

# Funding natural capital assets

Green Futures Network  
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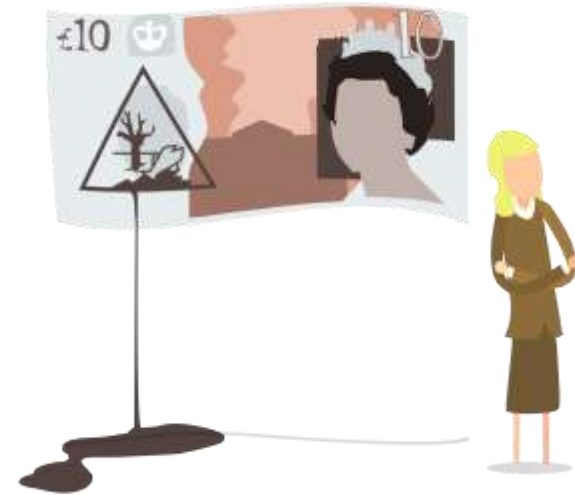
Abundance is authorised and regulated by the Financial Conduct Authority (525432)

*abundance.*

# At the individual level - it matters where our money goes



71% people want to know where their money is invested



75% would be unhappy knowing it was invested in companies that damage the environment or unethical

# What does this mean for natural capital assets?

- Impetus is for positive investments
- £44 billion of investment required in next 10 years
- Cannot get there with public funding and philanthropy alone
- But natural capital assets are currently difficult to “monetise”

The World Economic Forum estimates that more than half of the world's economic output (\$44 trillion) is at least moderately or highly dependent on nature, meaning that if natural systems collapse, so will the world's economic and financial systems.

# Barriers to investment in natural capital assets

**Investment...** *“The process of investing money for profit”*

*Oxford English Dictionary*

To create an investment, we need to...	Barriers for NCAs
Identify the service and who benefits	<ul style="list-style-type: none"><li>- Lack of standards / accreditation</li><li>- Lack of expertise</li></ul>
Define the value and get someone to pay for the service	<ul style="list-style-type: none"><li>- Lack of policy / incentives (carrot &amp; stick)</li><li>- Lack of standards / accreditation to quantify the services</li><li>- Lack of a market (beyond carbon credits)</li></ul>
Establish a value that is greater than the operating costs	<ul style="list-style-type: none"><li>- Ensuring landowners receive fair payments for providing the services</li><li>- Aligning market levers</li></ul>

# Is anything working?

- Policy support (UK targets; grants; tax incentives)
- Incentives & metrics
  - Carbon codes (woodland and peatland)
  - Biodiversity metric
- However...
  - carbon price too low to fund scale of projects needed & could create risk of perverse outcomes e.g. detrimental to nature
  - carbon only too limited: need transparent and consistent way of quantifying additional benefits
- Other credits being developed e.g. nitrate credits; biodiversity credits

# Bridging the divide to natural capital assets

- Public sector is in a unique position to mitigate risk
- Mitigating risk means lower cost of capital, but not lower demand
- Taxonomies and other measurement frameworks are developing to measure and monitor impact
- Building and maintaining public confidence in market integrity critical

# What we do



- Alternative provider of project finance and complementary types of funding
- Win win investments for investors
- Engagement

# Ways in which Abundance can raise money

Retail investors / general public / citizens as investors

## Abundance platform

### Small scale Project Finance

- Money used to build a specific project
- Debt issued by a Project Company
- Interest and capital repaid from cash flows of that project
- Usually has security over assets of the Project Company
- Risk concentrated in the project

### Structured corporate debt

- Money used for earmarked corporate purposes
- Debt issued by a SPV
- Interest and capital repaid from cash flows of parent / group / events
- Less or no security
- Risk is on the parent / group

### Community Municipal Investments

- Money used for earmarked investment in particular projects
- Debt issued by a Local Authority
- Interest and capital repaid from money available to that LA
- No security over assets
- Risk is on the Local Authority





# Carbon Plantations Ltd – Natural Capital

Funding new 195 hectares of sustainable hardwood trees that capture more carbon and help regenerate farmland in Suffolk



## Investment terms

Target amount: £4.7 million

Tenor: 10 years

Rate of return: 8% a year  
(before tax)

## Current funding statistics

Current amount raised: ~£2.6 million

Current no. of investors: ~1,480

# Municipal Investments

Local authorities can directly fund NBAs using MIs as their source of funding

- **Undercut** PWLB borrowing rates
- **Emulate**, as far as possible, the ease of use of PWLB
- **Platform for communicating** with residents and building trust as well as driving additional social value and local economic benefits
- **Accessible** to ordinary investors; low minimum and ISA eligible, helping to improve financial security

*“The bond has saved the Council money and has provided us with a new way to communicate and involve residents in the delivery of Net Zero. It has also helped support the Council’s environment team by shining a spotlight on their work, while energising the Council as a whole as the success of the raise and general positive feedback was seen as a vote of confidence in the Council’s climate ambitions. From a financing perspective the bond is a great example of localism in practice not just because it raises money locally but because it gives greater control over how we borrow, and at a cheaper rate than was available by the PWLB at the time.”*

*Joseph Holmes, 151 Officer, West Berkshire Council*

## Some examples – Municipal Investments



- Councils were planning to borrow from PWLB to finance projects in their Net Zero / Climate Emergency strategy
- Abundance structured a Climate Municipal Investment – which beat PWLB by 0.5% (including fees).
- Using the innovation of crowdfunding the bond is efficient to issue and manage
- Model sits easily alongside PWLB, so becomes simple way to build a local finance market over time
- Generated significant local PR
- Currently raising funds for 3 more LA's

# Conclusion

1. The money is there – up to £2.4 trillion from citizens
  2. The impetus is there – 80% of people are concerned about climate
  3. The mechanism is there - crowdfunding
- ‘All’ that is required is the framework