

# USFS Conservation Finance Toolkit: Conservation Finance at the Forest Service



**Conservation finance** is the practice of raising, managing, and deploying capital for conservation outcomes. Investments in conservation fall into two buckets: those that *do* and *do not* generate a financial return/profit. Current innovation in conservation finance is focused on the engagement of private capital in investment opportunities that generate financial returns through the alignment of environmental, social, and financial outcomes.

## How Does Conservation Finance Help the Forest Service?

Whether through Congressional appropriations, philanthropic and in-kind support, or other means, managing and dispersing funds to protect and steward forested landscapes has always been an important part of the Forest Service's (FS) work. Long before the term 'conservation finance' was coined, FS staff were pioneering creative ways to enlist investment through environmental markets and public-private partnerships. Continuation of this work, and exploration of new financing models, can support agency priorities in the following ways.

- ***Accelerate pace and scale of priority work.*** Conservation finance models raise capital to cover project costs upfront. This accelerates the pace of project completion, increases the scale of landscapes served, and enhances effective delivery of benefits to the public.
- ***Leverage resources at multiple levels.*** Conservation finance models leverage appropriated dollars to engage philanthropic and private-sector capital. This increases and diversifies resources to achieve the agency's mission.
- ***Promote shared stewardship.*** Development and implementation of conservation finance models involves many stakeholders, including project developers, investors, beneficiaries, researchers, and implementation partners. Shared work on conservation finance seeds collaboration beyond specific projects, promoting shared stewardship of NFS lands and cost-sharing between stakeholders.
- ***Advance outcomes-based decision making.*** Conservation finance models rely on measurement of ecological and economic data to 1) make the business case for stakeholder involvement, 2) prioritize management to maximize outcomes, and 3) measure linkages between financial investment and social/environmental outcomes.

## Conservation Finance Team Mission & Goals

Part of the National Partnership Office, the **Conservation Finance (CF) Team** is a small but growing team driven by a mission to unlock and expand financing for FS priorities, with focus on the engagement of private capital through replicable partnership models that support resilient forests and forest-dependent communities. The following goals guide our work:

- Cultivate a portfolio of **pilot projects** to generate lessons learned and demonstrate success
- Build a **FS network** versed on CF tools that is applying those tools on NFS and adjacent lands
- Develop a **policy framework** that supports and enables enduring CF partnerships
- Chart a **path to scale** for CF models to address landscape-level challenges and meet the investment minimums of institutional investors

## Conservation Finance Portfolio of Work

The CF team achieves the goals laid out above through our work to launch the following **pilot projects** and **build capacity** to pilot and replicate CF work across the agency.

FS Conservation Finance Example Pilot Projects

| Model                            | Project Developer                         | Location                  | Project Description  | Size                | Stakeholders Involved   |
|----------------------------------|---|---------------------------|--|---------------------|---|
| <b>Forest Resilience Bond</b>    | Blue Forest Conservation                  | Tahoe National Forest, CA | Restoration treatments across 15,000 acres to reduce wildfire risk/ improve water quality and flow     | \$4M (Raised)       | FS, investors (found.s, market rate), water agency, state gov., academics, National Forest Foundation |
| <b>Pay for Success Financing</b> | Quantified Ventures                       | Wayne National Forest, OH | 88-mi. mountain biking trail on 9,000 acres to spur rural economic development                         | \$5.2M (In Process) | FS, city and county gov., investors, National Forest Foundation                                       |
| <b>Utility Financing</b>         | World Resources Inst. & Encourage Capital | Little Rock, AR           | Forest restoration, management and protection to improve drinking water delivery, storage, and quality | TBD                 | US Endowment for Forestry & Comm.s, private landowners, end water users                               |
| <b>Compensatory Mitigation</b>   | Multiple partners                         | Multiple units            | Wetland and stream restoration to generate saleable mitigation credits                                 | TBD                 | FS, US Army Corps of Engineers, private landowners  |

To build expertise and capacity in conservation finance across the agency the CF team hosts bi-monthly **Conservation Finance Community Conversations** focused on sharing updates and lessons learned from existing pilots, and introducing new CF models to the field. Starting in 2019 the CF team will host a **Conservation Finance Training** that includes a series of virtual webinars and discussions leading up to a three-day in-person workshop.