its function for stormwater control and water purification.		
SCALE (SIZE)	2.6 ha		
NBS PERFORMANCE CRITERIA	Not reported		
NBS PERFORMANCE	Not reported		
FINANCING DESCRIPTION			
SOURCE OF FINANCING	Clean Water State Revolving Fund (CWSRF) by the United States Environmental Protection Agency (EPA)		
RECIPIENT	City of Port Townsend, Washington, US		
SCALE (FINANCING)	$400,000. Other CWSRF loans are much higher (e.g. $9.5 million for the conservation of the Vernal Pools in California).		
TIMELINE	One-off. The City of Port Townsend received $400,000 to purchase the wetland and repays the debt to the revolving fund over a period of 5 years with a portion of the $5/month storm water utility fee paid by each household. The CWSRF can issue loans with repayment periods of up to 20 years. Projects can receive several CWSRF loans over time. As loans are repaid, the fund sustains its capacity to issue new loans, which makes it a revolving fund.		
FINANCING REQUIREMENTS	CWSRF loans target nonpoint source projects (combatting accumulative pollution) and cover up to 100% of the project costs. Loan eligibility varies from state to state as priorities are set locally. 15 states issue loans to private entities, mostly not-for profit organizations in collaboration with private banks. Otherwise loan recipients are generally municipalities.		
FINANCING PERFORMANCE	0% interest rate. The CWSRF generally issues loans below market rate, but loans may have interest rates >0%, depending on the recipient and the context.		
TRANSACTION COSTS	Not reported		
REFERENCE	EPA (2001) Protecting Wetlands with the CWSRF - Fact sheet on how the CWSRF can be used to fund restoration projects. Available here: https://www.epa.gov/wetlands/clean-water-state-revolving-fund-srf-and-wetlands EPA (2001) CWSRF Funded Wetlands Projects - Case studies on wetlands projects using CWSRF. Available here: https://www.epa.gov/wetlands/clean-water-state-revolving-fund-srf-and-wetlands		