

Natural Capital Financing Facility (NCFF)

May 2015

What is Natural Capital?

Natural Capital is the value of nature. It can be defined as the world's **stocks of natural assets** providing a flow of goods and services that we benefit from. Natural assets include air, water, soil, land, biodiversity, forests, ...

In the EU, most of these types of projects are currently financed by public grants. **There is a lack of market-based instruments** because of market failures, untested business models, novelty of the projects, long payback periods, perceived high risks.

However, there are examples of bankable **green infrastructure projects**, deals based on contractual **payments for ecosystem services**, projects designed for biodiversity **compensation / offsetting**, and **pro-biodiversity businesses**.

The Natural Capital Financing Facility

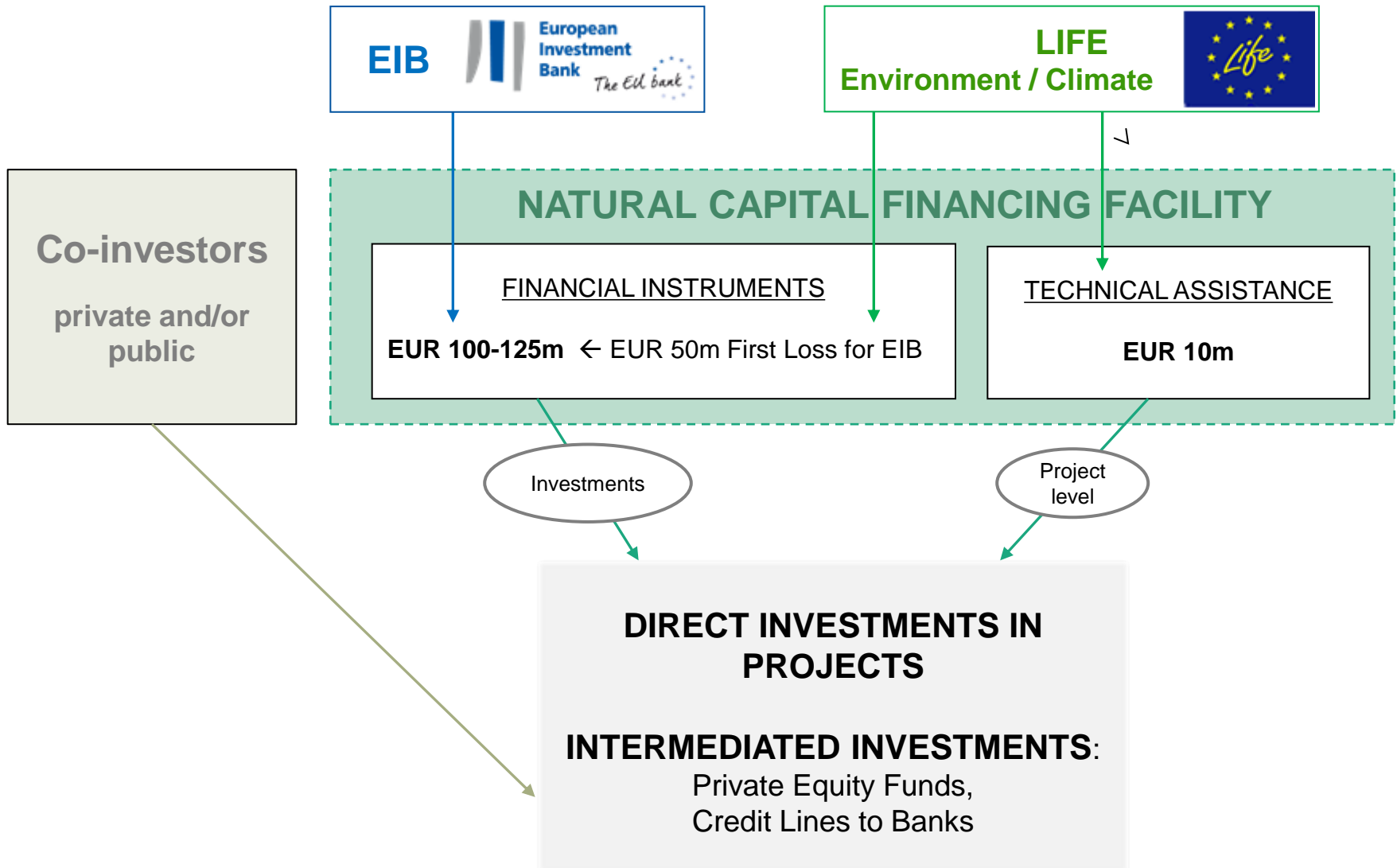
The NCFF is a new initiative to **stimulate financing for conservation, restoration, management and enhancement of natural capital.**

The NCFF will focus on financing **proof of concept / pilot projects** for ecosystem services and climate adaptation benefits, especially challenges related to biodiversity, land use, forestry, soil, water, agriculture and waste.

The facility will focus on **market-based instruments** (particularly to sustain upfront investment) in green infrastructure, biodiversity offsetting initiatives, projects based on payment for ecosystem services (PES), as well as pro-biodiversity businesses/corporates, or a combination.

Final beneficiaries would include both **private and public entities.**

NCFF Structure



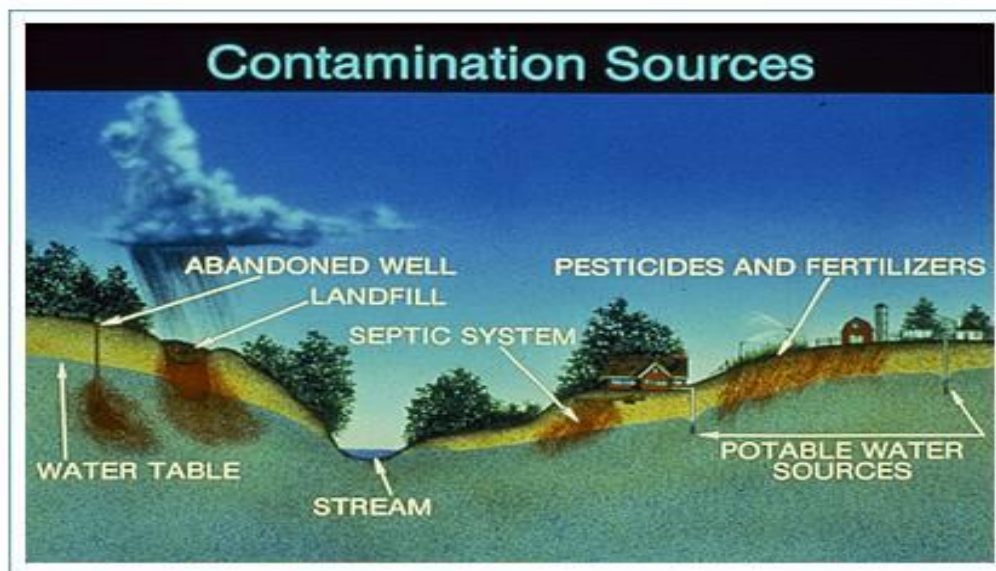
Eligible Projects: Green Infrastructure



Green infrastructure will include projects targeting the provision and maintenance of ecosystems and ecosystem services:

- Restoration of degraded areas
- Habitat corridors, afforestation and fire prevention, flood protection and erosion control
- Water treatment/purification
- Urban green infrastructure such as green roofs etc

Eligible Projects: Payment for Ecosystem Services



Payment for ecosystem services are voluntary transactions where an ecosystem services beneficiary conditionally compensates an entity responsible for maintaining well-defined ecosystem service(s), especially:

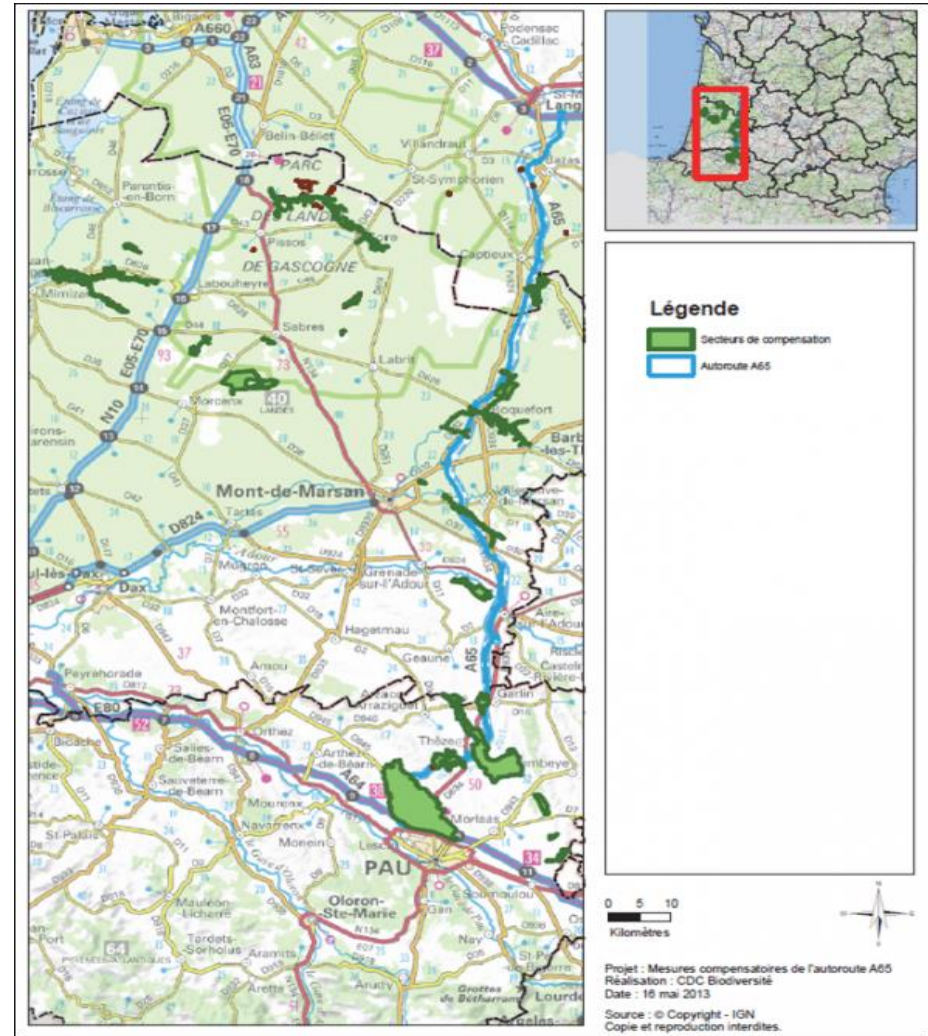
- Protection of water resources
- Protection of forest
- Protection of biodiversity

Eligible Projects: Compensation/Offsetting



Compensation offsets are actions intended to compensate for residual, unavoidable environmental impacts of development by promoting conservation on or offsite of the development:

- On-site offset
- On-demand markets



Eligible Projects: Pro-Biodiversity Businesses



Pro-biodiversity businesses (especially for SMEs) and corporate projects dedicated to natural capital

Environmental Impact Requirement Procedures

Projects financed by the NCFE are by their typology and nature aimed at addressing environmental issues. In addition:

- While financial additionality may be perceived as the “raison d’être” of the NCFE (too risky and/or too small so that the EIB would not have financed them), eligibility of projects must be validated by DG ENV and DG CLIMA before the EIB enters into formal negotiations with the promoters. The EC services check if the aim of each individual project complies with the EU environmental and climate policies, and aligns with the LIFE objectives;
- Across all EIB activities and practices, the EIB applies its environmental and social standards, be a project financed by its own funds or funded by facilities such as the NCFE or falling under the Juncker Package.