

Leveraging Funding Sources for Restoration

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Oregon's water infrastructure investment need:

- Drinking water = \$6.3 billion*
- Wastewater = \$3.9 billion

NATURE CAN BE A SOLUTION



Photo: City of Salem

NATURE'S MULTIPLE BENEFITS

Natural Infrastructure		Development Challenges							
Ecosystem type	Conservation, restoration, or strategic management of...	Source Water and Reservoir Protection	Coastal flooding and erosion	River flood management	Urban stormwater flooding	Water Availability and Drought	Food security/ag production	Carbon sequestration	Fire-risk reduction
Watershed	Forest	x		x	x	x	x	x	x
	Agroforestry and silvopasture	x				x	x	x	x
	Farmland (i.e. mulching, tillage, contouring)	x				x	x	x	
	Floodplains and bypasses			x				x	
	River beds and banks			x					
	Sand dams			x		x	x	x	
Wetlands	Inland wetlands	x		x	x	x		x	
	Constructed wetlands				x	x		x	
Coastal wetlands	Mangroves		x					x	
	Salt marshes		x					x	
Coastal	Coral and oyster reefs		x						
	Sandy beaches and dunes		x						
	Seagrass		x					x	
Urban	Open spaces (e.g., parks)			x	x			x	x
	Bioretention areas (e.g, vegetated basins)				x				
	Green roofs				x		x		
	Permeable pavement				x				

FUNDING OPTIONS FOR NATURE

**Current
Public Funding
Options**

**Re-directing
Public Funding**

**Expanding
Funding Sources**

BusinessDay

COMPANIES / FINANCIAL SERVICES

Natural Capital alliance targets \$10bn by 2022 to invest in nature

New strategy is to allocate capital to companies that harness or preserve basic resources and the environment

 BL PREMIUM

11 JANUARY 2021 - 20:12 by WARREN THOMPSON



IMPACT INVESTING

\$7 trillion asset manager BlackRock makes climate change central to its investment strategy for 2021

PUBLISHED WED, DEC 16 2020-8:31 AM EST | UPDATED WED, DEC 16 2020-9:55 AM EST



Jessica Dickler
@JDICKLER

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Bloomberg Green


Finance

Nature Bonds May Be the Next Big Thing for Emerging Markets

By [Todd Gillespie](#) and [Greg Ritchie](#)

February 24, 2021, 9:00 PM PST Updated on February 25, 2021, 1:26 AM PST

- ▶ Proposals to link debt to targets for biodiversity, emissions
- ▶ Pakistan set to be first nation to issue nature-linked bond

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FINANCING SOURCES AND SEQUENCING

PHILANTHROPY and PUBLIC FUNDS

- Grants
- Corporate Social Responsibility contributions

CONCESSIONAL CAPITAL

- Program Related Investments (PRIs)
- Repayable Grants

PRIVATE CAPITAL

- Green Bonds
- Beneficiary Pays
- Forest Resilience Bonds
- Insurance Risk Reduction
- Pay-for-Success

INSTITUTIONAL INVESTMENT

- All about achieving scale (moving from “*impact investing*” to “*investing*”)

DEBT-FINANCING: GREEN BONDS

CENTRAL ARKANSAS WATER'S WATERSHED



CAW'S FIRST-EVER GREEN BOND

Little Rock, AR:

- \$31.8 million certified green bond
 - 33% for forest protection
 - 66% for gray infrastructure
 - True Interest Cost: 2.136%
 - Premium paid by Morgan Stanley
- Layering repayment sources
 - Sustainable timber
 - Carbon credits
 - Dedicated watershed protection fee
 - Ratepayer fees



• Photo: Central Arkansas Water

CAW FINANCING SOURCES AND SEQUENCING

UTILITY and PUBLIC FUNDS

- \$320,000 federal grants
- ~ \$2 million annually raised by dedicated watershed protection fee

PRIVATE CAPITAL

- \$31.8 million green bond
 - \$6 million can serve as federal match

PUBLIC FUNDS

- \$12-\$18 million federal grant

GENERATED REVENUE

- Sustainable timber
- Carbon credits

BLENDING FINANCE REPLICATION

- **Project champions**
- Found funding to add **capacity**
- **Public buy-in** of strategy
- Credit-worthiness of issuing entity
- **Anchor funding** (green bond) leverages federal funds

RALEIGH'S WATERSHED

Raleigh is the 10th fastest growing city in America



16 YEARS OF RALEIGH'S LEVERAGING CAPACITY

Raleigh, NC:

- Watershed protection fee \$2.2 million
- Raised - \$15 million
- Leveraging public & private: \$81 M+
 - Municipal contributions
 - Corporate philanthropy
 - Federal & state grants
- Conservation outcome:
 - 11,000 acres protected
 - 123 miles of stream buffers



• Photo: The News& Observer; Falls Lake

KEY TAKEAWAYS

- Watershed **champion** at the utility
- **Dedicated annual funding stream** for conservation yields big impacts
- Partnerships provide sector expertise and **multiple** fundraising levers
- Success breeds success



MOBILIZING ACTION



CURRENT MARKET TRENDS

- (1) Increasing amounts of earmarked “green” capital
- (2) Low interest rates
- (3) Expected federal stimulus for infrastructure investments
- (4) Increased engagement from state, county, & city
- (5) Success breeds success

ENABLING CONDITIONS FOR SUCCESS

Phase of Program	Lessons
Building Momentum	<ol style="list-style-type: none">1. Identify risks and opportunities to rally support2. Build partnerships to fill essential roles and responsibilities3. Articulate a clear vision of success4. Cultivate champions and advocates
Designing the Program	<ol style="list-style-type: none">5. Develop a scientifically informed plan for the land6. Evaluate the business case for investment7. Identify funding sources and financing mechanisms
Implementing the Action Plan	<ol style="list-style-type: none">8. Engage landowners to protect and restore natural infrastructure9. Manage and administer the program10. Monitor performance to demonstrate results

QUESTIONS