

# The Latest in Conservation Finance: Maryland and Beyond

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ENVIRONMENTAL POLICY  
**INNOVATION**  
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# Conservation Finance

## The practice of raising and managing capital to support environmental conservation

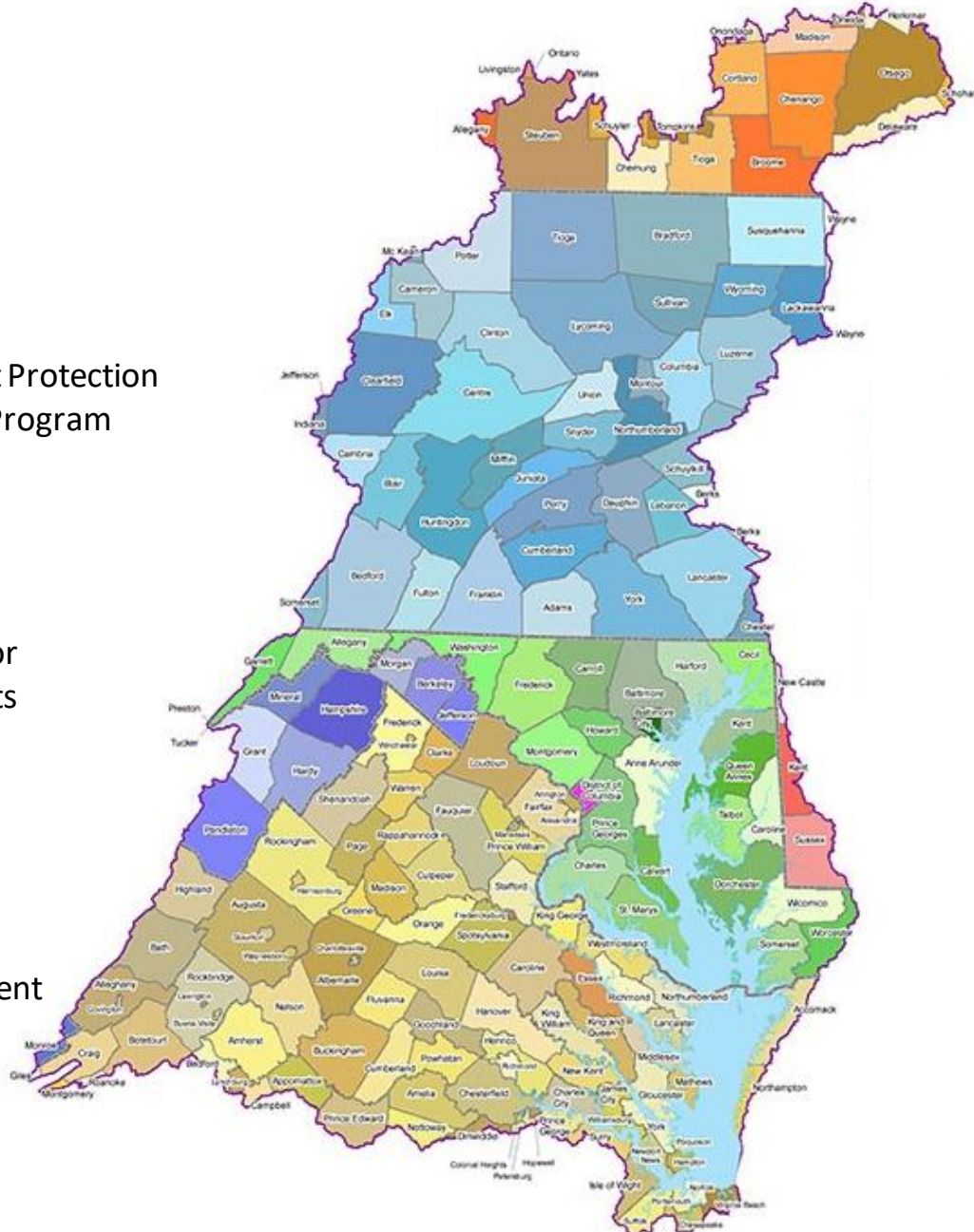
- Private capital, loans & equity that pay for conservation activities before quantified environmental outcomes are purchased...
  1. By government (through tax- or ratepayer funding and procurement methods)
  2. By private buyers – because businesses have to (regulation), want to (to satisfy consumers, shareholders), or need to (critical to products and services)
- Creative approaches to bring together traditional public funding and private finance to provide the capital to pay for new environmental projects

# Conservation Finance

## What its not:

- A grant that doesn't need to be paid back
- Small: interested investors are generally looking for \$5-\$100M or bigger investments; anything smaller is too much administrative work
- No risk: if a project fails to deliver results, there is a consequence

# Finance Innovation in the Bay Region



**PA**

PA (SRF) Revolving Fund Forest Protection  
PA Clean Water Procurement Program

**DC**

DC Stormwater Credit Price Floor  
DC Stormwater Retention Credits  
DC Green Bank

**VIRGINIA**

VA DEQ Nonpoint Source Nutrient  
Trading (160 banks)  
VA Wetlands Banking  
VA conservation tax benefits

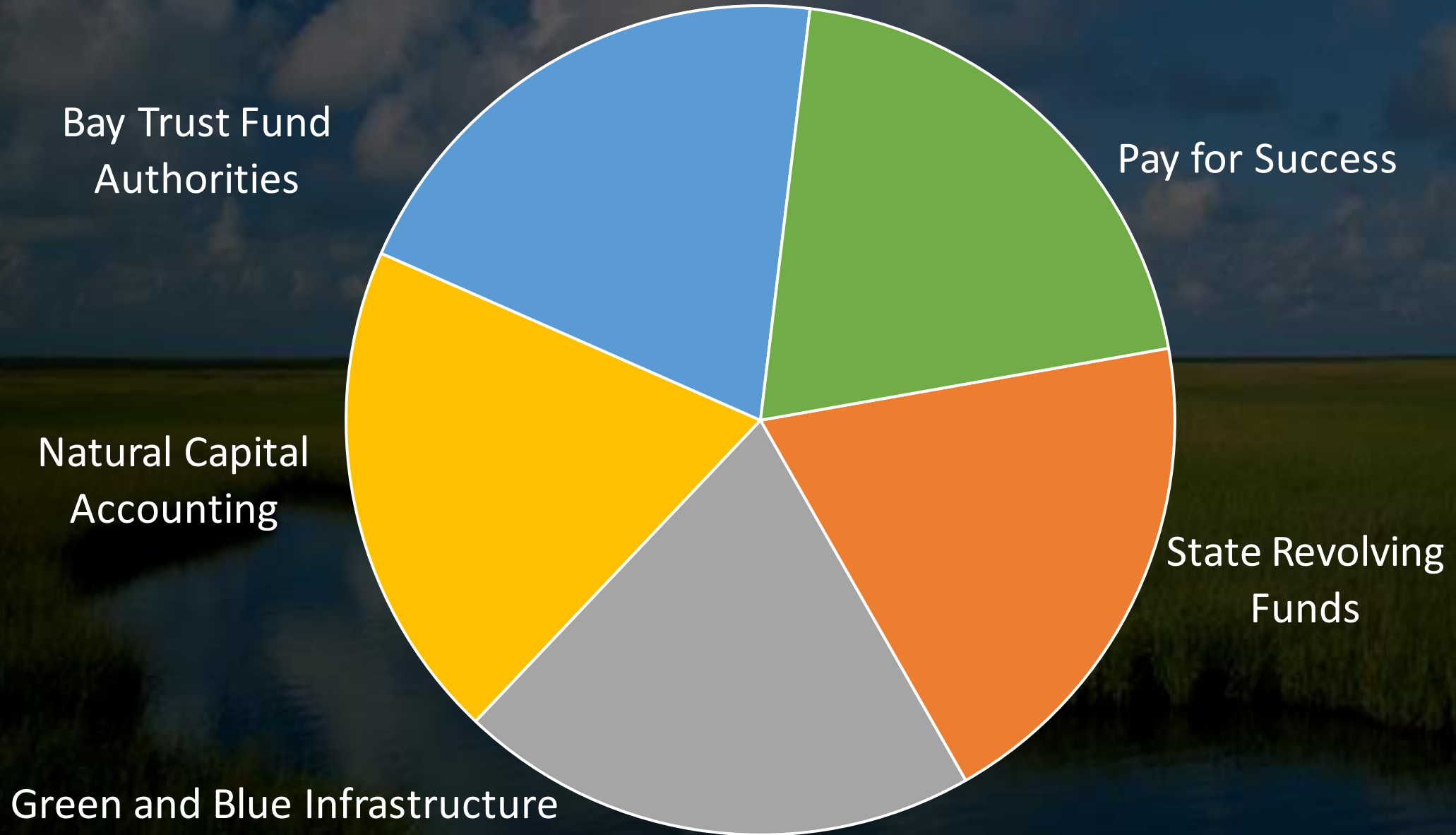
Delaware Revolving Water Fund

**DE**

MDOT Advance Stream Credit Procurement  
MDOT Smart Ponds  
MD Clean Water Commerce Program  
MD Forest Banking  
Anne Arundel Full Delivery Credits  
Montgomery County Full Delivery Credits  
Prince Georges P3 – biggest environmental P3 in US  
Chesapeake and Atlantic Coastal Bays Trust Fund

**MARYLAND**

# Conservation Finance Act



# Bay Trust Fund Authorities

- Multi-party, multi-year projects are encouraged
- Authorizes and describes pay for success awards, e.g. requirements for quantification plans
- Facilitates partnerships among land trusts, local governments, and private restoration firms



Photo credit: Will Parsons, CBPO



# State Revolving Funds

Prioritize disadvantaged communities

Loans in Pennsylvania

Fee and easement acquisitions to protect forests and wetlands

Green and blue infrastructure prioritized

Loan guarantees so that non-profits and for profits can borrow money at lower interest

# Green and Blue Infrastructure

- Definitions
- Policy Advisory Commission
- DOT can use P3 authority for partnerships around nature-based outcomes



Photo credit: Will Parsons, CBPO





# Natural Capital Accounting

- Goal: Unlock financing to scale up the installation and maintenance of nature-based features that benefit local or state government balance sheets.
- Government Accounting Standards Board 62
- Task Force

# Pay for Success

- Environmental outcome: a commodity that is modeled or directly measured as a single, quantifiable, and certified unit of improvement to the environment
- Applies to MDE, MDA, DNR, MDOT, MES, DGS  
Agencies currently developing procedures for contracts

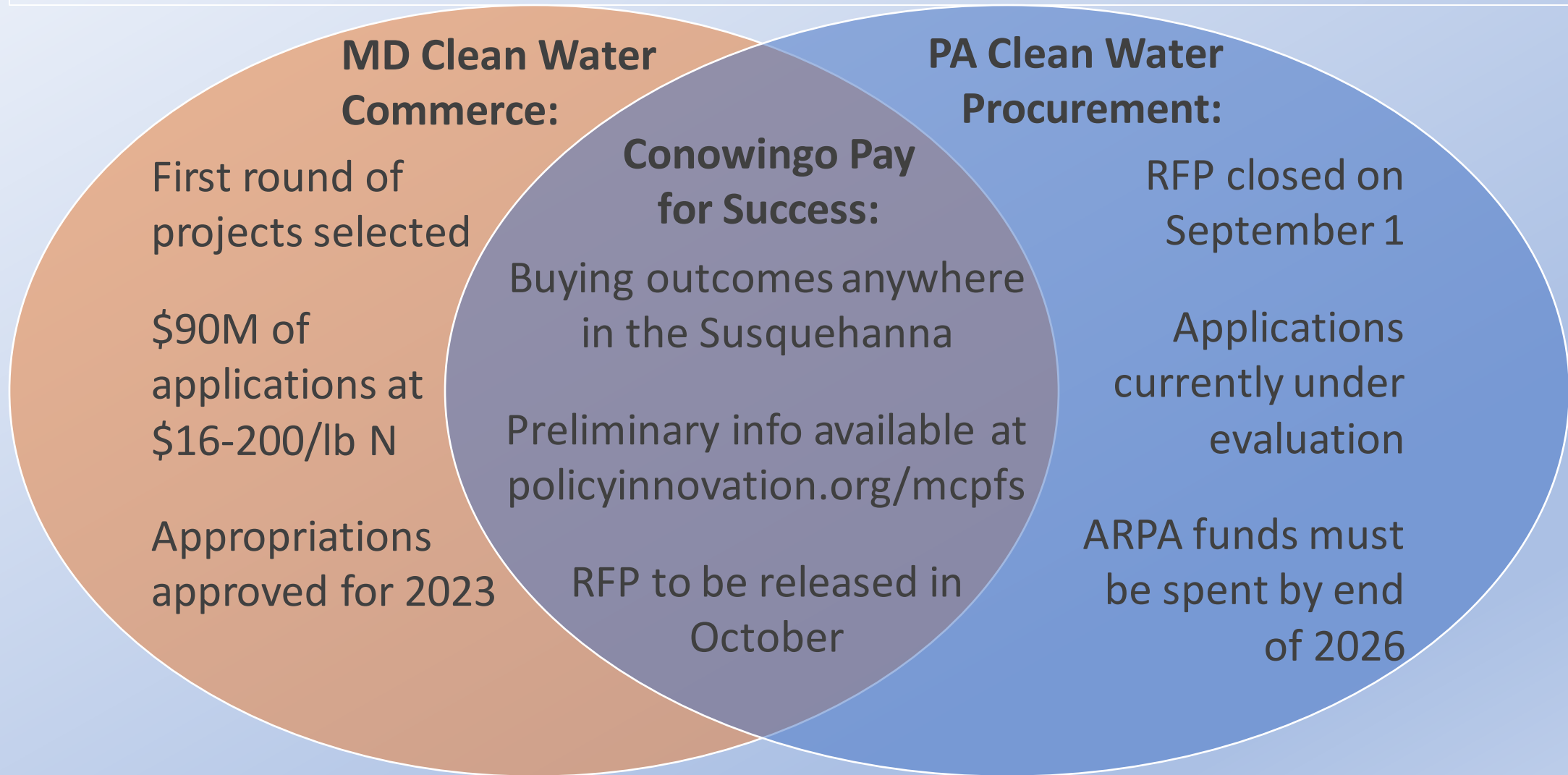
**(g) “PAY-FOR-SUCCESS CONTRACTING” MEANS A PERFORMANCE-BASED PROCUREMENT METHOD THROUGH WHICH A UNIT CONTRACTS WITH AN ORGANIZATION TO DELIVER SERVICES OR COMMODITIES IN EXCHANGE FOR PAYMENT BASED ON THE ACHIEVEMENT OF OUTCOMES.**

# Implementation

- SRFs adding environmental justice guidance to solicitations
- Task Force and Advisory Commission will deliver recommendations
- SRF loan guarantee for carbon credit project
- Developing educational materials to speed Pay for Success procurement

SB 348 Senate Bills Amended in the House No. 14 Conservation Finance Act Senator Elfreth et al (3rg#28 B&T)		
On third reading		
YEA 46	NAY 0	EXC 0
MR. PRESIDENT	HAYES	READY
AUGUSTINE	HERSHEY	REILLY
BAILEY	HESTER	ROSAPEPE
BEIDLE	HETTLEMAN	SALLING
BENSON	HOUGH	SIMONAIRE
CAROZZA	JACKSON	SMITH
CARTER	JENNINGS	SYDNOR
CASSILLY	KAGAN	WALDSTREICHER
CORDERMAN	KELLEY	WASHINGTON
ECKARDT	KING	WATSON
EDWARDS	KLAUSMEIER	WEST
ELFRETH	KRAMER	YOUNG
ELLIS	LAM	ZUCKER
FELDMAN	LEE	
GALLION	MCCRAY	
GRIFFITH	PATTERSON	
GUZZONE	PINSKY	

# Chesapeake Pay for Success: \$87.5M of state funds and counting!



# Opportunities for Land Trusts

For lands currently or to be conserved:

- MDA: Support for sale of ecosystem services from farms
- MDE: SRFs can finance green/blue infrastructure, climate resiliency, and fee and easement acquisitions of forests, including guaranteeing Pay for Success Contracts, and loan guarantees to lower borrowing costs
- MDE: Technical assistance grants to nonprofits to help rural & underserved communities apply to SRFs
- DNR: Bay Trust Fund encourages large multi-partner, multi-year projects



# Financing for huge projects: Lookout Slough, CA

Public-Private partnership between California Water Resources (DWR) and Ecosystem Investment Partners (EIP)



## Multi-Benefit Project (2018-2024)

- 3,000 acres of wetland restoration
- DWR obligations - 2008 USFWS Delta Smelt and 2009 NMFS Salmonid Biological Opinions
- Widen a portion of the major natural floodway to increase flood storage and conveyance

### Why Investment Matters

Funds restoration firm to do the work before the government pays; Provides green investment option.

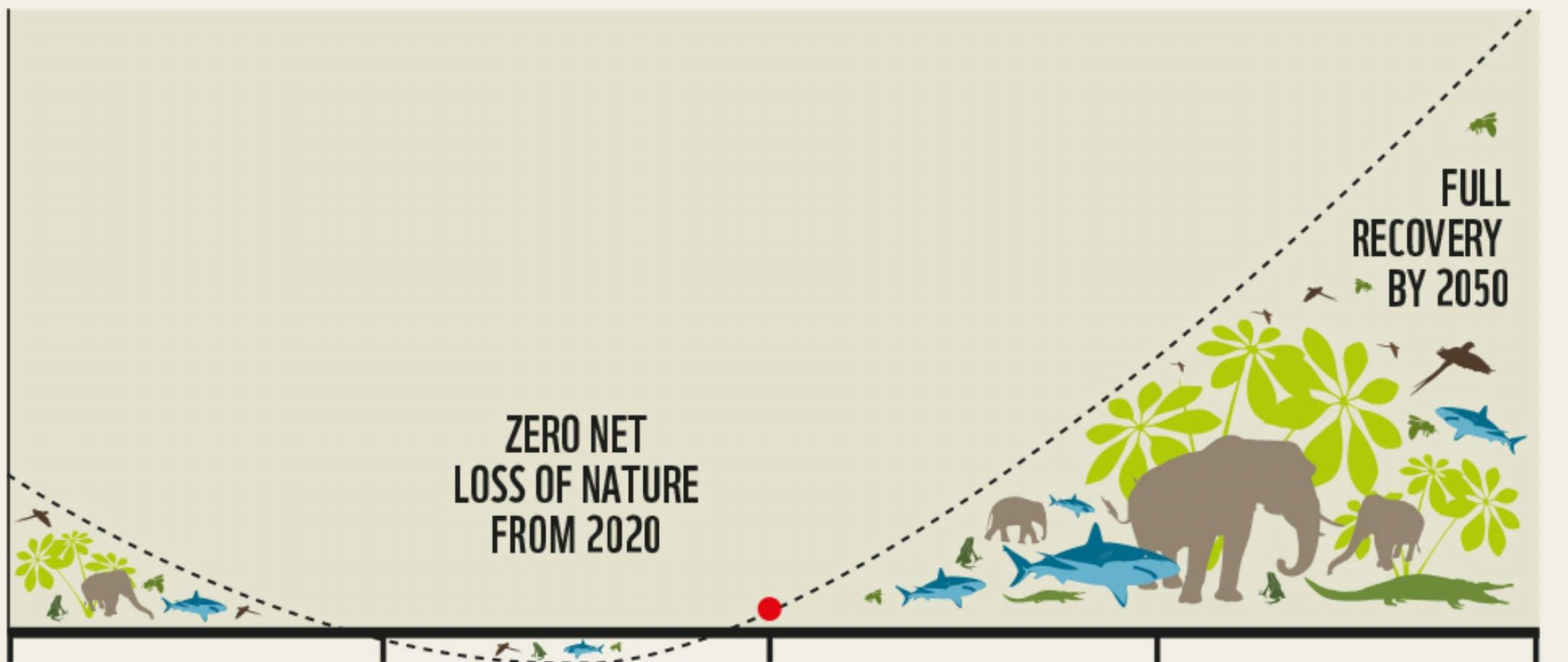
### Pay for Success

Government reserves a significant portion of the payment until after project is successfully complete.

### Outcomes

“Acre Credits” of habitat restored. A matrix of metrics factor into this determination

Indicators of Biodiversity



ZERO NET  
LOSS OF NATURE  
FROM 2020

FULL  
RECOVERY  
BY 2050

2020

2030

2040

2050



NET POSITIVE BY 2030





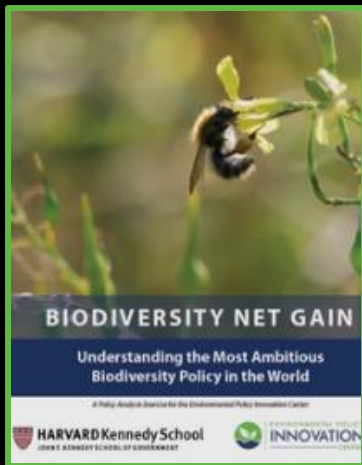
# Biodiversity Credits

## Meeting the global need with low-risk nature projects

**A \$4 billion annual market for nature credits already exists** in the U.S. alone. The need for quantified credits from ecological restoration is growing exponentially. Avoiding the kind of headline risks that affected early efforts in these markets, and that plague carbon markets, is a key strategy for that growth in investment in biodiversity results.



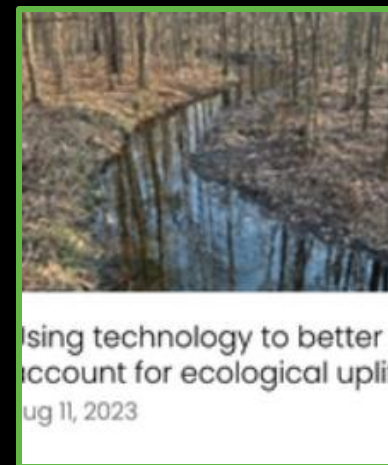
**EPIC's work is focused on four key issues in biodiversity crediting and the buyers who need them - accelerating restoration project approval, better crediting tools, strengthening demand in regulated systems, and understanding and improving policy.**



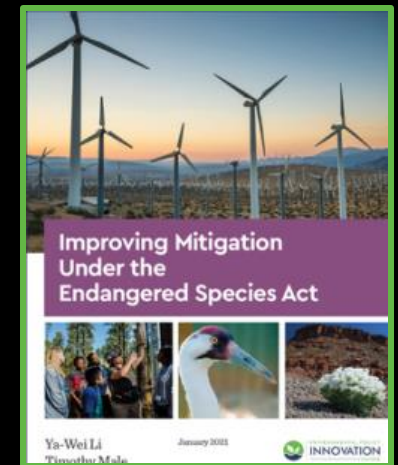
Understanding Policy



Accelerating timelines



Better crediting tools



Strengthening demand in regulated systems

# Biodiversity Credits

## Principles

1. Guarantees to achieve ecological performance based on any or all of the following:

- a. Requirements for advance ecological performance before a significant portion of credits can be sold;
- b. Significant insurance and bonding requirements on credit; or
- c. Permanent endowments

2. Government or other **3rd party verification** before buyers can make claims around the uses of purchased credits.

3. Strong and multi-decadal or permanent **land use restrictions**

4. **Multi-year monitoring plans** funded and implemented by buyers, sellers, government or 3<sup>rd</sup> parties

5. Compliance or **enforcement policies** through which a third party (including government) is responsible for confirming agreed upon actions, funding and environmental outcomes persist on at least a subset of audited projects.

6. **Absence of government subsidy** in the establishment of biodiversity credit sites that lowers the price of credits for buyers other than when government itself is buying credits to meet its own needs.

7. Where government is involved in permitting off site biodiversity banks, biodiversity projects on the same sites as development, or payments into a fund in lieu of conservation action, governments must ensure that all these **credit options must be held to the same or equivalent standards**.

8. A **preference for protection or restoration** on sites that are more distant from impacted development sites

# Protocol for Issuing Voluntary Biodiversity Credits

Each biocredit represents positive results in biodiversity in an area of at least

**10 m<sup>2</sup>** of threatened ecosystems for at least 20 years

- through preservation and/or restoration strategies, that is managed technically, financially, and legally.
- achieving measurable results in terms of biodiversity

### Our principles

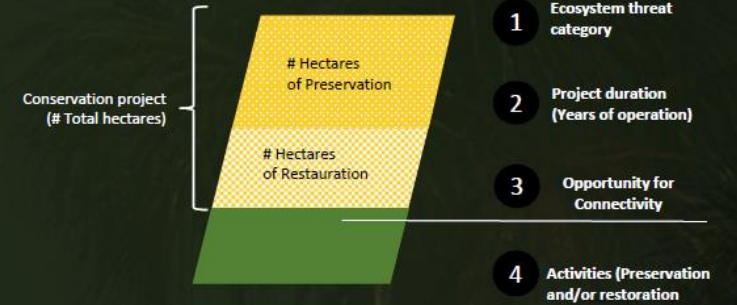
- Trazabilidad
- Continuidad/permanencia
- Technical rigor
- Applicability
- Additionality
- Complementarity

### Methodology to define potential credits

The approach of ecosystems as representations of biodiversity makes it possible to identify important assemblages that require protection.

We differentiate the projects according to the factors to promote and boost biodiversity conservation efforts in those ecosystems most threatened, with greater opportunity for ecological connectivity, greater permanence over time and that implement restoration strategies.

The number of potential credits to be issued is based on 4 differential factors depending on the number of hectares:

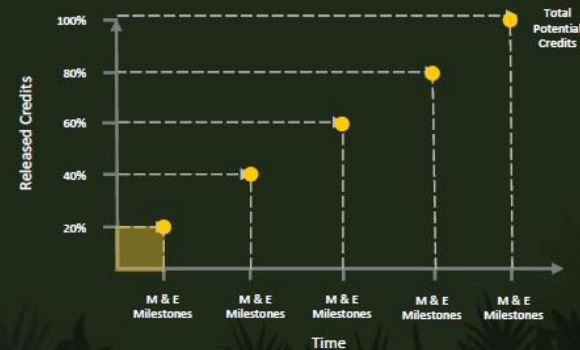


### Value Chain



### Performance-based release schedule

Potential credits can only be released for sale as management and ecological milestones are met according to a release schedule that should reflect positive conservation outcomes:



### Milestones

- Management: enable biodiversity conservation or ensure its sustainability.
- Ecological: are the result of improved initial physical, chemical, and biological conditions.





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HOW DO WE ACCELERATE ACTION and COOPERATION?



HOW DO WE MAKE THEM A PARTNER?

THEY HAVE BEEN PLAYING US FOR FOOLS  
THEY HAVE ALWAYS KNOWN!



and IN CALIFORNIA WE HAVE SEEN THIS FIRST



WE WILL BE AN ENVIRONMENTAL TENTPOLE FOR THE

fresh air of PROGRESS

this is the GREAT IMPLEMENTATION

FREETOWN -> TREETOWN

ACCOUNTABILITY for RESULTS HAS TO HAPPEN



THIS INCLUDES REGULATIONS THAT FAVOR THE PLANET

with good leadership,

# We can.

and we have the moral authority to do so

POLITICS

CANNOT SERVE ONLY AS A

benefits of action

FOR OUR EVERYDAY LIFE CAN BE A COMPELLING MESSAGE



WHEN WE SAY PLANET WE MEAN A SAFE OPERATING SPACE for HUMANITY

THE LACK of OPTIMISM ABOUT THE FUTURE AMONG YOUNG PEOPLE IS SOMETHING WE SHOULD BE ashamed of



DO NOT RELENT!

EV MANDATES

PERMIT REFORM

THE LOCAL LEVEL IS WHERE THIS HAPPENS

change REQUIRES COORDINATING DISCONNECTED SYSTEMS

THIS IS COSTLY BUT INACTION IS EVEN MORE EXPENSIVE

HOW DO WE ALIGN THE INCENTIVES of ALL THE STAKEHOLDERS?

THE DISTRACTION

FINANCE NEEDS to be at the TABLE