



European Investment Bank

The EU bank

The Natural Capital Financing Facility (NCFF) & other tools to promote Green Infrastructure

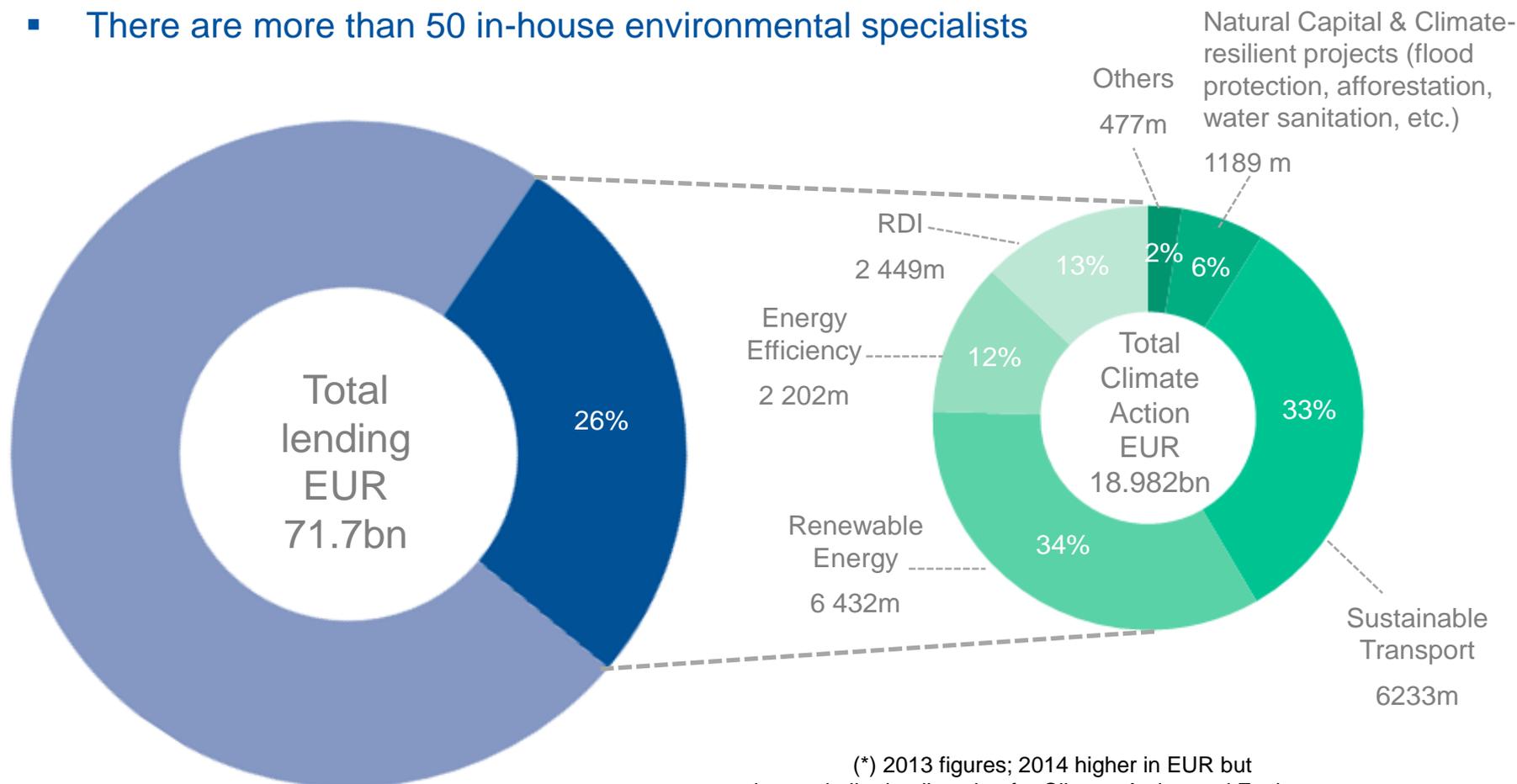
Brussels, 5 May 2015

The European Investment Bank (EIB)

- EIB is the EU's long-term lending bank set up in 1958 by the Treaty of Rome, headquartered in Luxembourg
- EIB shareholders are the 28 EU Member States
- Largest multilateral lender and borrower in the world
- Around 400 projects annually in more than 160 countries
- Around 10% of financing is for projects outside the EU
- Financing is in support for EU priority objectives: climate change, infrastructure, energy, SMEs, regional development...

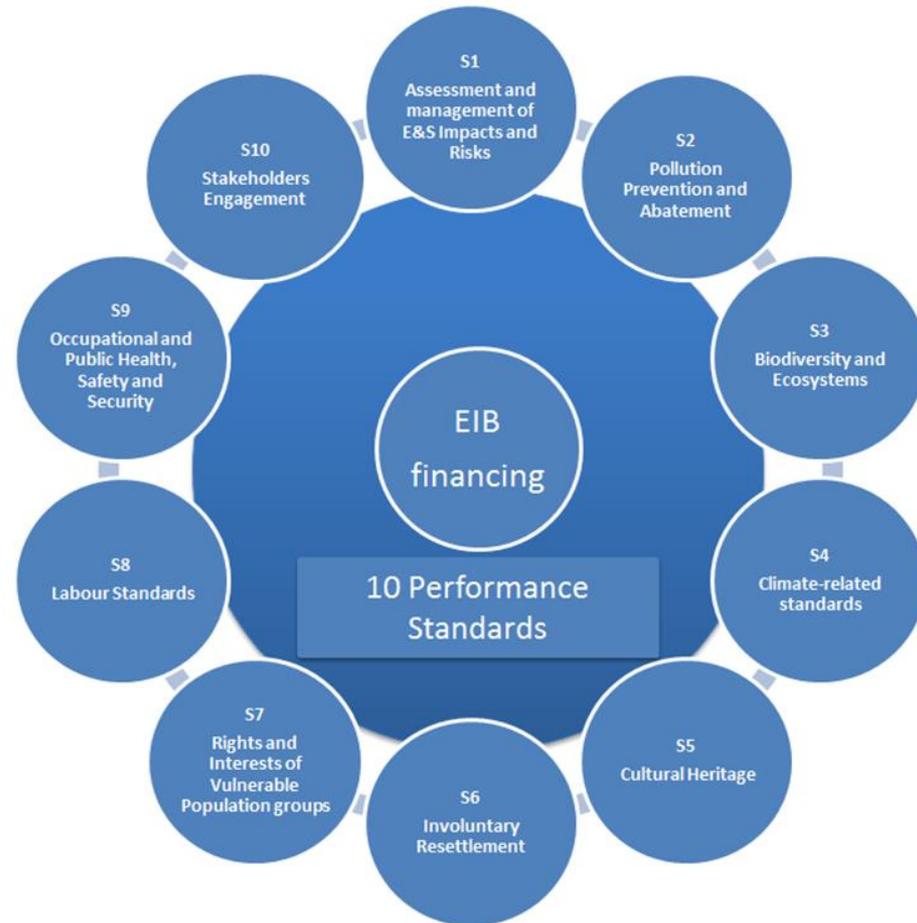
EIB Lending Volume, Climate Action, Environment (*)

- Efforts to mitigate/adapt to climate change are a priority for EIB
- More than 25% of total EIB lending goes towards Climate Action
- There are more than 50 in-house environmental specialists



EIB Environmental and Social Standards : An integrated Approach

- Understanding operations in the context of wider global drivers: Human Rights, Climate Change, Biodiversity – these are integrated and cut across all EIB activities and practices
- The E&S Principles are operationalised by the 10 E&S Standards and complement the financial and economic criteria in the appraisal of projects
- Aligned with other IFI E&S Standards
- Standards apply to both public and private sector and to all regions



Standard 1: Assessment and Management of E&S Impacts and Risks

Objectives

- To **anticipate, avoid, minimize, and remedy/compensate** for impacts and risks;
- To mitigate or minimize negative impacts to **affected communities** and the **environment** including biodiversity and ecosystems;
- To promote **effective use** of environmental and social management systems
- To promote **appropriate and adequate** engagement and communication with project-affected communities.

Key Aspects

Standard 1 establishes the importance of :

- (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects;
- (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and
- (iii) management of environmental and social performance throughout the life of the project.

Standard 3: Biodiversity and Ecosystems (BES)

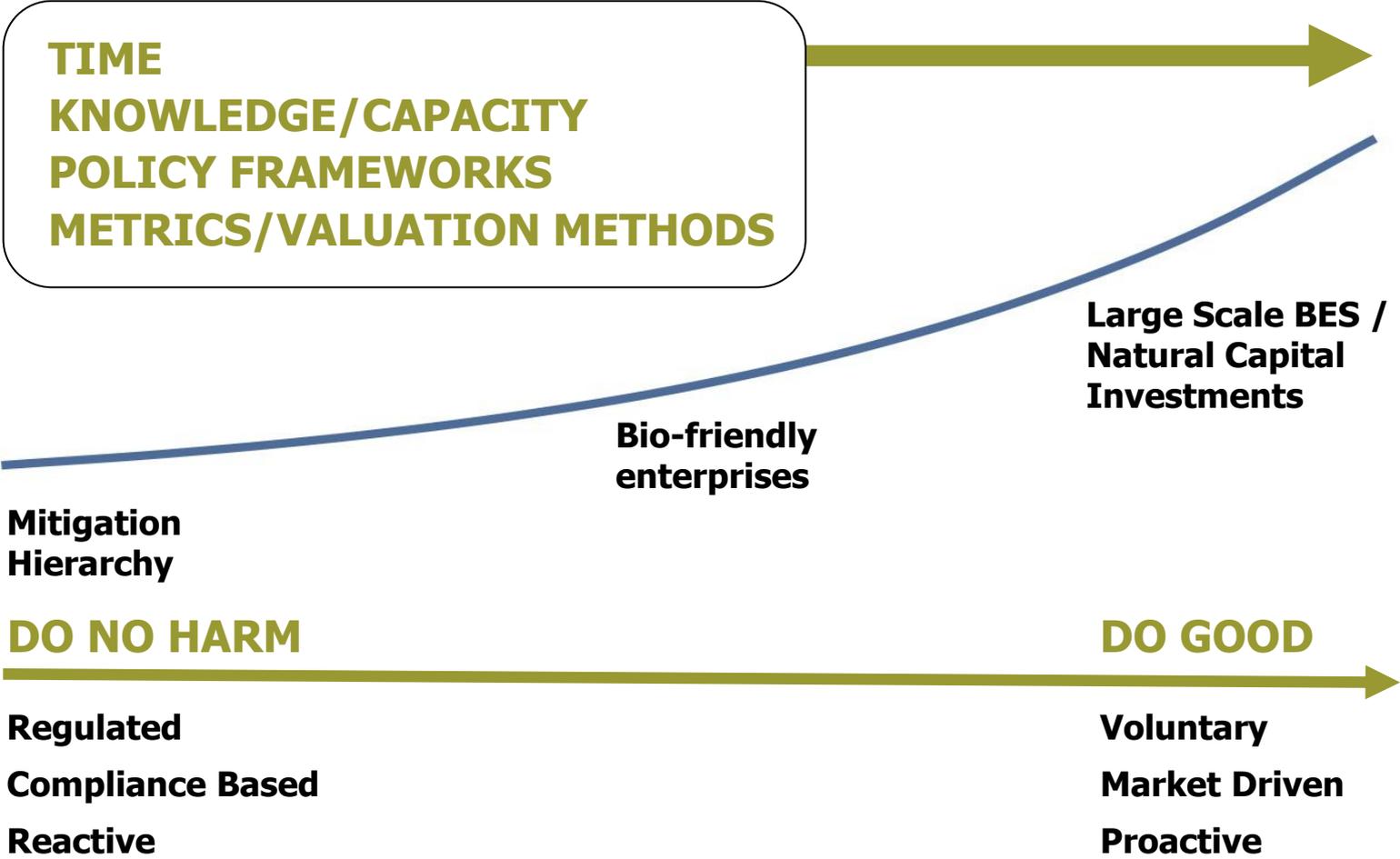
Key Objectives

- Acknowledge the **intrinsic value** of BES;
- Aims to protect and conserve **all levels of BES** (terrestrial and marine) through the application of the **mitigation hierarchy** so as to ensure no net loss;
- Applies to **all habitats** whether protected or not;
- Supports the **sustainable use** of natural renewable resources and the **equitable sharing** of benefits from project's use of natural resources;
- To **maintain** the benefits from ecosystem services where there is an **impact on local livelihoods**.

Key Aspects

- Provides guidance on the biodiversity impact assessment (approach and measures the promoter has to take to protect and conserve all levels of biodiversity) through **process**;
- Alignment and respect of **International Conventions** which guide the interpretation of the Standard;
- **Internalisation** of BES where possible **into the cost benefit analysis** and project design;
- Ecosystems and **landscape approach**;
- Stakeholder **engagement and participation** of local communities in decision-making process;
- Requirement for **adaptive management**;
- **Monitoring, reporting and tracking**.

Moving Up The Curve



Reconciling BES Projects with Investors/Financial Sector Needs

NEED = Asset or Commodity (Measureable, Verifiable and Tradable Value)

- metrics that are locally appropriate but standardized across markets
- an issue of scale, geography and system complexity
- an asset which can overcome risks associated with permanence in a natural system

NEED = Demand (A Market)

- all projects must achieve acceptable financial and economic rates of return
- challenge of converting a 'free' asset to a cost (incentive, regulation or consumer pressure)
- challenge in identifying demand-side participants

NEED = Risk Reduction (Particularly Permanence of Asset in this Case)

- ensuring the true opportunity cost is overcome
- alignment of interests – e.g. pure ecosystem assets vs. sustainable harvesting
- ensuring associated alternative livelihood strategies are sustainable

NEED = Informed Supply-Side Project Managers

- project developers must have specialist project knowledge (common) but also financial expertise to allow them to translate their projects from grant based operations to investment opportunities....

Natural Capital Asset Classes and Investments

GOOD

Private

Public

ASSET CLASS (e.g. in forestry / land use)

Sustainable Forest Management & Plantations (Pulp and Paper, Timber, Biomass)

Afforestation/Reforestation (+ carbon sequestration)

NTFP / Agroforestry (Herbs, Nuts, Mushrooms, Coffee, Cocoa, Tea...)

Pro-Biodiversity Businesses (Ecotourism, Recreation, Research..)

Forest Conservation (REDD+, bio-credits...)

Other Ecosystem Services (Fire Prevention, Erosion Control, Air control, Noise regulation, Endangered species, Pollination, Water purification, Soil nutrients...)

AVAILABLE FINANCING INSTRUMENTS

Equity Funds

Equity/Debt Funds

Equity/Debt Funds

Loans to Public Sector

Loans to Private or Public Sector

Structured Debt

Structured Debt including activation of revenues

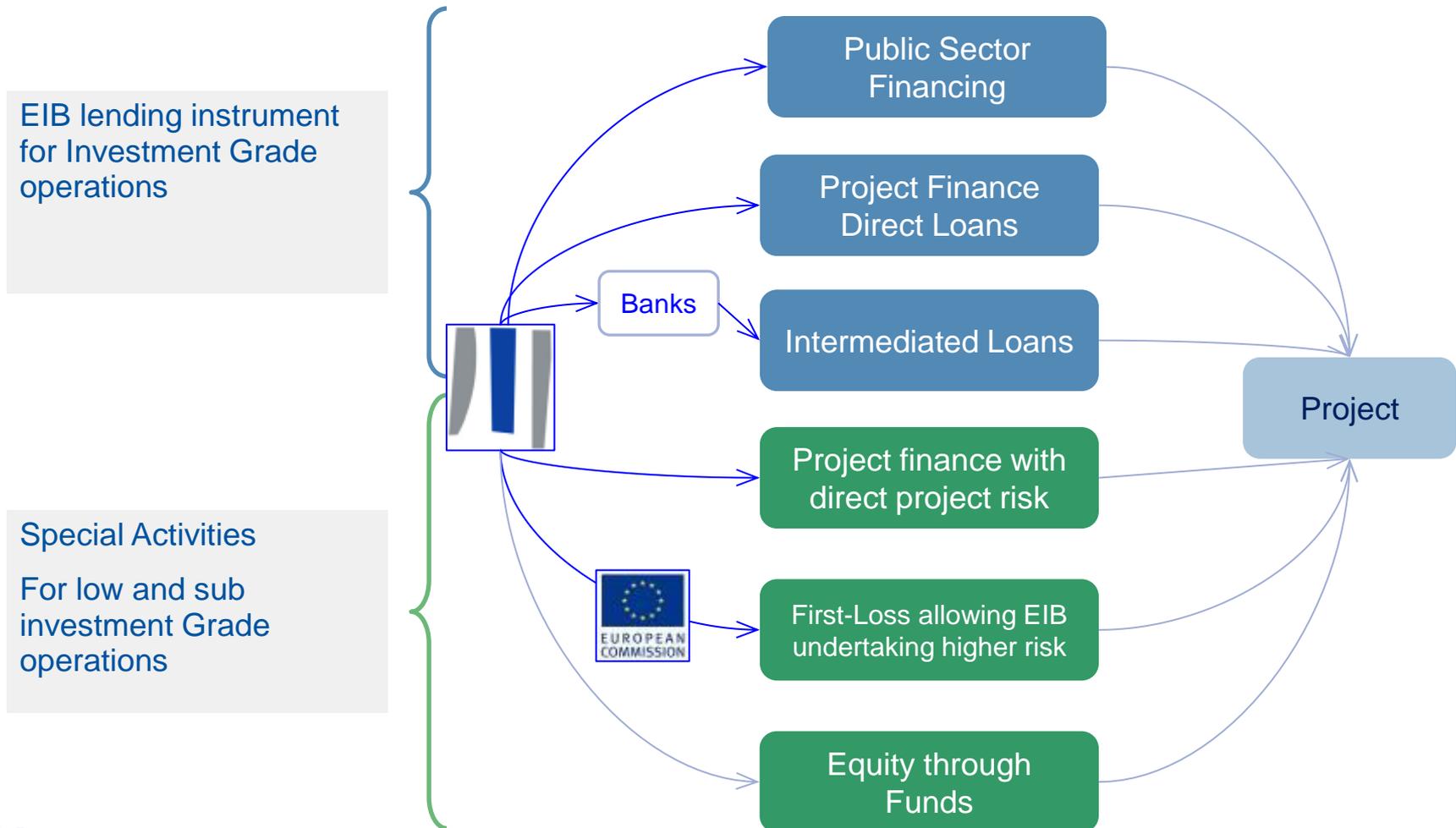
Blending

Grants

Green Bonds

EIB Financing Instruments

- The EIB has, to its disposal, an extensive range of instruments to finance public and private sectors at investment and sub-investment grades of risk



The Natural Capital Financing Facility



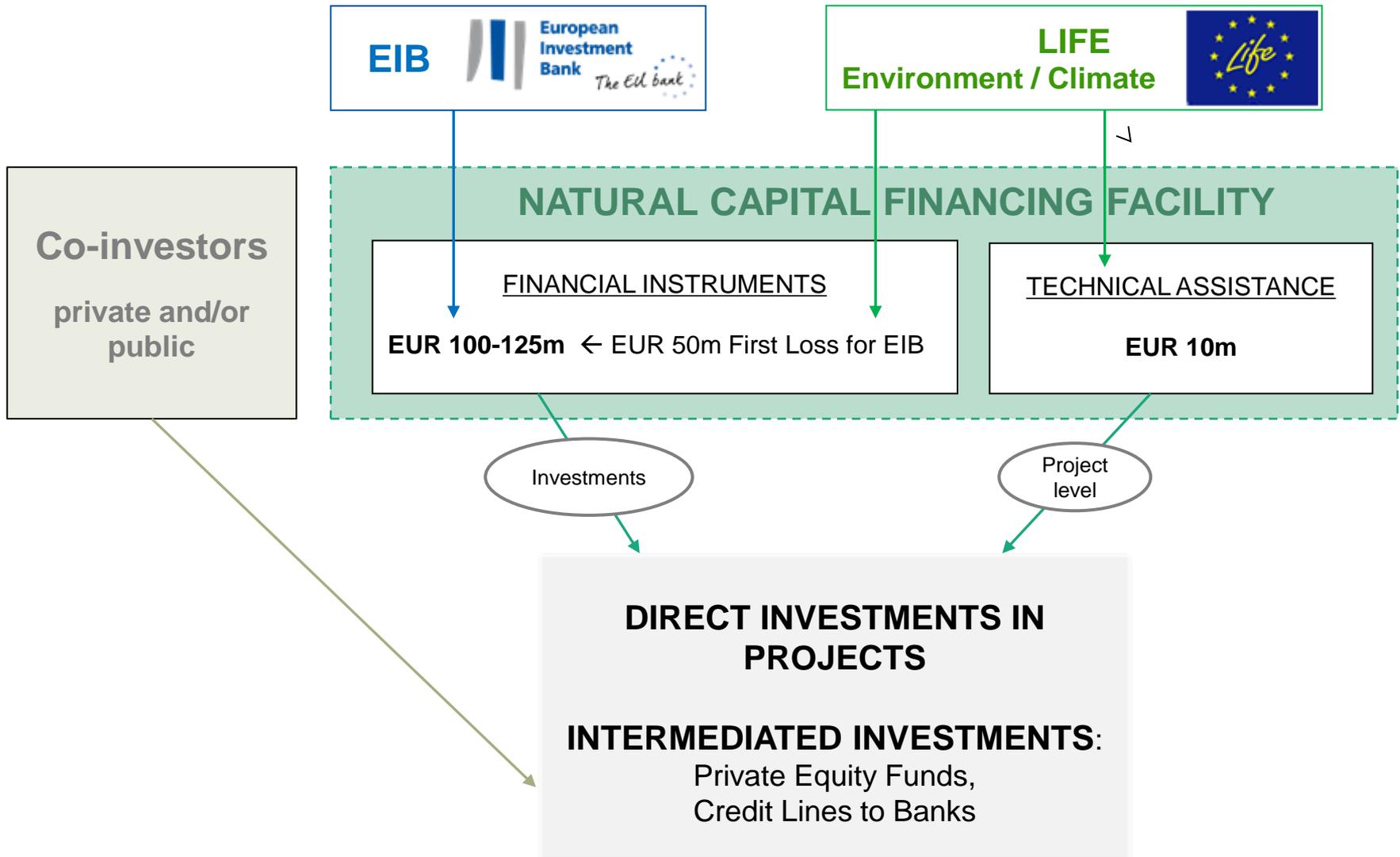
The NCFF is a new initiative to **stimulate financing for conservation, restoration, management and enhancement of natural capital.**

The NCFF will focus on financing **proof of concept / pilot projects** for ecosystem services and climate adaptation benefits, especially challenges related to biodiversity, land use, forestry, soil, water, agriculture and waste.

The facility will focus on **market-based instruments** (particularly to sustain upfront investment) in green infrastructure, biodiversity offsetting/no-net-loss initiatives, projects with payment for ecosystem services (PES) features, as well as pro-biodiversity businesses / corporates, or a combination these typologies while contributing to climate resilience.

Final beneficiaries would include both **private and public entities.**

NCFF Structure



Green Infrastructure Eligible Projects



GI: spatial structure providing benefits from nature (i.e. multiple valuable ecosystem goods and services) to people → GI projects: (1) sustainable & resource efficient; (2) catalyst to economic growth? generator of employment? fostering innovative approaches/businesses to reduce environmental costs?; (3) supporting EU and national driven policies.

- Provision of buffers against impacts on Natura 2000 sites and other protected areas
- Restoration of degraded areas (urban brownfields, derelict rural land, damaged wetland...)
- Establishment of habitat corridors
- Afforestation / Reforestation
- Nature-based fire prevention, flood protection and erosion control
- Nature-based water treatment / purification / retention
- Urban green infrastructure such as green roofs/walls, green belt/parks, SuDS etc
- Management of coastal and marine zones

Some Questions

What have been to date the kinds/locations of interests expressed to the NCFE for GI Projects?

What are the typologies of urban GI projects presented?

What are the social impacts of the projects presented?

Does the GI projects expressed to the NCFE interplay with PES features or Pro-Biodiversity elements or offsetting / NNL components?

Are the projects rather local, regional, national or trans-boundaries?

Did the promoters present clear business models? If not, what are the missing elements?

Do the promoters present methodologies (e.g. baseline) valuing the environmental benefits provided by their projects?

How many projects clearly support or are meant for climate adaptation?

Which kind of borrowers / final recipients of NCFE are most foreseen? Public? Private? NGOs? Size?

Are there marine / coastal projects?

Challenges for monitoring, reporting etc?

Thank You

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