

SWEEP presentation 22 October 2020

Natural capital investment – a catchment based pilot

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Wyre catchment – a “test case” natural capital project



National context

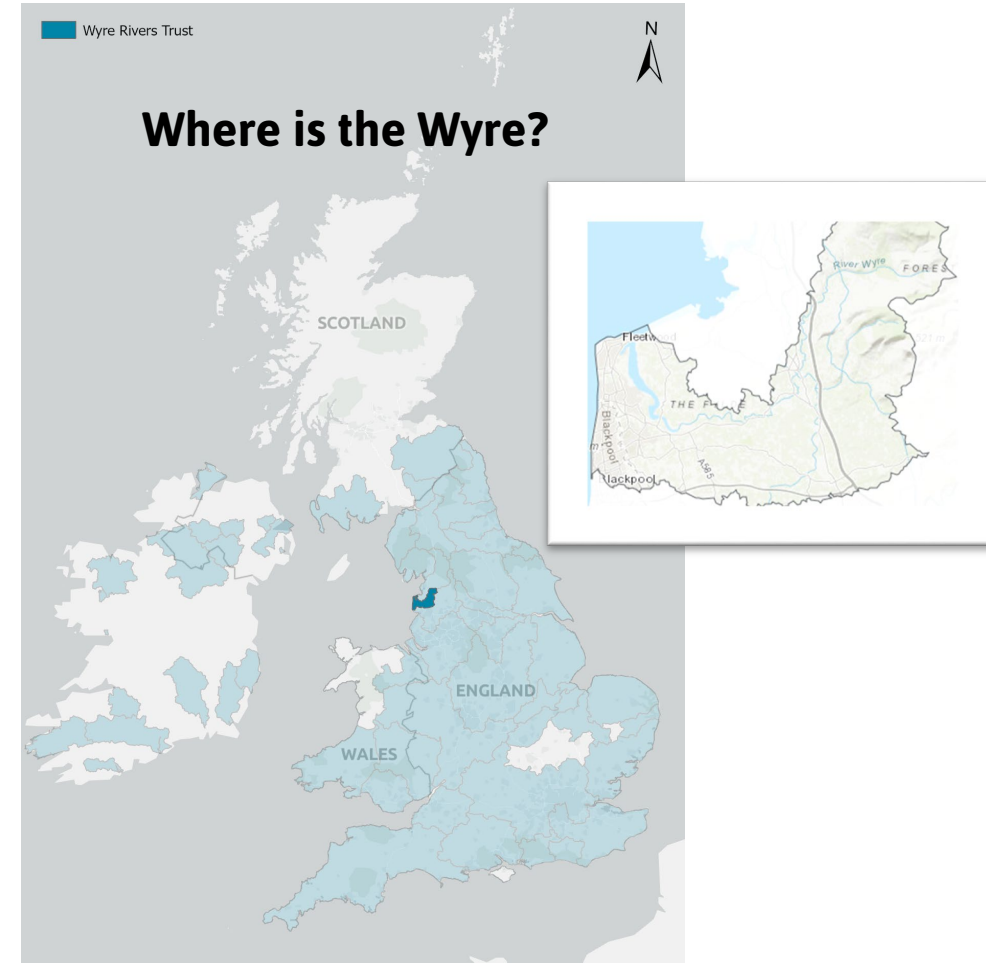
- Defra, EA and EFF have funded 4 test case natural capital projects across England.
- Objective = assess potential for developing a market for ecosystem services and leveraging in private sector investment for environmental restoration
- **Plan is to test, learn, replicate and scale**
- Consistent with the Government policy objectives
 - 25 Year Plan for the Environment.
 - The £10m Investment Readiness Fund
 - The £640m Nature For Climate Fund



Wyre catchment – the planned intervention

The intervention

- Developed through detailed hydrological modelling
- Targeted at the **top 2%** of NFM interventions
- Covers **70 hectares** un upper Wyre Catchment
- Located on 6 farms and estates
- **60 ha of wetland** and **10 ha of grassland** creation
- Incorporates 20ha native woodland creation
- **Primarily an NFM focused intervention**
- However secondary ecosystem services will include improved water quality, carbon sequestration (soil, peat and trees), habitat creation and biodiversity

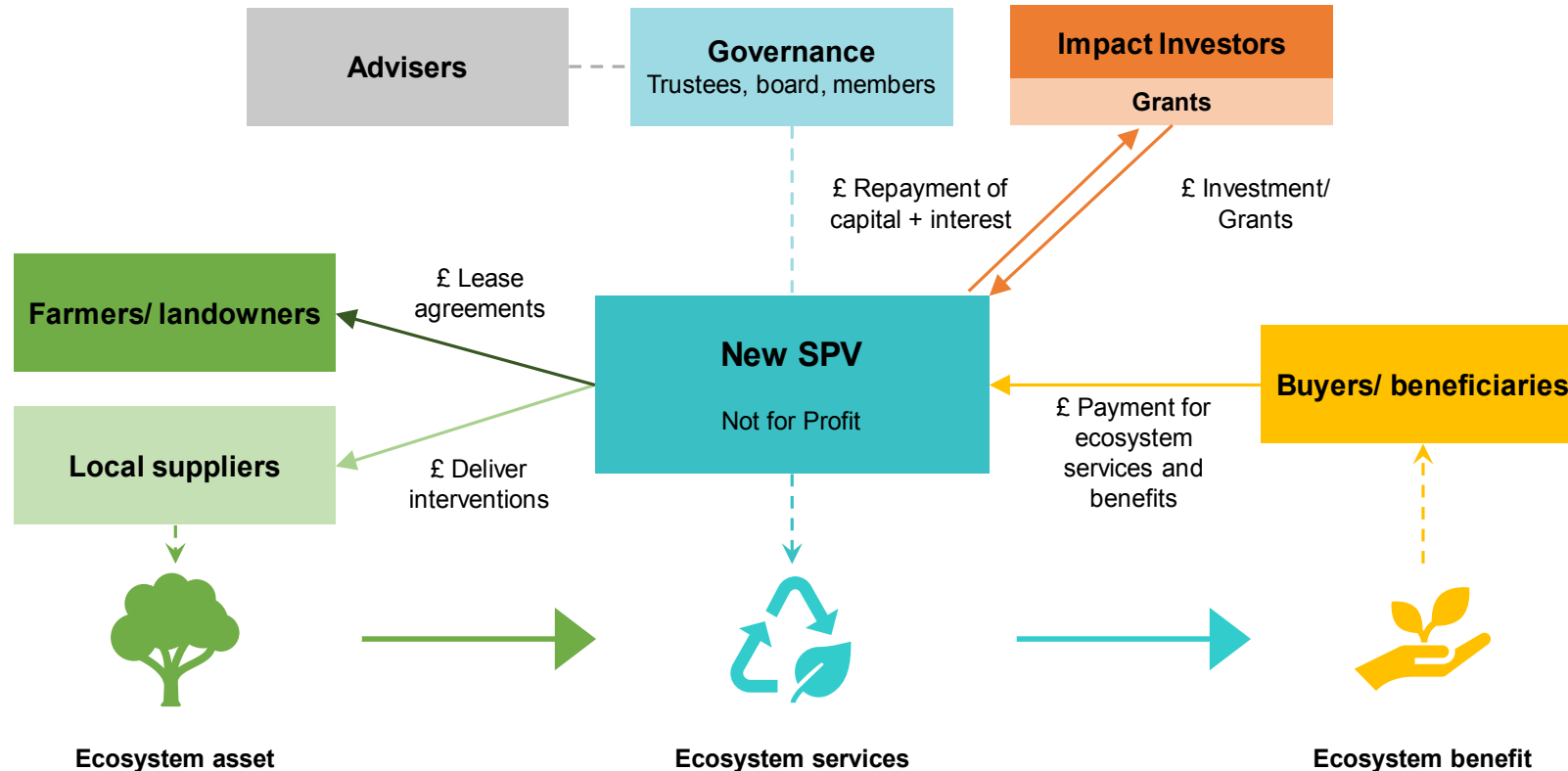


Wyre catchment – the planned intervention

A range of proven NFM interventions across 70ha – implemented over a 3 year period



Wyre catchment – proposed transaction structure



Business model

- £1.5m CAPEX
- £50k p.a. running costs (landowner lease, O&M, SPV running costs)
- £0.5m grants and one-off revenue streams
- Requires c. £250k p.a. revenue stream to cover costs, repay capital and interest

Wyre catchment – ecosystem services and beneficiary mapping



Ecosystem Services	Validation and measurement	Direct Beneficiaries	Indirect beneficiaries (split Tier 1,2 and 3)
NFM	Hydrological modelling	<ul style="list-style-type: none"> • Utility • Insurance sector • RFCC • Developers • Local Authority • Environment Agency 	<ul style="list-style-type: none"> • Local businesses • Local communities
Carbon sequestration (woodland and peat)	Woodland Carbon Code	<ul style="list-style-type: none"> • NGO/Corporate 	<ul style="list-style-type: none"> • Local or national businesses (CSR)
Water Quality	Replenish	<ul style="list-style-type: none"> • Utility/Corporate 	
Habitat creation and biodiversity gain	Defra biodiversity credits	<ul style="list-style-type: none"> • Corporate/Developer 	<ul style="list-style-type: none"> • Local or national businesses (CSR)

Wyre catchment – project management approach



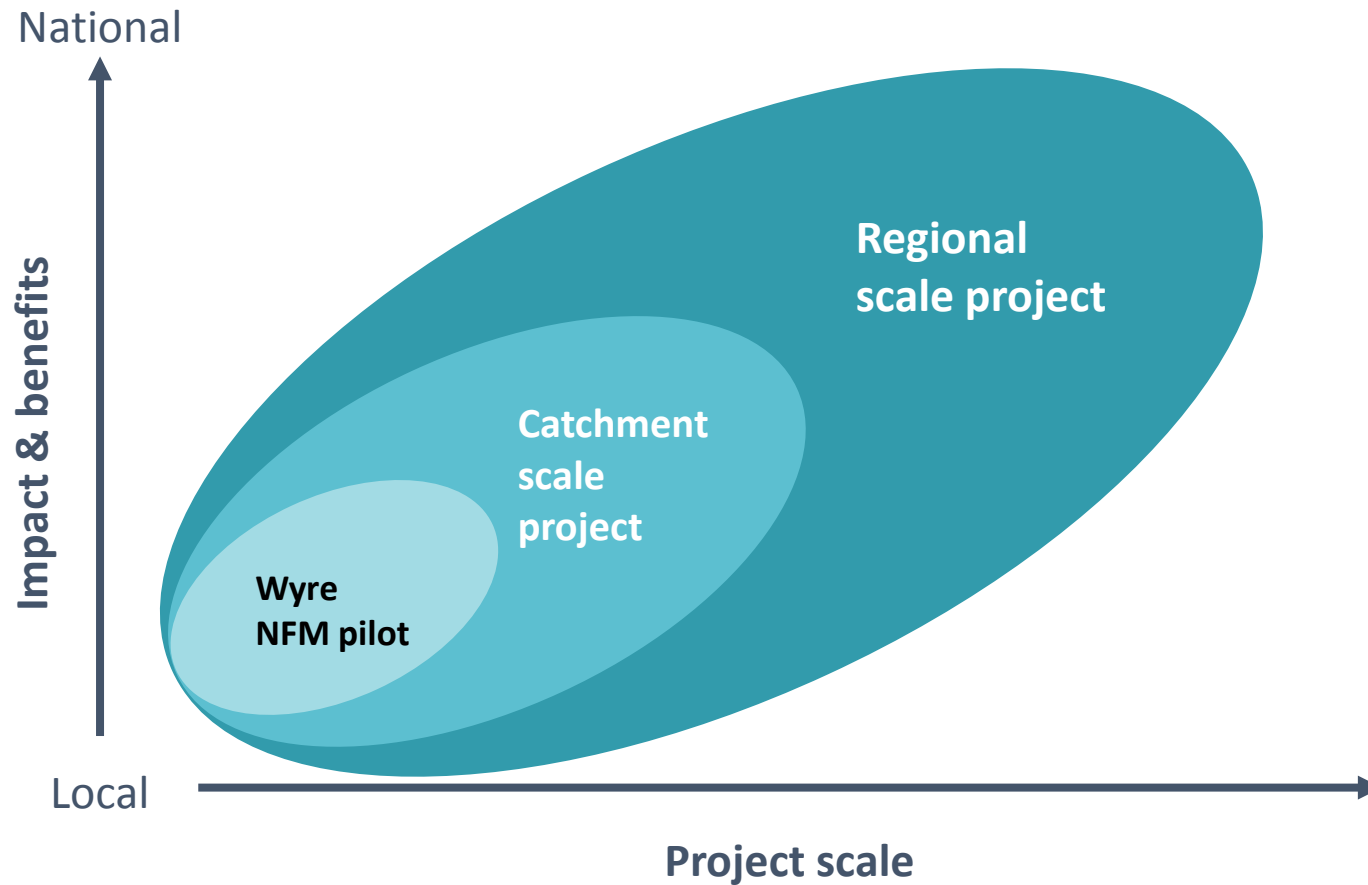
	Phases and workstreams	Key actions	Status
Phase 1	Kick off	Identify and engage all stakeholders, organise governance and steering group, secure development funding	Completed
	Hydrological modelling	Create working group involving key stakeholders and beneficiaries, open book approach, conclude base case model.	In progress
Phase 2	Beneficiary mapping and engagement	Identify ecosystem services, map potential beneficiaries, develop presentations, progress engagement and discussions, deal with barriers and blockers	In progress
	Business case development	Approach landowners and government agencies, conclude intervention costings, final round of beneficiary presentations, draft business case, financial model and investor presentations	In progress
Phase 3	Raise investment capital	Negotiate MoUs with all beneficiaries and other stakeholders (landowners etc) negotiate investment terms.	Not started
	Completion	Convert all MoUs into legal contracts, finalise investment documentation, post completion PR and debrief etc	Not started

Wyre catchment – potential success factors



- Using existing catchment based relationships
- Open book approach to stakeholder and beneficiary negotiations.
- Joint hydrological and carbon modelling groups established.
- EA and Defra role as facilitators – and possibly EA as beneficiary.
- Looking for the elusive win/win/win amongst all stakeholders

Scalability



Opportunities

- Delivery of greater ecosystem benefits
- Broader value proposition
- Additional stakeholders and buyers of ecosystem services
- Economies of scale in business model
- Attract a different type of investor