



INSTRUMENT NAME: 8.1 IMPACT INVESTING

Pondscape-specific definition: Impact investors invest in projects and businesses that deliver social or environmental benefits, as well as profits. They are willing to accept lower profits or higher risks for projects that deliver social or environmental benefits. For pondscape developers, accepting impact investment will involve giving up some ownership of the project, independence, and some claim on future revenues or profits. In addition to the money gained, NbS projects may also benefit from the involvement of the impact investors, who may have additional skills or contacts.

Impact investment often takes the form of specialised impact investment companies that set up impact funds, funded by indirect investors, to invest in multiple promising social or environmental businesses (Banto et.al 2022; Chen & Murry 2022). Impact investors may also include so-called angel investors, wealthy private individuals who support projects for which any near-time success or profitability is highly uncertain (e.g. during the initial phases of start-ups). Angel investors generally only invest amounts that they can tolerate to lose and their primary motivation is to allow interesting ideas to develop further (Ganti et.al 2022). Other actors, such as foundations, can also act as impact investors. Commercially focused investors, such as venture capitalists or investment funds, are less likely to be impact investors (see 8.2 Commercial investors).

CATEGORY	Equity finance			
ALSO-KNOWN-AS				
RELATED INSTRUMENTS	Commercial investing			
APPROPRIATE FOR: Who can use this type of financing instrument?	Private developer	NGOs and non-profits	Local/city/ regional govt. and agencies	National govt. and public agencies
SOURCE OF FINANCE: Who provides the finance?	Professional investors (e.g. investment companies) with a focus on maximising societal and environmental benefits.			
PAYMENT FORM: What form is the payment?	Any form of capital, but mostly cash.			
IN RETURN FOR WHAT? What is the NBS project obliged to deliver in return?	An ownership share of the business and/or its profits.			
RECIPIENT REQUIREMENTS: What requirements must recipients meet to receive finance?	Pondscape managers should be able to demonstrate experience and have the necessary capacities to facilitate growth and/or deliver profits.			
PROJECT REQUIREMENTS: What requirements must the pondscape project meet?	<p>Projects must be able to demonstrate to investors that they deliver social and environmental benefits. Projects must also be bankable investments, i.e. profitable investment opportunity with relatively low risk. The characteristics of bankable projects include:</p> <ul style="list-style-type: none"> - Cash flow generating activity - Sufficient collateral - High probability of success - A clear exit strategy <p>An acceptable risk-adjusted rate of return (WWF 2020). In return for higher anticipated social and environmental benefits, impact investors tolerate higher risks and lower returns than other investments (Chen & Murry 2022).</p>			





OTHER REQUIREMENTS: What additional requirements are attached to the financing?	Impact investors may demand a stake in management and decision making.				
SPEED: How quickly do recipients receive money?	Fast (<4months) – Medium(5-12months) – Slow (12months+)				
FUNDING TIMELINE: When does the recipient receive the funding?	One-off or ongoing. Investors might invest only once or on an ongoing basis.				
NBS TYPE: What types of NBS is the financing for?	Pondscape <u>creation</u>		Pondscape <u>restoration</u>		Pondscape <u>management</u>
SCALES: What scale of financing?	Small (<€10k)	Medium (€10k-€99k)	Large (€100k-€999k)	Very large (€1million+)	
COMPLEXITY: How complex is applying for the finance	Simple		Medium	Complex	
EXIST NOW IN EU?	Yes			No	
REFERENCES:	<p>WWF. (2020) Blueprints for bankable nature solutions to help tackle nature and climate crises. Available here: https://wwf.panda.org/discover/our_focus/freshwater_practice/?364413/Blueprints-for-bankable-nature-solutions-to-help-tackle-nature-and-climate-crises</p> <p>Chen J. & Murry C. (2022) Impact Investing [Website, accessed Oct. 5th 2022]. Available here: https://www.investopedia.com/terms/i/impact-investing.asp</p> <p>Banton C.; Drury A.; Jackson A. (2022) Equity Financing: What It Is, How It Works, Pros and Cons [Website, accessed Oct. 5th 2022]. Available here: https://www.investopedia.com/terms/e/equityfinancing.asp</p> <p>Ganti A.; Scott G.; Schmitt K. R. (2022) Angel Investor Definition and How It Works [Website, accessed Oct. 5th 2022]. Available here: https://www.investopedia.com/terms/a/angelinvestor.asp</p> <p>Cenname A. (2022) Angel investors vs. venture capitalists. [Website, accessed Oct. 5th 2022]. Available here: https://www.chase.com/personal/investments/learning-and-insights/article/angel-investors-vs-venture-capitalists</p>				





Instrument: 8.1 Impact Investing

Example name: 8.1.1 Sumatra Merang Peatland Restoration Project

Example description: A 22,922 ha peatland forest in South Sumatra, Indonesia, is restored through rewetting, reforestation, and the prevention of illegal logging, to sequester 3.4 million t carbon, protect the habitat of 31 threatened- and three endangered species, and prevent wildfires. The project integrates environmental and social benefits by generating local employment, funding educational programs, and providing other livelihood support activities (e.g. for local fishermen and farmers). The national implementing partners Forest Carbon Partners and PT Global Alam Lestari operate on capital from the Mirova / Athelia Climate Fund, an impact investment fund with a size of \$120 million. Through its investment, the fund acquired an ownership share of the project and its revenues that have been generated through the sale of 3,329,923 certified carbon credits, generating revenue of approximately \$15 million.

NBS DESCRIPTION			
LOCATION	Musi Banyuasin District, South Sumatra, Indonesia		
NBS TYPE	Creation	Restoration	Management
ECOSYSTEM TYPE	Wetland and peatland forest		
NBS BENEFITS	Conservation value; Wildfire prevention; Carbon sequestration; Research and Education		
NBS DESCRIPTION	The project restores degraded peatland forests by rewetting the peatland through the instalment of >100 dams, implemented measures to prevent illegal logging (incl. ground patrols, remote sensing), and reforestation of native species. The Zoological Society of London undertakes a complete flora and fauna inventory for research purposes, and for monitoring and evaluating the project. The project engages with local communities through rural development projects (health, infrastructure, sustainable agriculture), employs local staff and is funding scholarships for high school and university degrees.		
SCALE (SIZE)	22,922 ha		
NBS PERFORMANCE CRITERIA	Carbon sequestration; ecosystem area restored; biodiversity benefits; local job creation and livelihood benefits.		
NBS PERFORMANCE	<ul style="list-style-type: none">• The restored ecosystem is habitat to three endangered species (Hornbill, Sumatran Tiger, Sun Bear) and 31 species threatened with extinction.• 145 local residents have been employed, with 25% of jobs created held by women.• 22,934 ha of peatland forest are restored and protected.• 3.4 million t of carbon have been sequestered.		
FINANCING DESCRIPTION			
SOURCE OF FINANCING	Mirova / Athelia Climate Fund.		
RECIPIENT	Implementing partners: Forest Carbon Partners (technical advisory Company) and PT Global Alam Lestari (forest concession management company).		
SCALE (FINANCING)	Not publicly reported for this specific project but probably large scale (>\$1.000.000).		
TIMELINE	2016 - 2062.		
FINANCING REQUIREMENTS	The investment case depends on the voluntary carbon market and the certification that project standards are met (Verified Carbon Standards; Climate, Community and Biodiversity Standards).		
FINANCING PERFORMANCE	The project sold 3.329.923 carbon credits (NCS 2022). With prices on the voluntary carbon market averaging \$4–5 (ClimateTrade 2022), the project might generate roughly \$15 million.		





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TRANSACTION COSTS	Transaction costs include the certification of standards (Verified Carbon Standards; Climate, Community and Biodiversity Standards), and finance coordination of the investment case through the Mirova / Athelia Climate Fund.
REFERENCE	<p>ClimateTrade. (2022) Voluntary carbon market value tops US\$2B. [Website, accessed Oct. 5th 2022]. Available here: https://climatetrade.com/voluntary-carbon-market-value-tops-us2b/</p> <p>NCS (2022) NCS Lighthouse Programme - Sumatra Merang Peatland Project. Natural Climate Solutions Alliance. Available here: https://www.wbcsd.org/contentwbc/download/14220/204797</p> <p>Forest Carbon. 2021. Peatland ecosystem restoration in Indonesia. Available here: https://forestcarbon.com/wp-content/uploads/2020/10/Forest-Carbon-SMPP-Brief-20201030.pdf</p> <p>Capital for Climate. 2021. Athelia Climate Fund (ACF) [Website, accessed Oct. 5th 2022]. Available here: https://nbs.capitalforclimate.com/fundsandvehicles/24</p>

