



Proceedings from the Making Nature Investable Summit

Scaling Conservation Finance in Canada

MAY 11, 2021

Contents

- 3 Overview**
- 6 Event Proceedings: Key Messages and Action Items**
- 7 Fireside Chat: The Role of Government to Advance Conservation Finance**
The Honourable Jonathan Wilkinson, Minister of Environment and Climate Change;
Catherine Grenier, President & CEO, Nature Conservancy of Canada
- 9 Panel 1: Investment Opportunities — International Examples**
Moderator: Peter Stein, Lyme Timber
Participants: Karen Clarke-Whistler, ESG Global Advisors;
Eric Letsinger, Quantified Ventures; David Brand, New Forests; Zach Knight, Blue Forest
- 11 Fireside Chat: Lessons Learned from Scaling the Voluntary Carbon Market for Nature**
Mark Carney, Vice Chairman of Brookfield Asset Management and United Nations Special Envoy for Climate Action and Finance;
Mike Pedersen, Vice-Chair, Nature Conservancy of Canada
- 12 Panel 2: Canadian Conservation Finance in Action: Indigenous Communities, ENGOs, Insurance**
Moderator: Stewart Elgie, Chair Smart Prosperity Institute
Participants: Mandy Gull, Cree Nation Government; Rob Wilson, Nature Conservancy of Canada;
Amanda Reed, Nature United; Craig Stewart, Insurance Bureau of Canada
- 15 Appendix A: Common Conservation Finance Models and Recommended Materials**
- 17 Appendix B: Making Nature Investable Agenda**
- 18 Appendix C: Summit Participants**



About the Nature Conservancy of Canada

The Nature Conservancy of Canada (NCC) is the nation's leading land conservation organization, working to protect our most important natural areas and the species they sustain. Since 1962, NCC and its partners have helped to protect 14 million hectares (35 million acres), coast to coast to coast.

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NCC would like to thank the Smart Prosperity Institute for their contribution to this proceedings document. The Smart Prosperity Institute is a national research network and policy think-tank delivering world-class research and work with public and private partners — all to advance practical policies and market solutions for a stronger, cleaner economy.

Overview

On May 11, 2021, the Nature Conservancy of Canada (NCC) hosted a virtual summit to highlight the critical need for additional private and public capital investment in the protection, restoration and management of nature across Canada. Using international conservation finance examples from the U.S. and Australia, expert panellists and our distinguished headline speakers addressed the existing opportunities to scale-up investment in Canada and make nature a more investable “asset class.”¹

This summit, the first of its kind to focus on financing conservation in Canada, was extremely well attended. More than 1,200 registrants joined domestic and international experts from all levels of government, finance, conservation and academic communities to discuss the state of conservation finance in Canada. The summit was also an opportunity to highlight the barriers, as well as the opportunities, to making nature more investable. What follows is a brief summary of the main themes discussed, key takeaways from each session and the calls to action moving forward.

In a fireside chat with Mike Pedersen, NCC vice-chair of the Board of Directors, Mark Carney, Vice Chairman of Brookfield Asset Management and United Nations Special Envoy for Climate Action and Finance, aptly summarized: “The task is large, the window of opportunity is short and the risks are existential.” While Carney was referencing the fight against climate change, the same sentiment holds true for combatting the biodiversity loss crisis. Recently, however, that conversation has shifted to the opportunity side, as Pedersen concluded: “The 2:1 ratio of opportunities to risks is building momentum in this space.”

Throughout the summit, all participants agreed that nature-based solutions² are central to achieving Canada’s bold biodiversity targets and climate commitments under the Paris Accord. Meeting these commitments will also provide pathways to facilitate the transition to net-zero and a more resilient and sustainable economy. Achieving net-zero will require protecting, restoring and improving the management practices of natural capital assets in urban, rural and remote settings.

¹A grouping of investments that exhibit similar characteristics. An asset class has different investment characteristics, such as the level of risk and potential for delivering returns and performance in different market conditions.

²According to the International Union for Conservation of Nature, nature-based solutions are actions taken to protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

“The great challenge for many of us is figuring out how to create the kinds of incentives that will enable private capital to help us [government and philanthropic organizations] with the task of protecting these natural areas [Canada’s vast wild spaces].”

JONATHAN WILKINSON

Minister of Environment and Climate Change

“If you’re adding to nature, if you’re reinforcing actions to preserve nature, you rightly should capture some of that value in terms of stakeholder perception, stakeholder support and valuation indeed in the market itself.”

MARK CARNEY

Vice Chairman of Brookfield Asset Management
and United Nations Special Envoy for
Climate Change

Barriers to adoption

With Canada’s enviable natural capital endowment, intact landscapes that are globally significant for biodiversity and carbon storage present an attractive risk profile to investors. In fact, Canada has the potential to be a global leader for scaling investments in nature. However, a range of diverse, investment-ready projects at scale are simply not in place in this country.

Throughout the summit, participants identified the main barriers to be addressed if we are to solve this problem, which coalesce around three main enabling conditions:

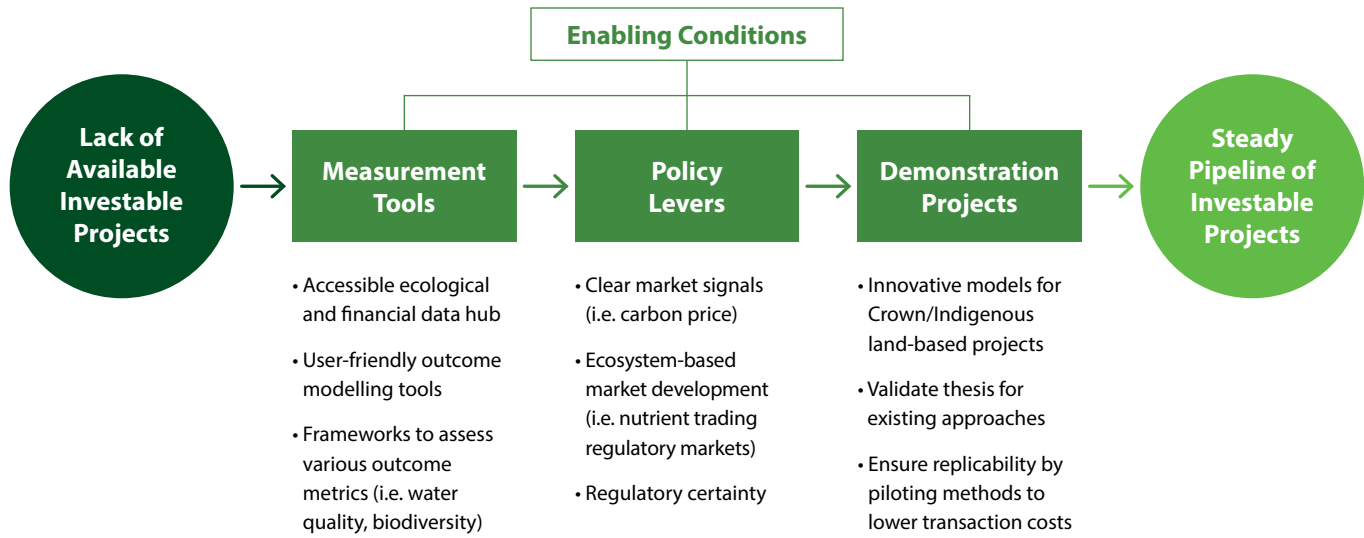


Figure adapted from Smart Prosperity Institute’s *Invest in Nature report*

1. A steady pipeline of investable projects

Currently, the insufficient project pipeline of shovel-ready, investable opportunities under existing methodologies is partly due to **high start-up costs** and ongoing transaction costs that are **prohibitive for many potential participants**. Canada is also unique in that the country’s overall **Crown land base (federal and provincial) comprises nearly 90 per cent of our lands**. This restricts opportunities for project development under existing methodologies more oriented to private land (i.e., carbon offset schemes). Public and private sector innovation is needed to further develop and access ecological goods and services (EG&S) markets on Crown and Indigenous land in order to broaden the pool of potential projects.

2. Leveraging government policy levers

Investors and project developers are anxiously awaiting clear, statutory price signals from the federal and provincial governments to determine if regulations and government frameworks can be successfully created to provide more market certainty. The federal government’s carbon pricing commitment of \$170/tonne of CO₂e (carbon dioxide equivalent) by 2030 is one such signal that may potentially drive markets, provided that market participants believe there is political resiliency to the current policies in place to support this price.

Several international examples outlined in the first panel discussion (see full agenda in Appendix B) highlighted how regulated ecosystem credit markets, such as nutrient and water quality trading and carbon, support the development and sale of credits from multiple ecosystem service streams. For example, in the U.S., several enabling policies exist related to water quality. By comparison, Canada’s **limited regulatory environment for ecosystem service markets reduces the immediate applicability of such examples**.

3. Improving measurement tools and reporting on impact

Successful conservation finance structures generally require the ability to measure and report on project outcomes to determine the impact of investments. However, it is challenging to access both a wide array of required ecological data (such as carbon storage and sequestration estimates or measures of biodiversity) and financial data (for example, assets at risk or avoided costs of replacing assets), both of which are required to model outcomes. Developing the metrics themselves, as well as the capability to accurately measure the metrics that drive these outcomes, is also often an expensive undertaking.

The discussions made it clear that there is a need for a **readily accessible data hub, with user-friendly tools**, to facilitate scoping potential projects and measuring outcomes of existing projects. Consistency in reporting — using comparable, peer-reviewed data sets across asset classes — is key for investable solutions to scale. This begins with consistent data and consistent measurement tools.

Nature + Climate Projects Accelerator

To develop solutions to these three distinct, yet related, problems, NCC is creating an internal conservation finance centre of excellence. The Nature + Climate Projects Accelerator will act as the central hub of expertise at NCC. It will be focused on scaling investments in nature-based solutions. This will be accomplished through:

- scaling up existing successful finance models;
- piloting promising financing and/or social impact models;
- assessing innovative EG&S market mechanisms/protocols; and
- identifying technological tools/approaches.

All of this will be done with the aim of better protecting, restoring and managing Canada's natural assets.

Beginning with carbon offset projects, NCC is working with corporate partners to significantly increase the number of its investable, high-quality forestry-based offset projects and assess various approaches to scaling the number of its grassland carbon offset projects. NCC is also developing tools that will become publicly available in order to help prioritize where best to develop additional offset projects that have significant co-benefits for biodiversity.

Building on the success of the summit, NCC is also developing follow-up workshops in the fall of 2021 to harness the momentum in this space. These will allow opportunities to continue advancing the Canadian conservation financing agenda. This series of workshops is expected to culminate with the reconvening of conservation finance experts at an in-person gathering, tentatively planned for the spring of 2022, to share action items, new developments and lessons learned.

Opportunities for further collaboration

Above all, the summit highlighted the need for greater collaboration among practitioners, academics, think-tanks and investors alike. NCC, together with partners in the space, such as the Smart Prosperity Institute, is interested in building on the success of the summit to develop a conservation finance coalition of practitioners, government decision-makers and investors to accelerate the pace and scale of conservation finance solutions.

If you are interested in providing input into the development of a Canadian Conservation Finance Coalition, please contact Paige Olmsted at the Smart Prosperity Institute: paige@smartprosperity.ca, or Jesse Hudecki at the Nature Conservancy of Canada: jesse.hudecki@natureconservancy.ca.

Event Proceedings

Key Messages and Action Items

There is no longer any question, scientifically speaking, that the effects of climate change are increasing both the rate and extent of biodiversity loss, not just in Canada, but globally. When combined with human impacts, such as land conversion and unsustainable land use practices, we are truly facing a threat to our survival.

Many organizations around the world, including the Nature Conservancy of Canada (NCC), are increasingly focused on the role that nature-based solutions, sometimes referred to as nature-based climate solutions, can play in addressing these twin crises of climate change and biodiversity loss. In fact, it is estimated that nature-based climate solutions can provide more than a third of the solutions necessary for the world to meet the climate targets of the Paris Agreement. Under the agreement, Canada has pledged to reduce its greenhouse gas emissions by 30 per cent by 2030 and net-zero by 2050.

The Making Nature Investable Summit brought together some of the world's leading experts in the rapidly evolving field of conservation finance to discuss how investing in nature can help provide powerful solutions to these dual crises.



Fireside Chat: The Role of Government to Advance Conservation Finance

*The Honourable Jonathan Wilkinson, Minister of Environment and Climate Change;
Catherine Grenier, President & CEO, Nature Conservancy of Canada*

Canada has an opportunity, as well as a responsibility, to conserve and restore our natural legacy. We can and will engage both nationally and internationally to do so. The time is now.

Recent government investments and multi-year funding commitments can serve as a springboard to mobilizing additional funding from the private sector, while bringing the issue of financing natural solutions to the dual crises of climate change and biodiversity loss to the public eye. Examples include funding for the Government of Canada's 2 Billion Trees Commitment, the Nature Smart Climate Solutions Fund and the Climate Action and Awareness Fund.

Recent federal commitments also include conserving 25 per cent of Canada's lands and water by 2025 and 30 per cent by 2030. The Government of Canada has also made a commitment to achieve net-zero emissions by 2050.

Key points of the conversation between Wilkinson and Grenier, and suggested action items, included:



The need to protect intact landscapes

Minister Wilkinson reminded the audience that first and foremost, the values derived from nature are highest in intact and conserved landscapes. While restoration strategies are helpful, we can never fully replace or recreate what has been lost. Once it's gone, it's gone forever.

For certain ecosystems, including old-growth forests and critical habitat for species at risk, this is an especially important consideration. Protecting the nature that remains presents a key challenge for mobilizing investments in nature-based solutions. However, we can develop new innovative types of financial arrangements, provide more incentives and develop new regulations to drive both innovation and funding to the issue.

The importance of ecosystem restoration

Restoration projects lend themselves well to traditional investment vehicles, such as impact bonds. Generally, this stems from the ability to demonstrate clear improvements in a given outcome over time, based on some type of intervention (for example, restoring an agricultural field to a wetland ecosystem). Since these activities involve capital investments for specific actions tied to improved outcomes that beneficiaries are willing to pay for (for example, based on cost savings through avoided

flood damages or water purification costs), there tend to be a range of investment opportunities in restoration activities at market rate returns.

The power of international action

As a respected member of the G7 and with its advanced economy, Canada has the opportunity to lead on a global stage. With many of its vast, wild spaces still substantially intact, Canada has a significant responsibility to the world to protect these lands and waters. To scale the investment necessary to do so, Canadians must also contribute to the creation of credible international rules and regulations, including calling for much greater transparency and accountability in the use of offsets, in particular.

Domestically, incentives must be created to achieve much greater levels of conservation financing mechanisms, such as the development of offset protocols. This is one example of the many paths by which these objectives might be achieved within Canada.

Opportunities in innovation

Innovation between governments and private sector participants is a two-way street. Governments need to create politically resilient, clear regulations, pull various policy levers and send clear market signals to create stronger market certainty. Each of these is required to provide incentives and create investor confidence. At the same time, governments need support from private sector practitioners through the identification of projects that will in turn help inform the types of government action necessary to engender success.

The need for public support

There are opportunities to leverage support from the general public by calling on traditional Canadian values and connections with the natural world, including connecting new Canadians to experiences in nature. While there is significant public mobilization on climate change, there is an urgent need to educate the general public and encourage the same level of

engagement in supporting biodiversity conservation. There is a need to bring nature closer to people and people closer to nature; connecting city dwellers (especially marginalized communities and youth) to urban parks and greenspaces; and bringing greater awareness to nature-based issues and the benefits that nature provides to people living in urban communities.

“Three Canadas” approach

Minister Wilkinson alluded to the fact that conservation finance strategies are likely to vary, depending on regional context and existing challenges:

- In the south, where the majority of the population lives, we want to consider access to nature, the potential for restoration and the role of nature in urban settings.
- In central Canada, where much of the boreal forest lies, a more sparsely populated landscape is found and significant natural resource development takes place. Minister Wilkinson invited participants to consider how to reconcile conservation, restoration and industrial development.
- In the north, large, intact spaces require both protection and stewardship. Minister Wilkinson noted the need to figure out how to derive economic benefits for communities while protecting important land and seascapes.

Eliminating silos

We need to consider how various levels of government can work more effectively together and create complementary policies. One such example might be the creation of policies designed to reduce conflict around resource extraction and species habitat protection through a comprehensive community-based planning approach.

Panel 1:

Investment Opportunities — International Examples

Moderator: Peter Stein, Lyme Timber

Participants: Karen Clarke-Whistler, ESG Global Advisors; Eric Letsinger, Quantified Ventures; David Brand, New Forests; Zach Knight, Blue Forest

We heard from several speakers about different investment models and how each functions. Speakers provided examples that focused specifically on landscapes from which multiple revenue streams could be generated, such as forestry and agriculture.

Key points included:

- Consider the need for and determine how best to encourage a broader **shift in perspectives concerning how we evaluate natural resources**. What are we optimizing for? David Brand shared an example of a paradigm shift in Australia when the Australian government started to recognize that the goal was maximizing multiple value streams derived from forests, rather than simply logging revenues.
- Governments are not often willing to take risks. This can require a nudge in the form of new tools. As Eric Letsinger put it, “If we expect public sector leaders to innovate, we have to give them new tools to pay for things if we expect them to choose innovation over business as usual.”
- **Learn by doing**. Implementing new ways of doing things often requires getting in the field, testing models and measurement approaches, and making continuous improvements, especially within dynamic environments like ecosystems. It requires partners who understand this complexity and have the patience to engage over the longer term.
- In the early stages of developing innovative projects, **bundling multiple ecosystem-derived outcomes** (for example, both water quality benefits and carbon sequestration) may be necessary for the investment thesis to generate sufficient cash flow in order to provide economic returns. Rather than focus on simply one outcome, we should consider the range of monetizable ecosystem service values that may be generated on a given property and that will attract different buyers or “outcome payers” for a specific site.
- Quantified Ventures provided an excellent example of bundling credits, by way of an Environmental Impact Bond focused on changing agricultural practices to improve water quality. In this example, they began with the assumption that paying farmers to undertake conservation-based practices would lead to improved biodiversity outcomes, using the proceeds of monetized water quality outcomes to support these payments. They found that there was insufficient cash flow generated to create a viable investment structure. However, 60 per cent of the lands in question could also generate an additional revenue stream generated by the sale of carbon credits from carbon sequestered on these same lands. Incremental cash flow could be generated in conjunction with the cash from the sale of the water-quality outcomes such that it became a viable investment for government buyers. **Taking a more holistic perspective allowed for creative financial structuring using multiple EG&S to support the investment.**
- **Design instruments that focus on outcomes that can be reasonably measured**. Both Letsinger and Zach Knight alluded to this point. Following simple outcome-based logic chains can help minimize the amount of upfront effort required to determine an appropriate metric and ongoing measurement process that is tied to an identifiable outcome. For example, if the intention is to create a cleaner river, one can work backwards from this outcome to determine a proxy metric that can shape success. Proxy metrics are viable options used to measure outcomes and can be improved upon over time.

Needs identified to advance these types of conservation finance models in Canada

- **Catalytic capital:** By providing seed (initial) funding, a willingness to accept “first losses,”³ acting as a guarantor or reducing the upfront cost of certain projects, support provided by philanthropic or government dollars can often de-risk investments in order to incentivize the participation of additional private investors that are seeking either market or sub-market rates of return.
- **Common syntax:** Investors do not speak the same language as ecologists and measure impact in very different ways. Conservation finance projects need simple indicators and clear principles for determining what constitutes impact and how it should be measured for specific types of nature-based solutions projects. For example, considering the federal government’s recent commitment to the issuance of a green bond in the current fiscal year, there is an excellent opportunity to earmark specific proceeds from these issuances to be directed to conservation or restoration nature-based solutions projects under existing green bond frameworks/principles.
- **Enabling policy:** Several examples outlined in this session highlighted the importance of regulated markets, including nutrient trading, water quality trading and carbon and/or habitat and wetland banking offsets. These regulations would support the sale of credits from multiple ecosystem service streams that have been well-developed in the context of the U.S., in particular. In analogous settings in Canada, third-party participation is limited (compensation takes place through direct restoration rather than the opportunity to have investors support projects that generate credits), which limits the viability of ecosystem credit markets domestically.

³**First loss capital** refers to impact-driven investors or grant-makers who agree to bear first losses (suffer the first economic loss if the underlying assets lose value or do not generate the expected returns) in an investment in order to catalyze the participation of co-investors that otherwise would not have entered the deal.



Fireside Chat:

Lessons Learned from Scaling the Voluntary Carbon Market for Nature

Mark Carney, Vice Chairman of Brookfield Asset Management and United Nations Special Envoy for Climate Action and Finance; Mike Pedersen, Vice-Chair, Nature Conservancy of Canada

To achieve Canada's climate goals agreed to in the Paris Agreement, Canada needs to cut emissions in half every 10 years for the next three decades. Considering the required level of financing to meet these targets, Mark Carney identified three main pathways for investment to reduce greenhouse gas emissions:

1. Technologies that exist today

At prices of \$100/tonne, we would be 60 per cent of the way to achieving the Paris Agreement targets. Technologies, such as landfill methane capture, are forecasted to double from 1.7 megatonnes (MT) to 3.5 MT per year, each year, for the next three decades.

2. Emergent technology

Nascent carbon removal technologies, funded by private growth equity and venture capital focused on early-stage research and development (for example, technologies such as direct air capture and storage that have roadmaps to becoming economic but are not yet developed at scales large enough to make an impact).

3. Nature-based solutions

Cost-effective protection of carbon sinks and avoiding the release of stored emissions, as well as nature-based climate solutions (such as reforestation and avoided conversion) have a major role to play in achieving net-zero targets (estimated to be approximately 37 per cent of all offsets).

Carney noted that climate issues are currently receiving the most attention from the finance sector, both in terms of risk mitigation activities and opportunities for innovation. Markets are moving to a point of including climate change in a material way in financial decisions and will become a determinant in the value of a transaction. The scale of investment to reach climate neutrality clearly requires private sector involvement. He noted that when we talk about scaling the market for nature-based investments, we can use the Taskforce for Scaling Voluntary Market (TSCVM) as a blueprint for what investors of scale (in the billions of dollars) require. This includes clear reference pricing, regulatory clarity and certainty, price transparency and a standardized reporting framework for example.

As the voluntary carbon market will be the first scaled market that influences nature-based solutions project development, Carney mentioned that it should be monitored closely to ensure its integrity as markets develop. Carney and Bill Winters (of Standard Charters), co-chairs of the TSCVM, will be presenting their recommendations at the Conference of the Parties 26 in Glasgow in the fall of 2021.

Lastly, as disclosure generally drives expectations, which in turn drives behaviour (for example, the net-zero movement driving the voluntary carbon market), Carney suggested that we can use some of the lessons learned from the Task Force for Climate-related Financial Disclosures (TCFD) for similar objectives relating to the value of nature and biodiversity. The Taskforce for Nature-related Financial Disclosures seeks to accomplish what the TCFD did for climate, and the Canadian government is closely involved in the development of this framework.

Panel 2: Canadian Conservation Finance in Action: Indigenous Communities, ENGOs, Insurance

Moderator: *Stewart Elgie, Chair, Smart Prosperity Institute*

Participants: *Mandy Gull, Cree Nation Government; Rob Wilson, Nature Conservancy of Canada; Amanda Reed, Nature United; Craig Stewart, Insurance Bureau of Canada*

This panel provided examples of existing conservation efforts across the country that engage with non-traditional finance actors. The speakers also discussed the needs of various stakeholders to further advance their own conservation efforts. The discussion included a consideration of the current barriers to increasing the pipeline of investable projects, opportunities to scale and policies/further actions that would support an enabling environment.

Key points included:

- **Government has a role to play in attracting further investment in nature-based solutions**, specifically by creating markets through regulation, ensuring further confidence through policy clarity/regulatory certainty and supporting the development of the project pipeline through strategic funding. They can also be first movers through procurement decisions and by supporting regulatory frameworks that account for the cost of environmental externalities in order to create price signals and provide frameworks for investing.
- **Catalytic foundation or government financing is needed** for up-front capital costs, including bridge funding for land acquisition, cost sharing, risk management (for example, potentially first loss provisions), capacity building and technical support for building the conservation finance project pipeline.
- **Incentive programs** can reduce barriers to entry and reward early adopters. Where up-front capital costs or perceived financial risks are restricting project development, financial incentives (for example, investment tax credits) can help ensure these pilot projects are feasible.
- **Supporting and rewarding Indigenous stewardship is critical.** Indigenous communities have stewarded lands and waters for millennia, yet many incentives and financial benefits specifically target new efforts. **Rewarding carbon and biodiversity stewardship by Indigenous communities** can be an important tool in recognizing the work by these communities to protect enormous carbon sinks and ensure ongoing sequestration, as well as protecting existing habitats. The role and use of Indigenous Protected and Conserved Areas, as well as conservancies within Indigenous lands, need to be considered. Gull noted that oftentimes territory set aside for the conservation of peatlands or old-growth forest, for example, cannot operate in a carbon credit system due to additionality constraints⁴. Many large-scale projects on Indigenous lands do not qualify for formal carbon credits, but these communities should be recognized and compensated for their lands' carbon storage and sequestration benefits, as well as the multiple other co-benefits that these communities' stewardship activities support.
- **Upfront versus long-term funding.** More support is needed to sustain long-term conservation efforts beyond the initial support for new Indigenous Protected and Conserved Areas and other conservation efforts, to ensure the ongoing, permanent stewardship of these protected areas. Creating employment opportunities linked to conservation finance solutions can help create a sustainable conservation economy for Indigenous communities.

⁴*Additionality in this context refers to the threat of a carbon sink being disturbed through conversion or other land use changes, such as commercial harvesting, that would result in greenhouse gas emissions being released on the project site.*

- **Funding flexibility.** Gull noted that it is necessary to ensure that capital is flexible, that funding can be redirected and that it can be carried over multiple years. When creating funding opportunities, there must be a somewhat tailored approach that is dependent on the desired outcomes. For example, flexibility in percentages and types of in-kind approaches to matching funds is necessary to create alignment and common goals of any given project.
- **Reed indicated that Canada signing onto the United Nations Declaration on the Rights of Indigenous Peoples** was indicated as a key step in moving conservation finance efforts forward collaboratively between Indigenous governments and communities, federal, provincial and territorial governments, and other players. The implementation process could be a catalyst for further Indigenous involvement in the conservation finance economy of Canada.
- **New technology** is required to reduce the costs of monitoring and overall transaction costs, both of which are, in some cases, prohibitive and act as a barrier to entry for smaller projects. Specific investments are required to pilot emerging technologies, such as remote sensing, machine learning and blockchain, to assess their accuracy and applicability to monitor outcomes. Regulators and standard bodies (such as Verra and the American Carbon Registry) must accept more innovative monitoring approaches in existing protocols or protocols in under consideration or in development. **Startup costs and ongoing transaction costs are often prohibitively expensive** for broader participation in carbon offset and other EG&S markets based on current monitoring requirements.
- **Nature-based solutions projects require accurate, consistent and accessible (i.e., open source) data across all ecosystems in the country.** This could be partially solved through better coordination and public availability of existing data. One example of this challenge was highlighted by Craig Stewart as it relates to the existence of flood data maps. Hydrologic and hydraulic datasets, as well as downstream financial datasets measuring assets at risk in high-flood-risk areas, currently exist. However, there is no cohesive coordination or repository for these datasets to provide accessibility for a range of end users.
- **Misalignment of funding and timing** presents a challenge. Significant upfront funding for land acquisition is typically required to secure a project. However, benefits/outcomes from these projects generally accrue over a much longer time frame. Accordingly, there needs to be a coordinated effort to align investor expectations with short- and long-term outcomes.



Identified needs

- **Valuation frameworks to assist in pricing ecosystem service values.** Ecosystem services need to have perceived value, and someone must be willing to pay for that value. Therefore, a consistent framework to demonstrate this value using an agreed-upon taxonomy is a good first step in ensuring that ecological goods and services are understood by the investment community.
- **Ecological data and financial modelling data.** Using the insurance industry example with regards to flood mapping mentioned above, data that considers the exposed financial value of assets located downstream of flood-prone watersheds or river systems is necessary to support the investment that facilitates upstream protection. In addition, assessments of the underlying ecosystem services data provided by these protected areas are necessary to allow the calculation of investment costs and projected returns (financial or impact). Once this data becomes centrally organized and more broadly available, a next step would be to develop a repository to host this data and ensure it is accessible for practitioners to apply for project prioritization and planning purposes.
- **A well-structured fund or pool of blended finance players** to catalyze investments in pilot projects, which would be available to scale both investments in projects and the size of projects themselves, would be a very worthwhile undertaking, as it would attract a variety of investors with different return requirements.
- **Under the current methodologies, carbon offsets are only applicable where additionality can be established.** This means lands must either be slated for harvesting, be undergoing reforestation or otherwise be identified as under threat of conversion. As Wilson mentioned, from an additionality perspective, significant amounts of Canada's vast boreal landscapes that are not managed for forestry, nor under immediate threat of conversion, are not eligible to generate offsets, despite housing substantial carbon stores and the well-understood value of keeping these carbon sinks intact. **We need to create new mechanisms to incentivize the protection of these landscapes** to avoid emissions and continue to sequester enormous amount of carbon, while not diluting the impact of offset regimes.
- **A framework is needed to identify beneficiaries.** Outcome payers are those that are willing to pay for a particular ecosystem service or set of services (like carbon sequestration,

water purification, fire risk reduction). It is often challenging to identify willing payers (otherwise known as beneficiaries) in a given project area. Developing financial models that require an outcome payer are often even more challenging to set up, but they are nonetheless critical to ensuring an ongoing revenue stream (source of repayment and/or rate of interest) for the investors.

Appendix A

Common Conservation Finance Models and Recommended Materials

Not all conservation finance models are applicable in all contexts, as some are better suited for restoration and natural resource management, whereas others are better suited to protection and conservation (though some can apply to multiple settings). Models that more readily apply to conserving and protecting tend to involve blended finance models; that is, a combination of both public and private investment, since these tend to be more cash-flow constrained.

For more details on how different models apply in different landscapes, the likely participants and further details on application and scalability, please see the Smart Prosperity Institute's recent report, **Invest in Nature: Scaling Conservation Finance in Canada**.

Common Conservation Finance Models

	Description	Target Landscape	Investors	Beneficiaries	Return	How Revenue is Generated	Canadian Context
Forest, Grassland or Agriculture Fund	Purchase of or equity investment in private land, which is improved over time, and ultimately sold with value added (e.g., New Forests, Lyme Timber)	Managed forest, agricultural landscape	Private asset managers, pension funds, foundations, endowment funds	Investors	Can be market rate or a combination of returns, depending on investor requirements	Sustainable forest management, carbon offsets, grazing revenues, eventual sale of land	For forestry and some grassland, more challenging due to crown land complexities For agriculture on private lands, more viable
Carbon Offsets	Activities on the landscape that store/sequester incremental carbon (replanting, avoided harvest, crop rotation) to generate carbon credits	Forestry, restoration/afforestation, agriculture (soil carbon)	Industry actors, non-industry corporate investors, governments	Land/carbon owners	Market or submarket	Sale of offsets	Provincial systems in place in BC, QC, NS, expect more action with new federal rules. Voluntary protocols adapted for Canadian projects exist
Environmental Impact Bond	Pay for performance arrangement where buyers pay for specific ecosystem service outcomes (Quantified Ventures soy example)	Natural infrastructure, best management practices in agriculture or rangeland management	Corporations, governments, utilities, foundations, endowments	Farmers, ranchers, other landowners	Can be market rate or sub-market rates	Outcome payers pay for ecosystem service benefits (e.g., municipal government for improved water quality)	Lack of markets for water quality credits and limited carbon credit markets hinder uptake, though potential for growth
Resilience Bond	Investors pay upfront for specific restoration and management activities to reduce risk of fire or other ecosystem outcomes, such as improved water quantity and quality	Forests, other landscapes where restoration can deliver quantifiable ecosystem returns	Corporate investors, insurance industry, utilities, foundation, pension funds	Land trusts, forest services, regional landowners	Market or sub-market rates	Outcome payers pay for ecosystem service benefits (e.g., utility company for reduced impact of fire to infrastructure)	Not yet applied in Canada — requires intermediaries to bring together partners, intermediary environment in Canada limited
Trust Fund	Several public and private contributors	Protected and conserved areas	Philanthropy, government	Local communities	Market or below market	Interest on capital fund	Applied in Great Bear Rainforest and Thaidene Nënë
Payment for Ecosystem Services	Incentive payment for specific land management practices	Private lands including forests and agriculture	Various stakeholders (e.g., government, utility, municipality, downstream beneficiaries)	Landowner	Direct payment	Revenue to landowner from payment	Several regional programs but not national (unlike many other jurisdictions)

Appendix B

Making Nature Investable agenda

- 1 p.m. **Welcome Remarks and Land Acknowledgement**
Catherine Grenier, President and CEO, Nature Conservancy of Canada
- 1:05–1:30 p.m. **Fireside Chat**
The Honourable Jonathan Wilkinson, Member of Parliament, Minister of Environment and Climate Change;
Catherine Grenier, President and CEO, Nature Conservancy of Canada
- What policy, regulatory and financial actions are being taken by the Government of Canada, and what further actions can be taken to stimulate private capital investment in our country's nature and climate priorities?
- 1:30–2:20 p.m. **Nature-Based Natural Climate Solutions in Canada: Successful Models and Building the Business Case for Investment**
Moderator: *Peter Stein, Managing Director, Lyme Timber*
Participants: *Karen Clarke-Whistler, Principal, ESG Global Advisors; David Brand, CEO, New Forests, Pty., Ltd.; Eric Letsinger, CEO, Quantified Ventures; Zach Knight, CEO, Blue Forest*
- This moderated session will use various case studies to highlight different approaches to investing in nature from around the world and ask practitioners what key political, social and economic opportunities and challenges they have faced. Framed by the aggregate experience of practitioners, the session will focus on creative solutions that can be applied at scale in Canada, including relevant approaches to valuing nature and measuring impacts.
- 2:30–3:15 p.m. **Fireside Chat**
Mark Carney, Vice Chairman of Brookfield Asset Management and United Nations Special Envoy for Climate Action and Finance;
Mike Pedersen, Vice-Chair, Board of Directors, Nature Conservancy of Canada
- A wide-ranging conversation exploring the importance of conservation finance in the protection of Canada's natural assets and the valuation of nature.
- 3:15–4:05 p.m. **Next Steps: Action Items to Create Investable, Nature-Positive Outcomes**
Moderator: *Stewart Elgie, Chair, Smart Prosperity; Professor of Law, University of Ottawa*
Participants: *Mandy Gull, Deputy Grand Chief, Cree Nation Government; Amanda Reed, Director of Strategic Partnerships, Nature United; Craig Stewart, Vice President, Federal Affairs, Insurance Bureau of Canada; Rob Wilson, Director, Conservation Finance, Nature Conservancy of Canada*
- What are the next steps to: (i) identify and create a number of investable projects across ecosystems; (ii) create quantifiable, measurable, cost-effective, data-based metrics and returns; (iii) identify potential enabling conditions to create these opportunities.
- 4:05–4:15 p.m. **Closing Remarks**
Catherine Grenier, President and CEO, Nature Conservancy of Canada

Appendix C

Summit Participants

David Brand

CEO, New Forests, Pty., Ltd.

David Brand is the CEO of New Forests, a Sydney-based forestry investment business he founded in 2005. New Forests manages unlisted real assets, including forestry, wood processing, and conservation and carbon offset projects with more than US\$ 5 billion in assets under management across Australia, New Zealand, southeast Asia and the U.S.. Previously, he managed investment programs in Australia for Hancock Natural Resources Group (HNRG). Prior to joining HNRG, Brand was Executive GM of State Forests of NSW, Australia, where he led pioneering transactions in the development of environmental markets. From 1985 to 1995, Brand worked with the Canadian Forest Service as a scientist, director of scientific programs, and ultimately as national Director-General of Science and Sustainable Development in Ottawa. He serves as a Director of Washington, DC-based NGO Forest Trends and as a Trustees of Bangkok-based IGO, The Centre for People and Forests. Brand has a PhD from the University of British Columbia and a bachelor of science degree in forestry from U of T.

Mark Carney

Vice Chairman of Brookfield Asset Management and United Nations Special Envoy for Climate Action and Finance

Mark Carney is a Vice Chairman of Brookfield Asset Management and Head of ESG and Impact Fund Investing. In this role, he is focused on the development of products for investors that will combine positive social and environmental outcomes with strong risk-adjusted returns.

Carney is an economist and banker who served as the Governor of the Bank of England from 2013 to 2020, and prior to that as Governor of the Bank of Canada from 2008 until 2013. He was Chairman of the Financial Stability Board from 2011 to 2018. Prior to his governorships, Carney worked at Goldman Sachs as well as the Canadian Department of Finance.

He is a long-time and well-known advocate for sustainability, specifically with regard to the management and reduction of climate risks, and is currently the United Nations Special Envoy for Climate Action and Finance.

He is also an external member of the Board of Stripe, a global technology company building economic infrastructure for the internet and a member of the Global Advisory Board of PIMCO, the Group of Thirty, the Foundation Board of the World Economic Forum, as well as the boards of Bloomberg Philanthropies, the Peterson Institute for International Economics and the Hoffman Institute for Global Business and Society at INSEAD.

Carney received a bachelor's degree in economics from Harvard University and a master's degree and doctorate from Oxford University.

Karen Clarke-Whistler

Principal , ESG Global Advisors

Trained as an environmental scientist, Karen Clarke-Whistler served as Chief Environment Officer at TD Bank Group for 10 years, leading the bank's efforts to develop voluntary carbon offsets as part of its carbon neutral strategy, and working in close partnership with NCC in efforts to value natural capital. Clarke-Whistler is currently a Principal at ESG Global Advisors where her advisory work involves assessing the potential of carbon offsets in setting net-zero aspirations in Canada's resource sectors. Clarke-Whistler has twice been awarded the Clean 16 for her leadership in clean capitalism in the financial sector.

Stewart Elgie

**Chair, Smart Prosperity
Professor of Law at University of Ottawa**

Stewart Elgie is a professor of law and economics at the University of Ottawa. He is the founder and chair of the Smart Prosperity Institute, Canada's major environment-economy think-tank and research network.

Elgie started his career as a Bay Street lawyer. He left to do a master's at Harvard, and then took a job in Alaska with a public interest environmental law firm, including litigating over the Valdez oil spill. He returned to Canada and founded Ecojustice, now Canada's largest non-profit environmental law organization, where he was counsel on many precedent setting cases and led the campaign to create Canada's *Species At Risk Act*. In 2003, he went back to school at Yale for a doctorate in law and economics. Since then, he has focused his research on how to harness economic forces to solve environmental problems, including nature conservation.

He has served on many government advisory bodies in the environment and sustainability area. In 2001, he was awarded the Law Society of Upper Canada medal for exceptional lifetime contributions to law — the youngest man to receive the profession's highest honour. In 2015, he received Canada's Clean 50 Award, for Thought Leadership. Since the birth of twin boys in 2012, he no longer has any hobbies.

Catherine Grenier

President and CEO, Nature Conservancy of Canada

Catherine Grenier joined the Nature Conservancy of Canada (NCC) as its president and CEO on September 28, 2020.

An award-winning leader, Grenier has held executive positions with some of Canada's foremost nature conservation organizations. Prior to joining NCC, she served as vice-president for national parks operations with Sépaq. She was responsible for the management and development of 27 Quebec parks and resorts. Catherine mobilized the Sépaq team to generate an increase of more than 40 per cent in visits to the province's parks network.

Prior to joining Sépaq, she held senior roles with Parks Canada. Among her achievements there, she led the process to create Canada's first national urban park, in Toronto's Rouge Valley.

Grenier holds a bachelor's degree in public administration from Carleton University and a master's degree in business administration from the University of Ottawa. She received the 2016 Award of Excellence from the Canadian Parks Council in recognition of her community leadership. Her work in protected areas has been recognized with several awards, including the Queen Elizabeth II Diamond Jubilee Medal in 2012.

Grenier says she is thrilled to have joined the Nature Conservancy of Canada. "I am honoured to have been selected to lead

a team that is shaping the future of conservation in Canada," she said. "This is such a unique opportunity to accelerate the scope and scale of conservation in our country, to connect with Canadians, and to build lasting support for nature."

Grenier took over the position from John Lounds, who led the organization through 24 years of exceptional growth and success.

Jane Gilbert

Vice-President, Public Affairs and Communications, Nature Conservancy of Canada

Jane Gilbert joined the Nature Conservancy of Canada (NCC) in 2008, keen to share the organization's great stories with many more Canadians.

Before working with NCC, Gilbert spent 10 years with the Discovery Channel as co-host and senior producer of the programs @discovery.ca and *Daily Planet*. She was the creative force behind the kids' science-adventure series, *Sci-Q*, for which she received a Gemini nomination. Prior to Discovery Channel, Gilbert was an anchor and producer working for Canada's leading newsrooms, including CBC National and Newsworld, Global-TV and CJOH Ottawa.

Gilbert holds a degree in journalism and law from Carleton University in Ottawa and a master's degree from the University of Toronto in the history and philosophy of science and technology.

She is an active volunteer with Carleton University, as past president of the Alumni Association.

Gilbert is based in the Toronto area, where she lives with her husband and two children and encourages them to enjoy and appreciate the beauty of our natural world.

Mandy Gull

Deputy Grand Chief, Cree Nation Government

Mandy Gull completed a diploma in social science from Dawson College in 2005. She also holds two bachelor's degrees from Concordia University's School of Community and Public Affairs: one in political science (2005) and one in Community, public affairs and policy studies (2009). In July 2017, Gull was elected to a four-year term as Deputy Grand Chief and Vice Chairperson of the Cree Nation Government, having served as Deputy Chief of the Cree First Nation of Waswanipi from 2014 to 2017. She also

owned and operated her own management consulting business from 2012 to 2014, specializing in working with First Nations communities in organization management. Gull has always been passionately involved in the fight to protect Cree lands and the management of environmental impacts. She has participated and promoted campaigns for the protection of the Broadback River valley in her previous role and now as the Deputy Grand Chief has the opportunity to work on planning and developing a protected areas network throughout Eeyou Istchee.

The Honourable Jonathan Wilkinson Member of Parliament, Minister of Environment and Climate Canada

The Honourable Jonathan Wilkinson has served as the Member of Parliament for North Vancouver since 2015.

Raised in Saskatchewan, Wilkinson spent more than 20 years in the private sector, holding leadership positions with a number of companies dedicated to the development of green technologies.

Wilkinson's work as CEO of both QuestAir Technologies and the former BioteQ Environmental Technologies (now BQE Water Inc.), in addition to his role as senior Vice-President of Business Development with Nexterra, provided him with extensive experience in the energy and environmental technology sectors. He also previously worked at Bain & Company, a leading global management consultancy.

A Rhodes Scholar, Wilkinson made use of his educational background in public policy when he worked as a constitutional negotiator and a federal-provincial relations specialist for former Saskatchewan Premier Roy Romanow. He has served on several industry and charitable boards, including the United Way of the Lower Mainland and the B.C. Technology Industry Association. He also served as a board member and treasurer of the Walter and Duncan Gordon Foundation.

Wilkinson has deep roots in North Vancouver, where he is raising his family alongside his wife, Tara.

Zach Knight CEO, Blue Forest

Zach Knight is a co-Founder and the CEO of Blue Forest. Prior to founding Blue Forest, Knight started his career in finance at

Merrill Lynch where he specialized in structured finance. Knight also served as a high-yield and distressed corporate bond trader before leaving Wall Street to pursue an MBA at UC-Berkeley's Haas School of Business with a focus on sustainability and environmental investing. Knight holds an MBA with honors from UC Berkeley and a BA in economics from Cornell.

At BFC, Knight leads the outreach program with foundations and the conservation finance community. Knight also leads BFC's engagement with the U.S. Forest Service and the State of California. A passionate finance nerd, Knight loves digging into new structures, contracts and anything related to financial engineering.

Eric Letsinger CEO, Quantified Ventures

Eric Letsinger is the Founder and CEO of Quantified Ventures, an outcomes-based capital firm that helps clients develop and finance initiatives that deliver measurable health, social and environmental impact. He is a "tri-sector" executive, bringing 25+ years of leadership experience in government, nonprofit, and private sector organizations operating in healthcare, environment, education and housing. He has led transformative, public-private initiatives to drive social impact in complex, cross-sector business environments, including: IBM, Baltimore Public Schools, Baltimore Housing Department, Cyveillance Software, PWC and Samaritan Inns Homeless Services.

Letsinger is a member of the U.S. EPA Environmental Finance Advisory Board, the WaterNow Alliance Leadership Council, the Water Finance Exchange Advisory Council and the board of Recovery Cafe DC. He has an MBA from Yale University and a BA in urban studies from Northwestern University.

Mike Pedersen Vice-Chair, Board of Directors, Nature Conservancy of Canada

Mike Pedersen is Chair of the Board of BDC, and serves on the boards of CGI, SNC Lavalin, and the Nature Conservancy of Canada, where he is Vice-Chair. He also serves on the Advisory Committee of the Intact Centre on Climate Adaptation at the University of Waterloo, as well as the Global Risk Institute's Sustainable Finance Advisory Committee. He also co-chairs the Personal Philanthropy Project, an initiative to encourage charitable giving.

Until 2017, Pedersen was President and CEO of TD Bank, America's Most Convenient Bank, a top 10 bank in the United States.

He held senior leadership roles in financial services around the world for over three decades and is a former Chair of the Canadian Bankers Association.

He has a long and ongoing involvement with charitable organizations focused on the environment and social services.

Pedersen graduated from the University of British Columbia with a bachelor of commerce degree and from the University of Toronto with a master's of industrial relations degree.

Amanda Reed

Director of Strategic Partnerships, Nature United

Based in Ottawa, Amanda Reed is Nature United's Director of Strategic Partnerships, advancing countrywide government relations, corporate partnerships and broad-scale collaborations. Reed's areas of expertise include natural climate solutions, conservation finance, and climate and conservation policy. Previously, Reed spent nearly a decade with The Nature Conservancy (Nature United's global affiliate), where she worked with landowners to permanently conserve their lands; supported the President and CEO as his outreach manager; and worked as a policy advisor to affect federal energy, transportation and public lands legislation. Amanda was previously the Executive Director of Capitol Land Trust. Reed holds an MBA from Georgetown University in Washington, D.C.

Peter Stein

Managing Director, Lyme Timber

Peter Stein joined Lyme in 1990 and has led the firm's conservation-oriented forestland investment strategies. Lyme has been involved in more than a million acres of forestland investments, which have been durably conserved across the U.S. and eastern Canada.

Prior to his career with LTC Partners and Lyme, Stein was Senior Vice President of the Trust for Public Land (TPL), where he was one of the founding staff. He earned a bachelor of arts degree with highest honors from the University of California at Santa Cruz in 1975. Stein was a Loeb Fellow, received a certificate in advanced environmental studies from Harvard University in 1981, and received the Kingsbury Browne Award from the Land Trust Alliance and Lincoln Institute of Land Policy in 2012.

Stein lectures frequently at graduate schools and professional conferences on conservation investment structures and strategies. He is the co-founder of the Conservation Finance Network and the International Land Conservation Network. Stein serves on the Investment Advisory Committee of Spring Point Partners, the Advisory Boards of Quantified Ventures and Rose Smart Growth Real Estate Fund and is a member of the Board of Trustees of the Montshire Museum. He is a former Board Chair of the Land Trust Alliance and served as a founding Commissioner of the Land Trust Accreditation Commission.

Craig Stewart

Vice President, Federal Affairs, Insurance Bureau of Canada

Craig Stewart leads national work on disaster resilience and climate change at the Insurance Bureau of Canada (IBC) — the industry association representing the property and casualty insurance industry in Canada. IBC's members employ over 122,000 Canadians and paid out \$9.8 billion in property claims in 2016, primarily due to severe weather and wildfire.

Previous to his work with IBC, Stewart directed the Ottawa Bureau and Arctic program for WWF Canada, handled pandemic liaison, trade liaison and humanitarian donations for GlaxoSmithKline (Canada) Ltd., directed a \$60 million federal/provincial/territorial program at Natural Resources Canada to elevate the Canadian geospatial industry and founded the Miistakis Institute at the University of Calgary.

Stewart holds a master of science degree from the University of Calgary, and a bachelor of arts in political science from the University of Toronto. He is the author of two atlases on the Rocky Mountains of Alberta, British Columbia and Montana.

Rob Wilson

Director, Conservation Finance, Nature Conservancy of Canada

Rob Wilson joined the Nature Conservancy of Canada in 2007 after more than 18 years with the TD Bank Financial Group, and is currently the Director of Conservation Finance at NCC. He is responsible for leading NCC's conservation finance-related programs that support NCC's nature-based, natural climate solutions work, with a particular focus on carbon finance. In particular, he has been involved for more than a decade in the development and management of one of North America's largest and most highly certified forest carbon and conservation projects, known as the Darkwoods Conservation Area, in British Columbia.

Wilson is involved in a number of large-scale land conservation programs in his work at NCC, with a focus on designing impact-based approaches by which to attract greater private capital into nature-based solutions projects across the country.

Wilson has been an active member of two previous provincial Forest Carbon Policy working groups designing provincial offset protocols and was also involved in the creation of the Canadian Roundtable for Sustainable Beef. He graduated from the University of Toronto with a bachelor's degree in political science, a resource management diploma from its Faculty of Forestry and an M.B.A. from the Rotman School of Management.



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