



**European
Investment
Bank**

The EU bank

Opportunities and Challenges to Financing Natural Capital

Athens, 08 June 2017

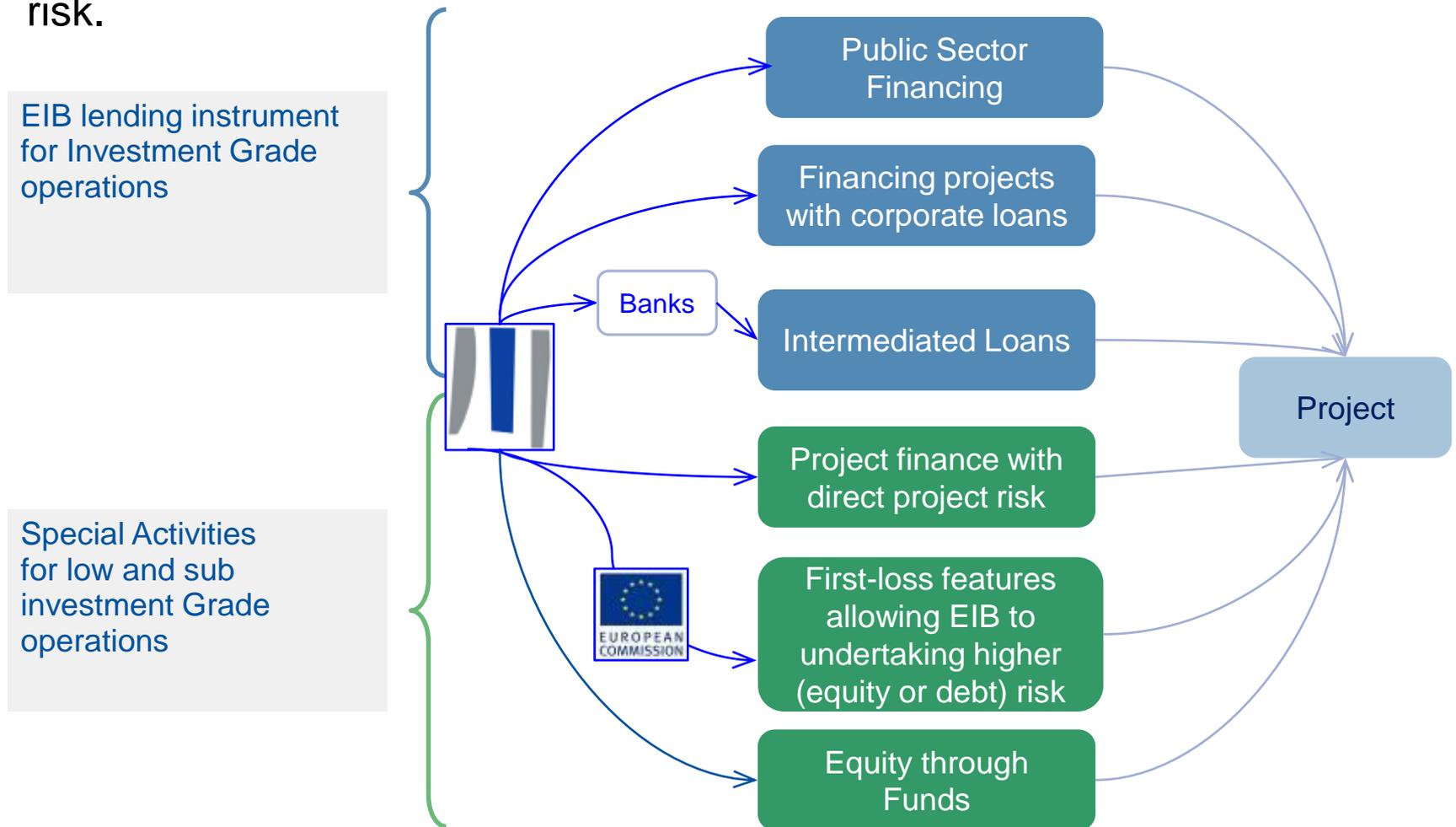
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The EIB at a Glance

- Largest multilateral lender and borrower in the world
 - Raise our funds on the international capital markets
 - Pass on favorable borrowing conditions to clients
- Some 450 projects each year in over 160 countries
- Headquartered in Luxembourg and 33 local offices
- Around 2 900 staff:
 - Not only finance professionals, but also engineers, sector economists and socio-environmental experts
 - More than 50 years of experience in financing projects

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 World We Live in Today



What is Natural Capital?

Natural Capital is a metaphor for:

- Ecosystems and Biodiversity
- Ecological Infrastructure
- Natural Assets
- Natural Heritage
- Natural Wealth

“Like other forms of capital, natural capital must be invested in to protect it and reduce depreciation” (Gary Gillespie – Chief Economic Advisor to the Scottish Government)

Challenges to the Development of Investable Natural Capital Opportunities

The Natural Capital market has not reached maturity as of yet. It faces several barriers that must be overcome in order to take advantage of the increasing capital available:

- Limited pipeline of investable projects with an appropriate risk/return profile with a track record of success;
- Short-term valuation of natural ecosystems encourages disregard for the public goods they provide;
- Most projects are too small to attract investment at scale and are one-offs;
- Private sector and institutional investors lack familiarity with environmental issues and biodiversity and ecosystems projects;
- General lack of familiarity and skills to structure a Natural Capital project that generate a cash-flow;
- Lack of effective and standardised impact measures.

 **KEY REQUIREMENTS:** Policy leadership, blending finance (public and private), and local capacity building

What is Needed to Advance Financing Natural Capital?

- Understand what is required to achieve measureable conservation benefits in a consistent way;
- What outcomes measure success;
- What are the project cash-flows associated with the different conservation activities;
- What are the enabling conditions (e.g. policy changes) required to **fully value** Natural Capital;
- How can Natural Capital activities be grouped to scale capital deployment.

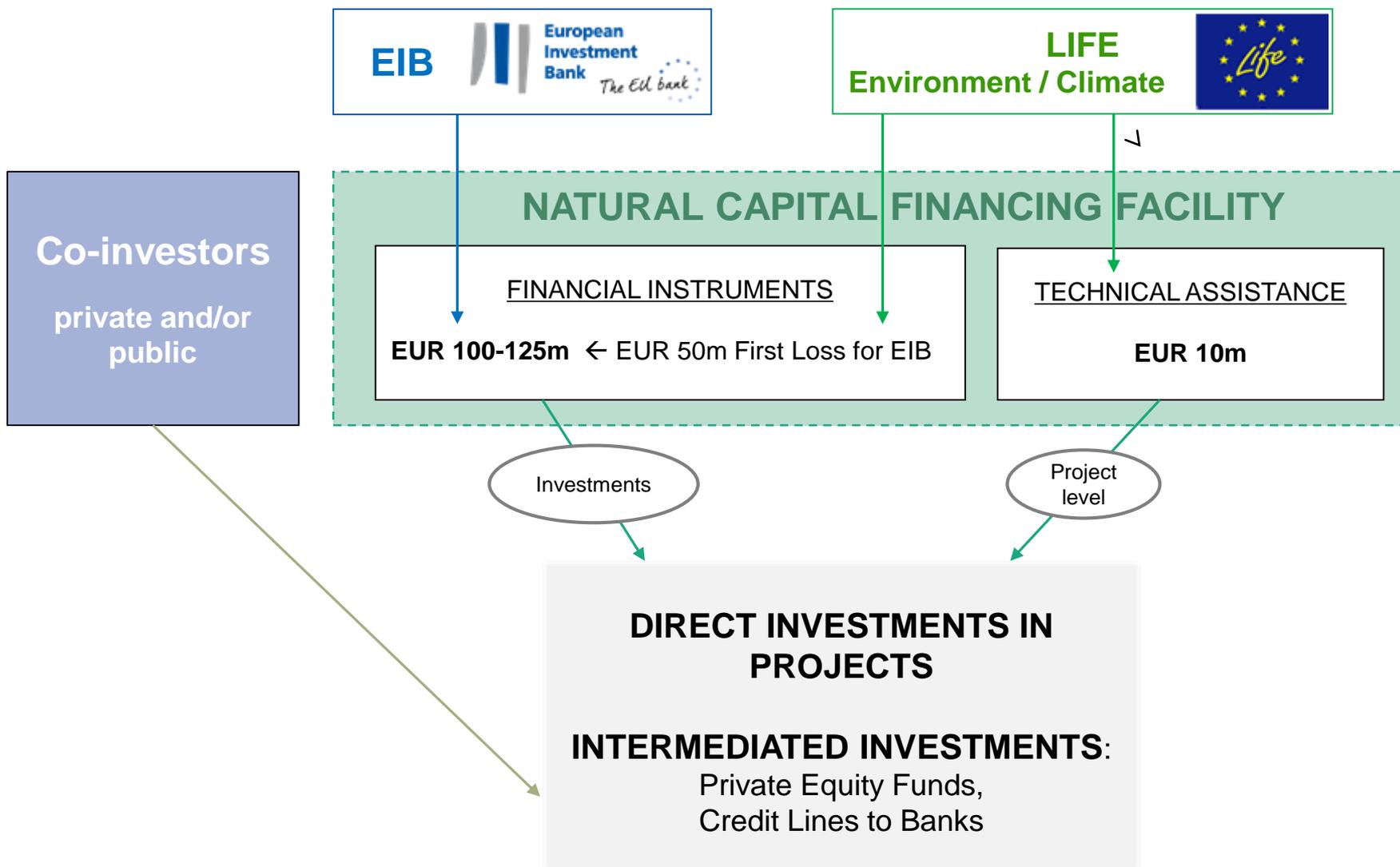
Everyone has a Role to Play

- Financial institutions such as the EIB, Piraeus Bank can bring the financial skills, blend funding by leveraging financing from both public and private sectors;
- Private banks could develop new natural capital investment products and could make Natural Capital finance as part of their standard advisory services;
- Foundations, family organisations can provide funding for technical assistance;
- Public partners can set the right policy signals and blend financing with private sectors or provide financial incentives for private sector investors (e.g. first loss piece);
- Nature-based organisations can put forward project ideas and provide technical capacity and expertise to meet the underlying objectives of the EU Biodiversity Strategy;
- Nature-based organisations can also provide certification mechanism for Natural Capital projects that achieve/meet agreed criteria.

➡ Natural capital finance represents a unique opportunity for all stakeholders from NGOs to the financial services industry to work closely together. Each must bring their specific skills to bear.

➡ The EU is making a good start but we are still at an early stage. A collaborative approach is essential and the implementation of the NCCFF demonstrates this. The EIB cannot establish projects and deliver actions itself – we can't ever have the impact on scale we want if we do it all within the EIB. The NCCFF (a partnership between the EC and the EIB) is an instrument to catalyse financing for Natural Capital and delivering a proof of concept.

The Natural Capital Financing Facility (NCFF) Platform



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