

CHESAPEAKE BAY PROGRAM FINANCE & INVESTMENT FORUM

CONSERVATION FINANCE 301



Ashley Allen Jones
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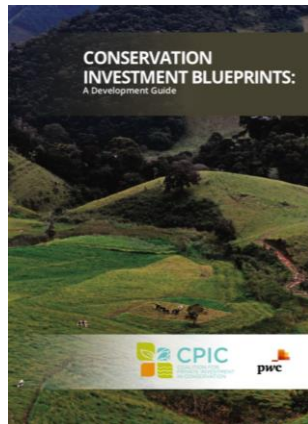
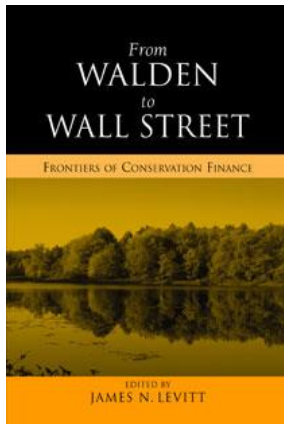
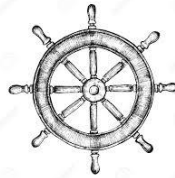
University of Maryland
March 11, 2020



Perspective



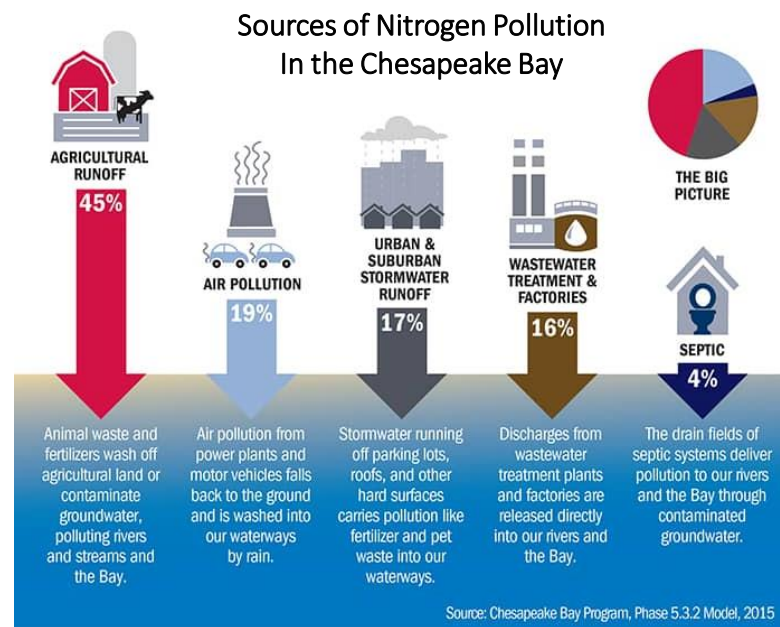
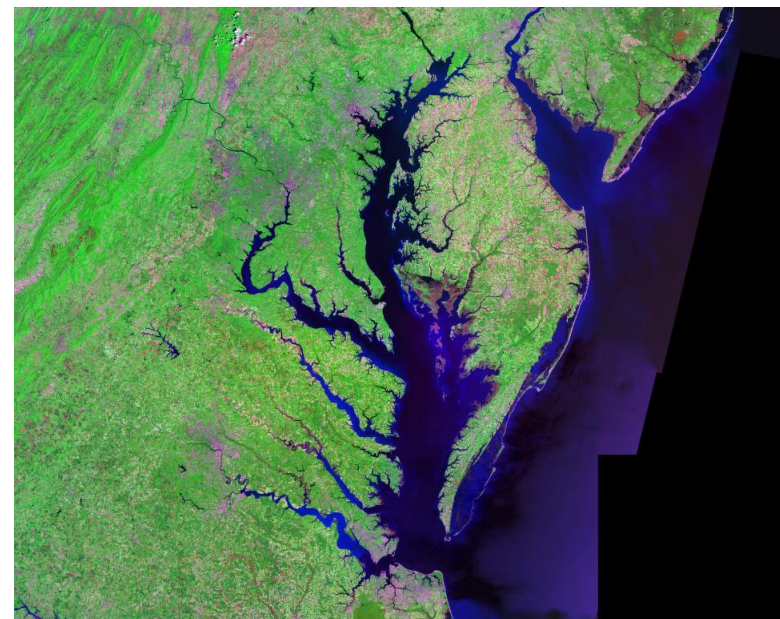
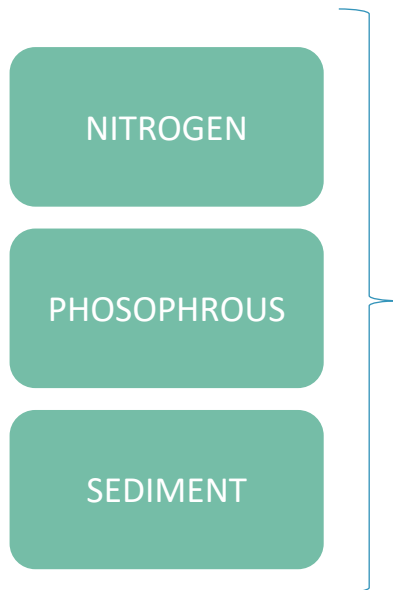
Coopers
& Lybrand



Situation Analysis

- 2010 Chesapeake Bay TMDL
- 2014 Chesapeake Bay Watershed Agreement
- \$2.2BN Federal budget allocation over 5 years
- 90% of pollutants come from PA, MD and VA

Achieving TMDLs requires reductions in three major pollutants of concern:



Historical Approach to Natural Resource Conservation

Natural Resource Protection: Federal, State and Philanthropic Resources

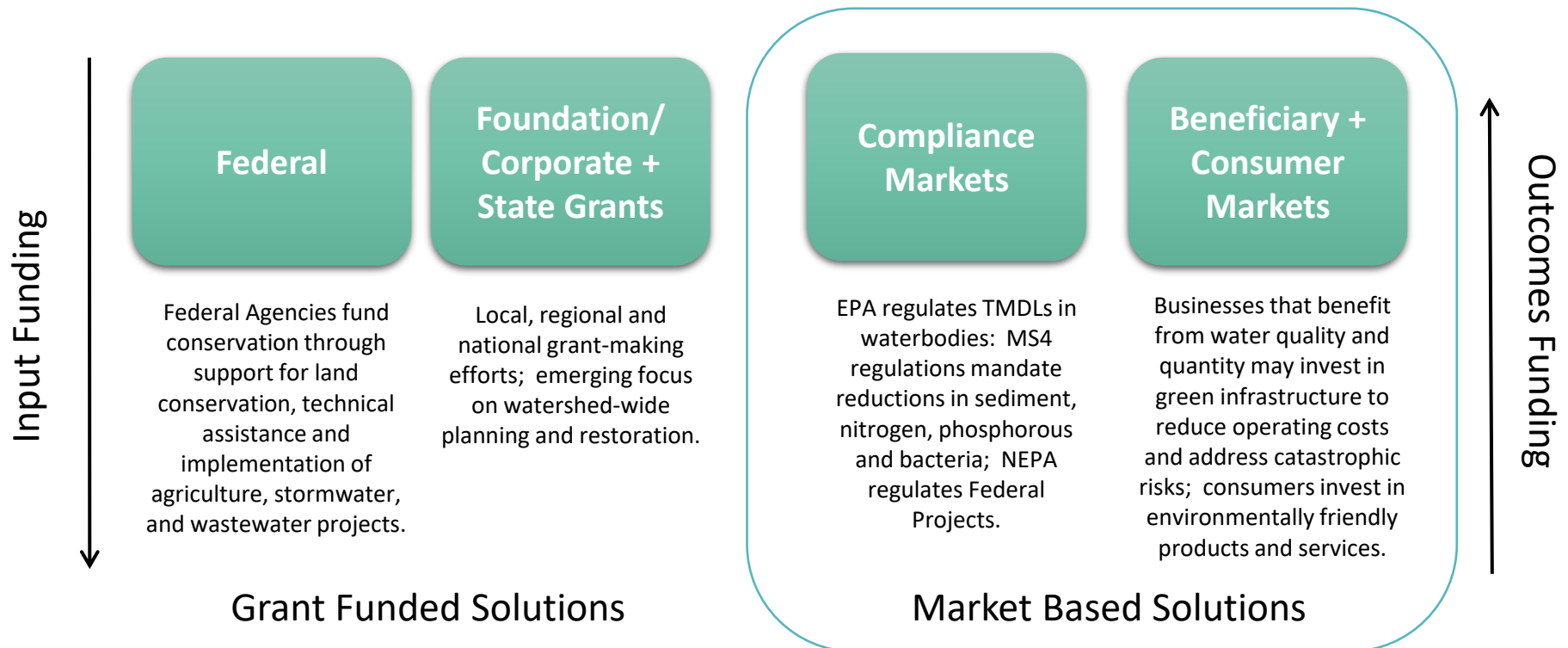
- National Park System
- Fish & Wildlife Service
- NRCS
- Major Federal Programs
- Trust for Public Land
- The Nature Conservancy
- Chesapeake Bay Foundation
- *Other federal, state and philanthropic resources + tax incentives*

Legal Restrictions on Exploitation of Natural Resources

- National Environmental Protection Act (1969)
- Clean Air Act (1970, Amended 1990)
- Clean Water Act (1977, Amended 1987)
- Endangered Species Act (1973)
- Safe Drinking Water Act (1976)
- CERLA/Superfund (1980, Amended 1986)
- FIFRA/Pesticides (1986)
- Pollution Prevention Act (1990)



Sources of Water Conservation Funding



- Conservation: How can I coalesce more money for conservation?
- Investment: How can I achieve financial returns and help the environment?
- Conservation Finance: How can I increase the pace and scale of conservation outcomes through capital market innovations? *How can I address market gaps?*

Market-Based Solutions: Definitions



Major Terms

- Capitalism
- Law of supply and demand
- Factors of production
- Capex; Opex
- Capital markets
- Equity; Debt
- Net present value (NPV)
- Cost of capital
- Externalities
- Natural Capital



Pros & Cons

- Largest expansion in GDP and standard of living known to humankind
- Does not take into full account external costs (externalities) such as air pollution, water pollution and loss of bio-diversity
- Over time system depletes natural resources (Tragedy of the Commons)

Enabling Conditions



Consumer Demand



Risk Reduction



Profit Enhancement



ESG Alignment



Regulatory Compliance



Investment Analytics



Relevant Capital Pools



Aligned Intellectual Capital



*Who pays for the
“Tragedy of the Commons?”*

Investor Due Diligence Focus



Collateral

Land, equipment,
balance sheet,
corporate credit,
tax revenue

Revenue

Technology
Sustainable
Product
“Synthetic”
Environmental
Product

Management

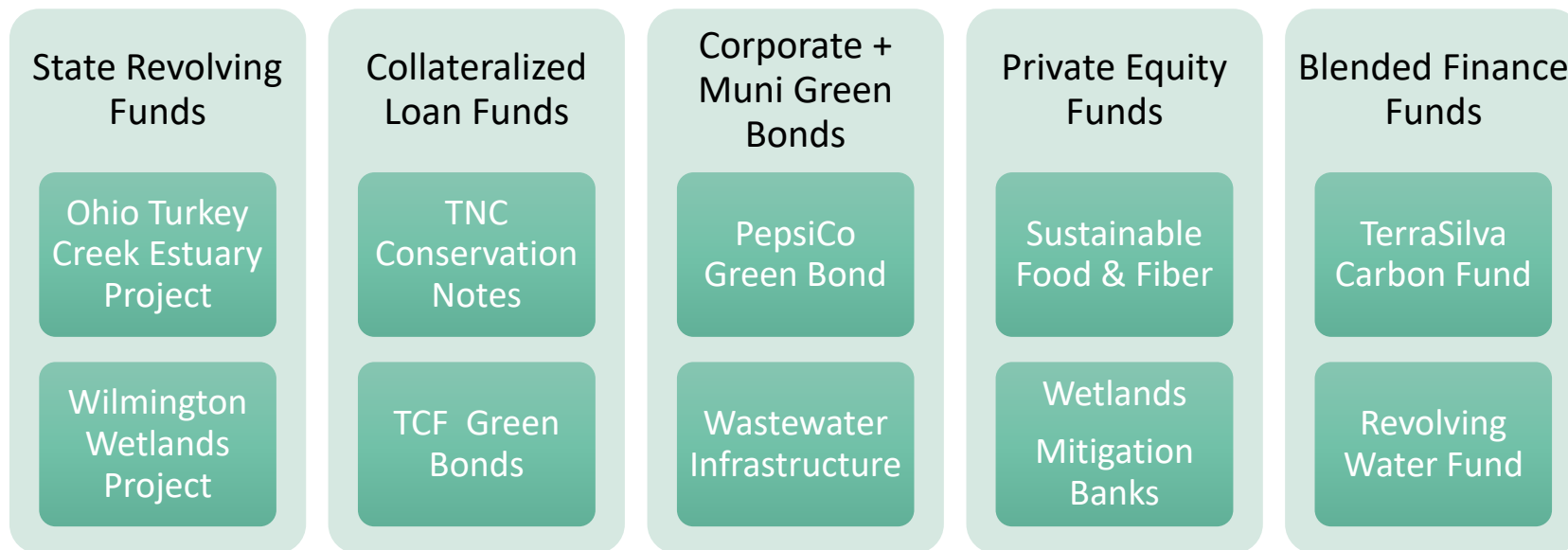
Bus. Dev.
Legal
Marketing
Finance
Science
Operations

Risks, Rewards, Outcomes

Financial
Environmental
Regulatory
Social
Other

Conservation Finance Innovations

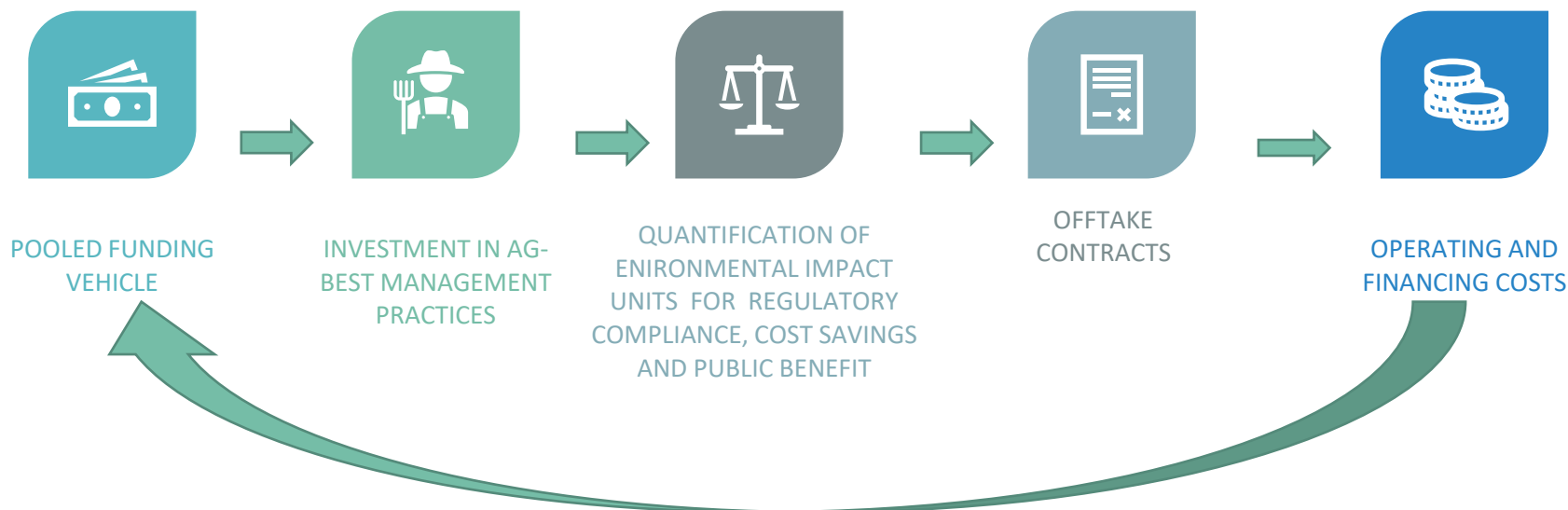
Finance Vehicles



Risk Reduction Tools



The Revolving Water Fund, pioneered by i2 Capital and the Nature Conservancy, is a blended conservation finance pool that invests in natural infrastructure solutions (Ag BMPs) on working farmlands.



The “offtake” of quantified pollution reductions (EIUs) by multiple beneficiaries supports a sustained pool of capital to re-invest in conservation outcomes.



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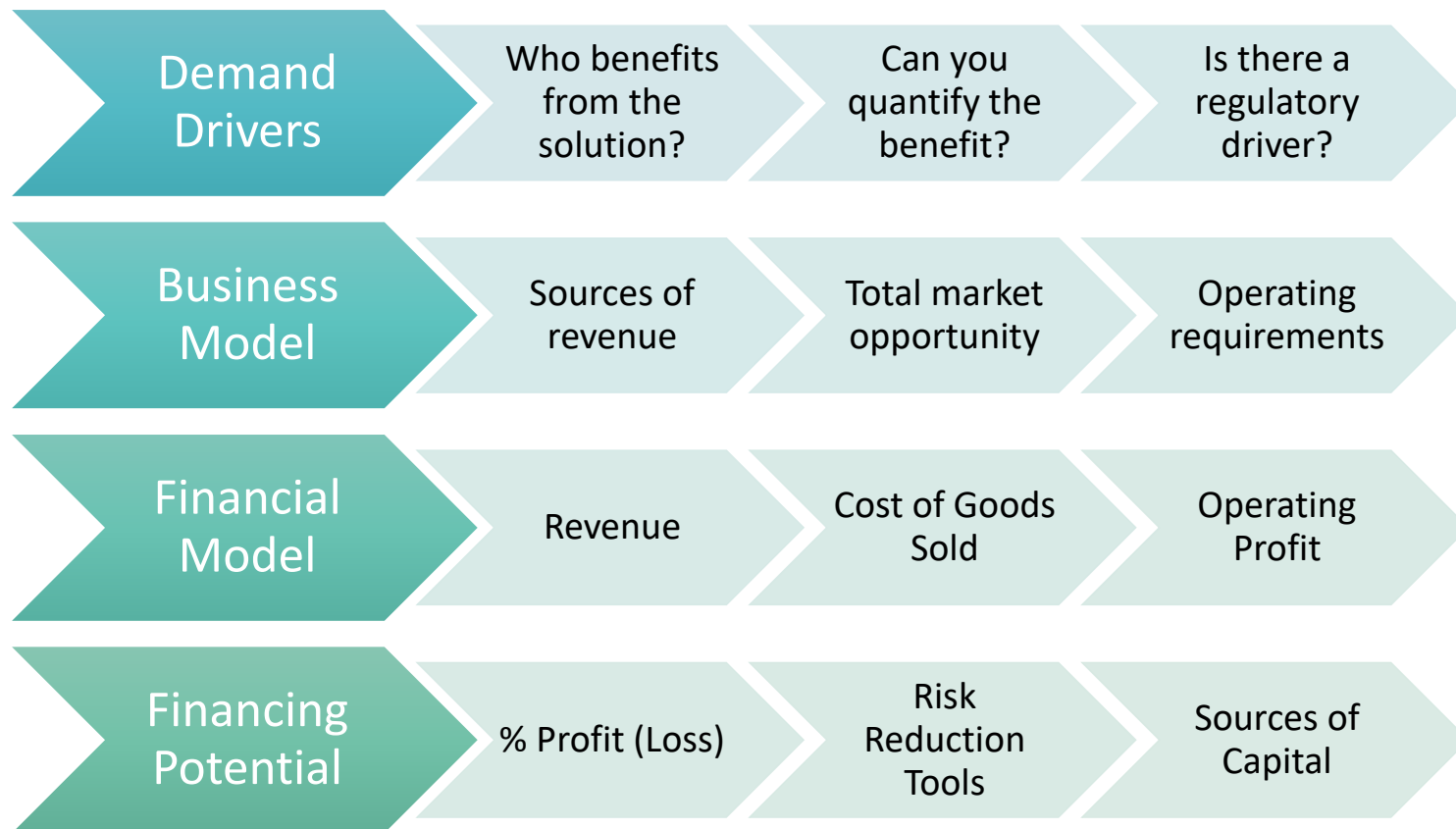


John Jackson
Stroud Water
Research
Water Science

Conservation Orgs.



Framework For Creating Financing Strategy





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