

CHESAPEAKE BAY PROGRAM FINANCE & INVESTMENT FORUM

CONSERVATION FINANCE 301

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Perspective









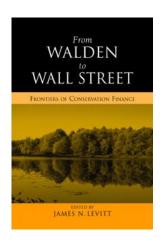


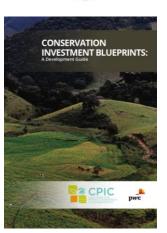














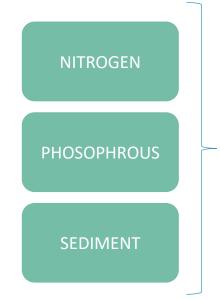




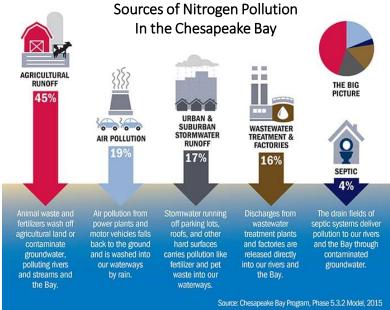
Situation Analysis

- 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)

























Input Funding

Sources of Water Conservation Funding

Federal

Federal Agencies fund conservation through support for land conservation, technical assistance and implementation of agriculture, stormwater, and wastewater projects.

Foundation/ Corporate + State Grants

Local, regional and national grant-making efforts; emerging focus on watershed-wide planning and restoration.

Grant Funded Solutions

Compliance Markets

EPA regulates TMDLs in waterbodies: MS4 regulations mandate reductions in sediment, nitrogen, phosphorous and bacteria; NEPA regulates Federal Projects.

Beneficiary + Consumer Markets

Businesses that benefit from water quality and quantity may invest in green infrastructure to reduce operating costs and address catastrophic risks; consumers invest in environmentally friendly products and services.

Market Based Solutions

- 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

State Revolving Funds

Ohio Turkey Creek Estuary Project

Wilmington Wetlands Project Collateralized Loan Funds

TNC Conservation Notes

TCF Green Bonds Corporate + Muni Green Bonds

PepsiCo Green Bond

Wastewater Infrastructure

Private Equity
Funds

Sustainable Food & Fiber

Wetlands
Mitigation
Banks

Blended Finance Funds

> TerraSilva Carbon Fund

Revolving Water Fund

Risk Reduction Tools

Loan Guarantee

Pay-for-Success Contracts

First Loss Capital Guaranteed Purchase Pool

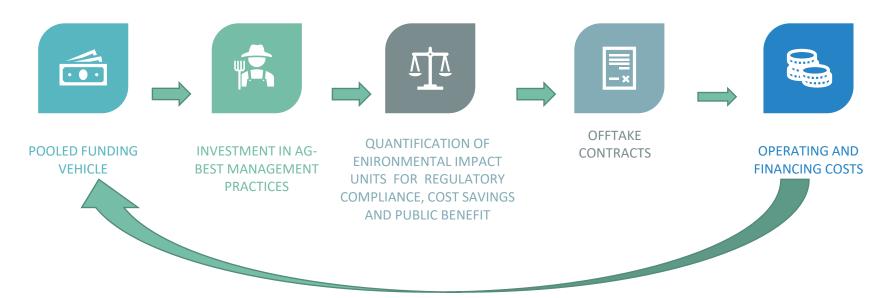
Insurance Products



Conservation Finance Innovations



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 <u>sustained</u> pool of capital to re-invest in conservation outcomes.











RWF Management & Operations





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Maria Dziembowska **Urban Conservation** Director TNC/DE-PA Conservation & Project Management



Evan Branosky Environmental Incentives Ecosystem Markets Regulatory & Quantification



Richie Jones Berger Harris, LP Doe Run Consulting Legal & Policy



John Jackson Stroud Water Research Water Science

Conservation Orgs.



Brandywine





Regulators









Municipal Leaders









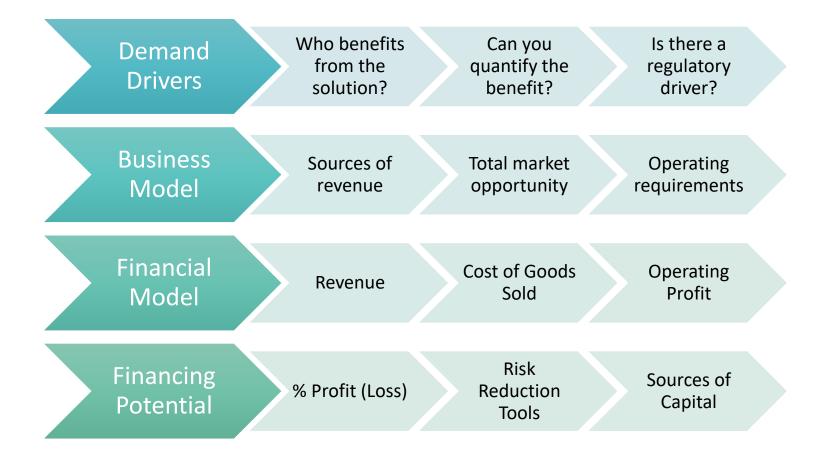








Framework For Creating Financing Strategy















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