

Parks Unlocked: Innovative Financing to Transform Parks across Europe



The Hack Challenge



The EURO 1 Billion Challenge

Your Challenge

How would you use EURO 1 Billion to deliver large scale-environmental impact and restore nature across Europe in a way that generates a return on the investment?

Conditions of the investment:

- Your task is to generate revenue from managing Protected Areas
- The investment opportunity is five years from now – consider what actions you will take before now and then to maximise the investment
- There must be a vehicle to invest into
- The investment must be repaid with a financial return within 10 years

The EURO 1 Billion Challenge

- **1. THE CONCEPT – WHAT**
- **2. WHO – WHO WILL DELIVER THIS PLAN AND WHAT ROLE DO THEY PLAY**
- **3. HOW - KEY STEPS AND ACTIONS**
-

Provocation 1

Naomi Conway

Director, National Parks Partnerships



Presentation from Portugal



The Conditions for Innovative Financing for Nature to Succeed



How can we bridge the gap between conservation and finance?

Our natural infrastructure needs significant investment to address the climate crisis. But currently a chasm of incomprehension and scale exists between the financiers and conservationists.





What are the building blocks that can help to bridge the gap and unlock innovative financing for nature?

1. Supportive policy and legislation
2. Tools and market mechanisms
3. Connected thinking and action
4. Establishing the rules of engagement - ethics and principles

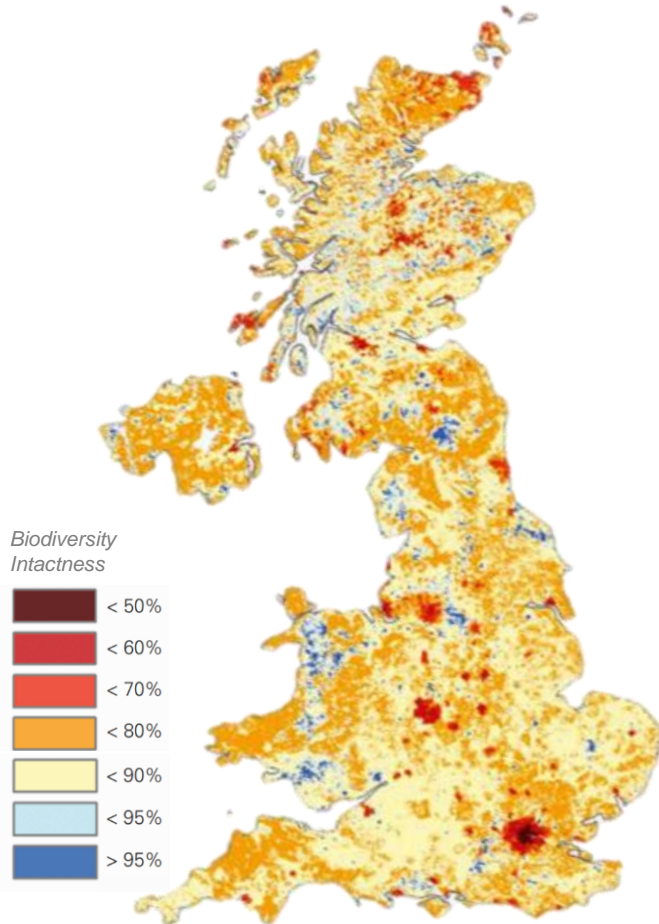
Key Ingredient 1: A supportive policy environment



The challenge: restoring the UK's natural heritage and reaching net zero by 2050

The UK has one of the most degraded natural environments in Europe: the government has committed to reversing this

Biodiversity across the UK is highly fragmented



Our natural capital and ecosystem services are depleted



One quarter of Britain's native mammals are now at risk of extinction.



The UK has a tree cover rate of just 13%: one of the lowest on the continent.



Only 1% of the UK's 2.6 million hectares of peatland are in a natural, undamaged state.



Current land management practices generate a 10% chance of flooding with £10 billion of damage in 20 years.

The UK government is now establishing the policy framework needed to restore nature at scale

“The United Kingdom is blessed with a wonderful variety of natural landscapes and habitats and our 25 Year Environment Plan sets out our comprehensive and long-term approach to protecting and enhancing them.

- UK Prime Minister,
25 Year Environment Plan



“Incremental changes will not deliver climate goals, but bold decisions can ensure land continues to supply essential goods and services and plays a bigger role in meeting climate objectives.

- Climate Change Committee
Land use: Reducing emissions and preparing for climate change



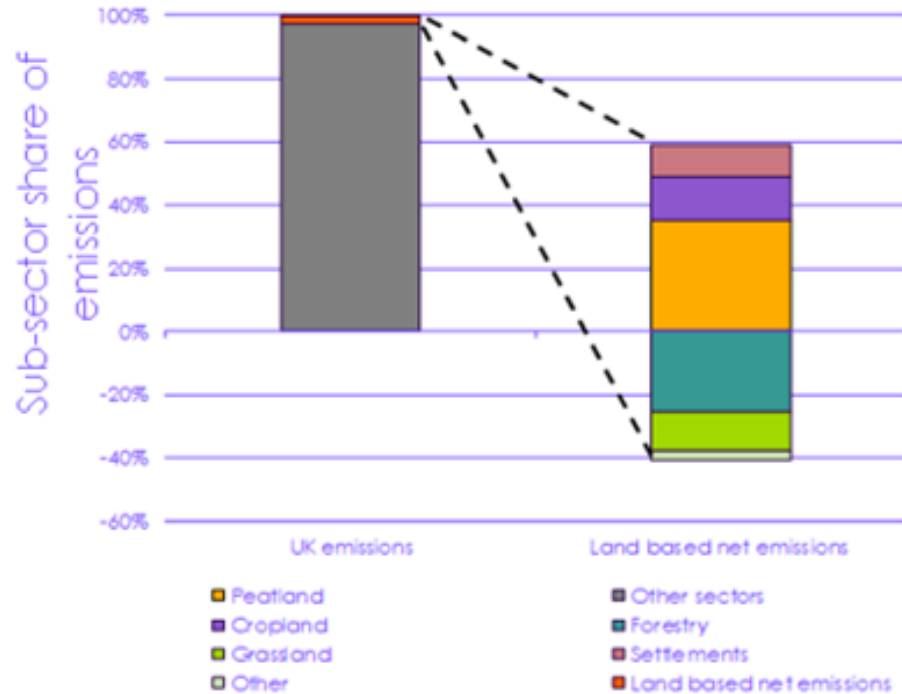
Nature restoration is critical to the UK's climate targets: land use emissions must decrease by two thirds by 2050.

The UK Committee on Climate Change has set ambitious targets for UK nature restoration

By 2050, our land use sector must be transformed from a net emissions source into a significant carbon sink

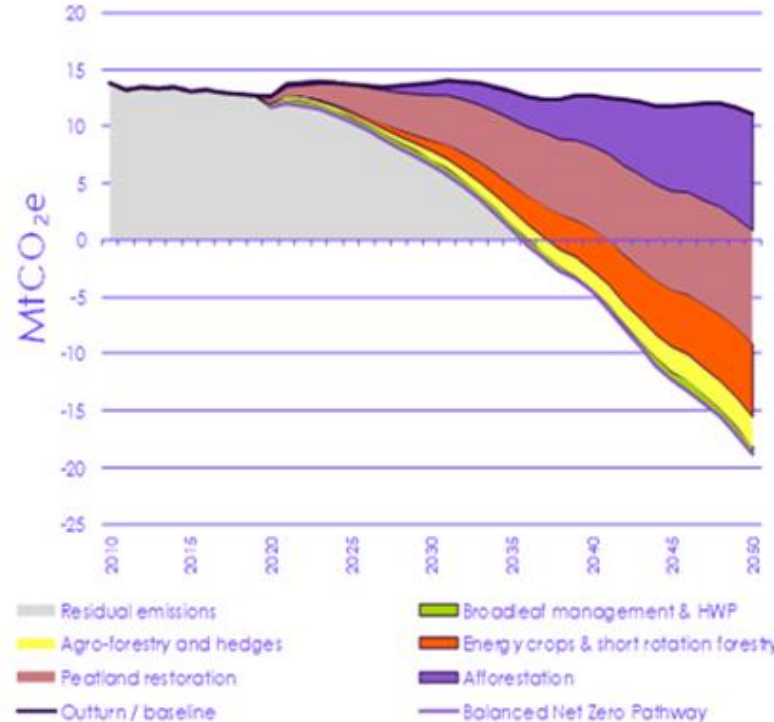
2018 emissions

The UK land use sector is currently a significant source of emissions. Degraded peatlands alone represent 4.5% of the entire UK footprint – emitting 24 million tCO₂e every year.



2050 emissions

Woodland creation and peatland restoration must transform the UK land sector into a carbon sink, drawing down 20 million tCO₂e every year.



The challenge: meeting the CCC targets

- We must mitigate 20 MtCO₂e per year from the UK land sector by 2030, rising to 39 MtCO₂e by 2050

Creating new woodlands at scale

- Increasing UK woodland from 13% of land cover in 2019 to 18% by 2050
- This is equal to planting 30,000 ha of new woodland every year by 2035, rising to 50,000 per year by 2050
- Well over 1 million hectares of new woodland must be created by 2050
- Current woodland creation from all projects under development in Woodland Carbon Code: 26,000 ha only

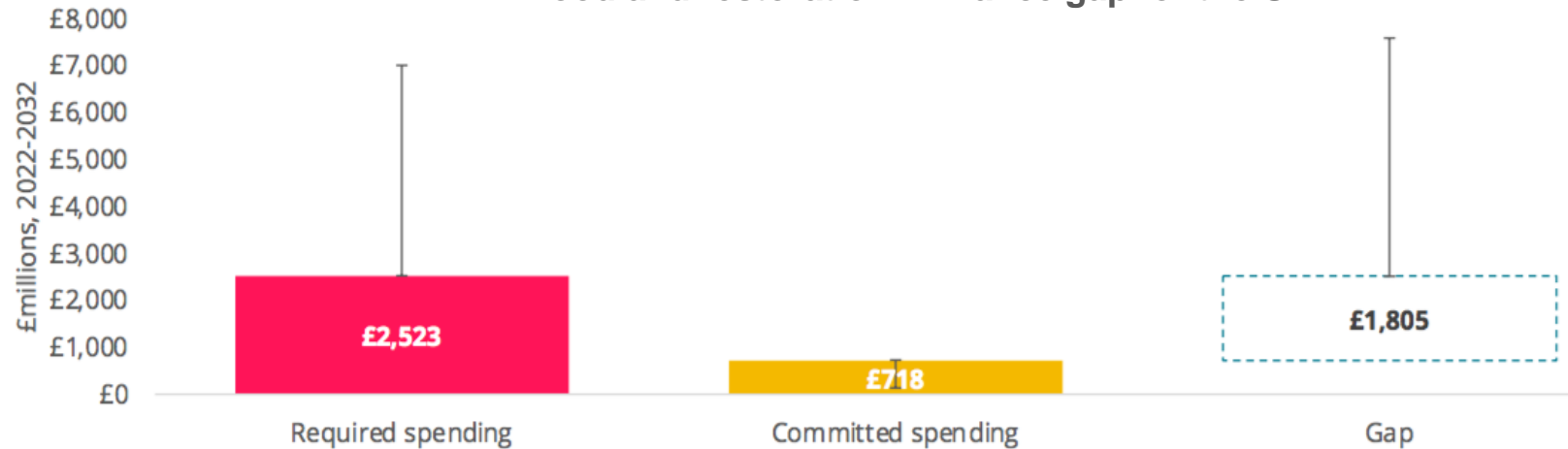
Restoring peatland across the country

- Restoring 79% of our degraded peatland by 2050
- This is equal to 1 million hectares of peatland by 2050, or 35,000 hectares per year
- Peatland carbon code projects are currently in their infancy – though a pipeline of new projects under development is growing

There is a significant funding gap to meet ambitious targets for UK nature restoration

Over the next decade the finance gap to meet the UK's nature-related outcomes is an estimated £56 billion

Woodland restoration – finance gap for the UK



Peatland restoration – finance gap for the UK



Source: GFI, eftec, & Rayment Consulting (2021)

The finance gap to protect and/or restore biodiversity is an estimated £19 billion

- In its Net Zero Strategy, the UK government outlined that its approach to closing this gap will be through both public and private financing.

Creating new woodlands at scale

- All devolved administrations have committed to supporting the planting of trees to increase and restore forest cover as well as manage existing woodlands to maintain their overall productive potential. There is a £1.8 million finance gap to meet the required spending to achieve this.

Restoring peatland across the country

- England, Scotland and Wales have committed to bring all peatland into good (near natural) condition by restoring the degraded peatlands and managing the restored peat by 2040. There is a £560 million finance gap to finance gap to meet the required spending to achieve this.

In the last two years the UK has seen a radical rethink in way the land, environment and carbon footprint is managed through new policy and legislation

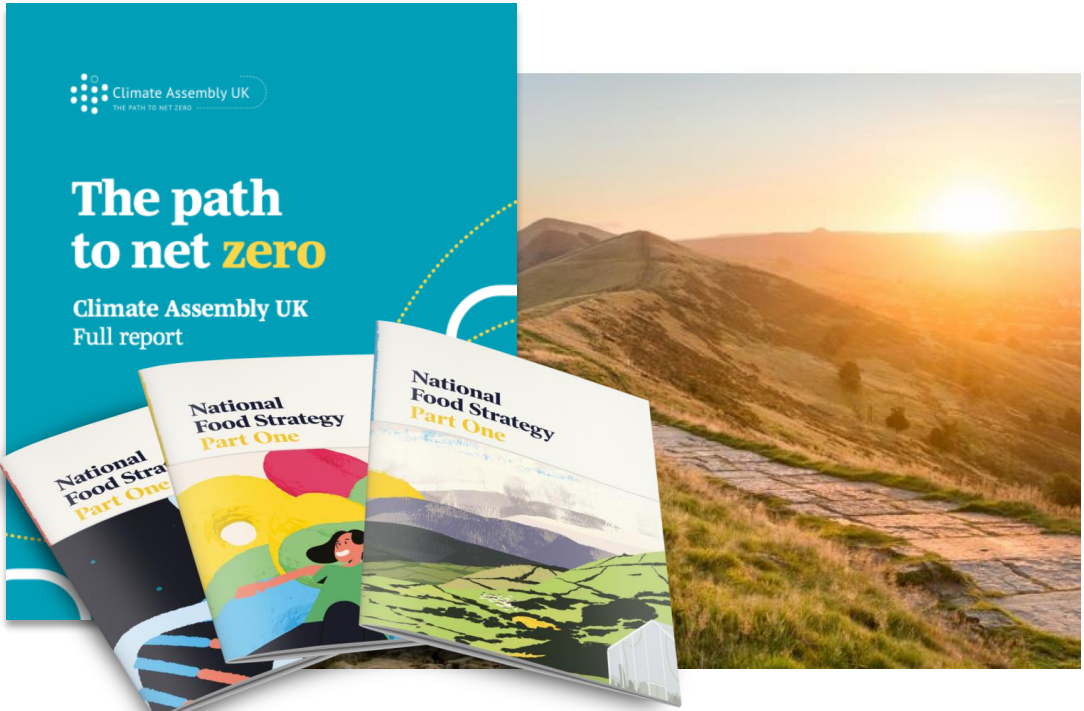
The government's 25 year Environment Plan is a statement of government ambition. It sets out a pathway to transform the way the UK manages its land, water and natural resources.

This new system has the potential to transform the relationship between agriculture and the environment

The new **Environmental Land Management (ELM) system**, including a new farm payment scheme to replace the Common Agricultural Policy (CAP), is the single most important policy instrument, in the short term, for realising these ambitions.



A Green Future: Our 25 Year Plan to Improve the Environment



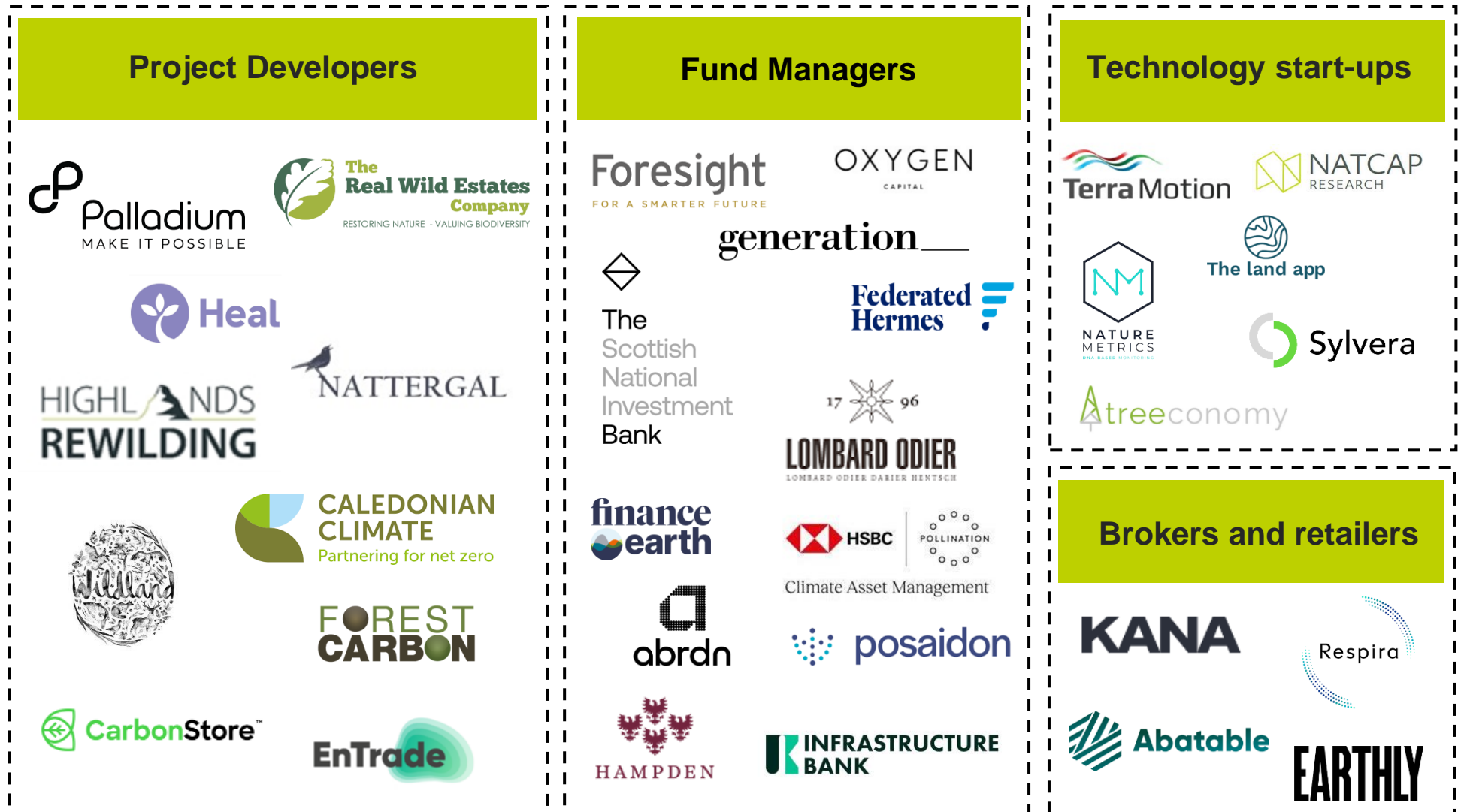
The UK has committed to reaching Net Zero emissions by 2050

These policy changes have helped to catalyse the growth of a natural capital market place which creates opportunities for investment to be deployed

Investing in nature is a growing and significant market in the UK

Many new players are entering the UK market across different focus areas - project development, transactions and retail, fund management and tech-based monitoring.

This creates investment opportunities and attracts private finance to deploy capital into nature.



Global examples



Colombia's biodiversity offsets rules have created a market for habitat banks and scaled biodiversity protection

Colombia has a well-defined and regulated market to offset the contribution of major development projects that have driven some of this biodiversity loss.

This has created opportunities for private sector organisations like Terrasos; who have pioneered the first habitat bank in Colombia as an environmental offsetting mechanism.

Habitat banks comprise private conservation and restoration sites that generate biodiversity credits. These credits can be sold to project developers required to offset major infrastructure impacts – like mining and gas projects – with investments in conservation.

The banks are run through an independently managed trust fund, which gives private investors returns once credits are sold and pays restoration and conservation on projects reaching milestones.

Since piloting the first habitat bank in Latin America in 2017, Terrasos has sold over £1 million worth of biodiversity credits.



WORKING PAPER SERIES No. 2

BIODIVERSITY CREDITS -
AN OPPORTUNITY TO CREATE A
NEW CREDITING FRAMEWORK
FOR NATURE MARKETS

Authors:
Mariana Sarmiento, Simon Morgan and Mauricio Serna



In Australia, the Government is actively supporting the Reef Credits market

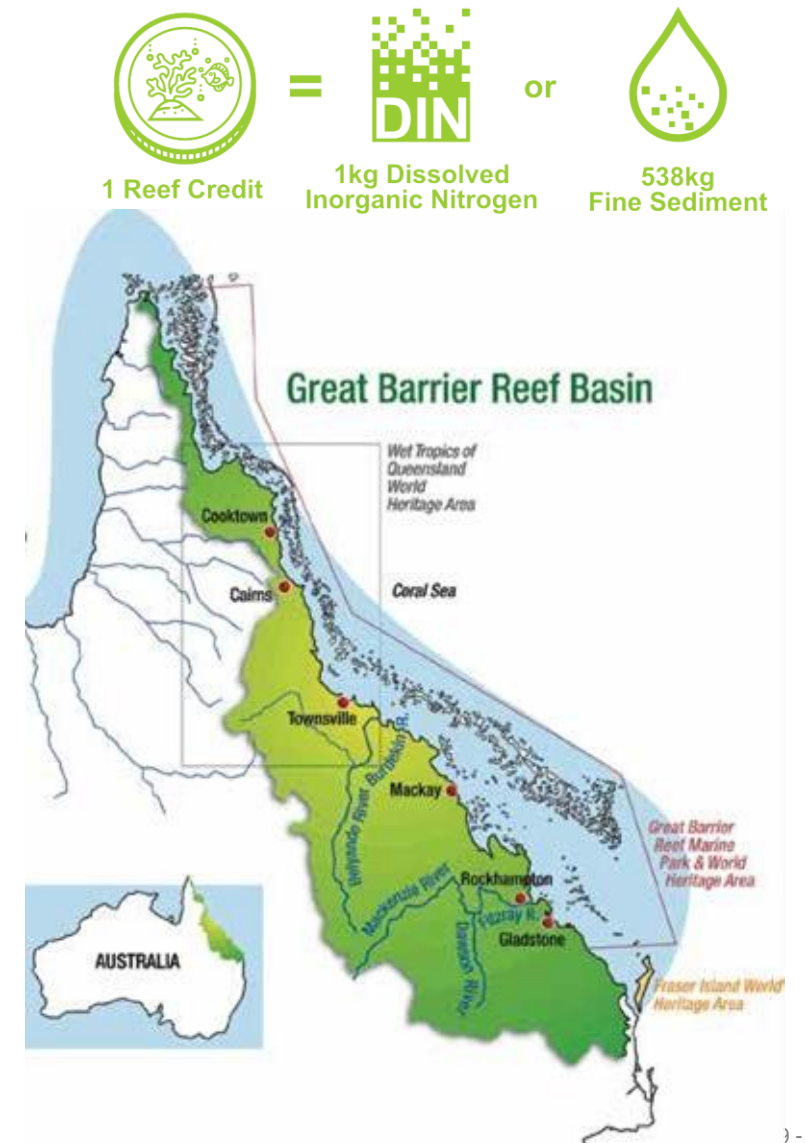
Reef Credits

The Reef Credits Scheme is an independent voluntary market incentivising improved water quality outcomes in the Great Barrier Reef. This is done through the prevention of pollutants entering the catchment either via farmer practice change or rehabilitation of environments.

Opportunity

The Australian Government has set water quality improvement targets for 2050 and is actively looking to support the Reef Credits market beginning with an AUD\$10m buyer of last resort offtake agreement.

The Reef Credit methodologies can be applied and scaled globally, opening up new water quality markets in reef-rich countries, capitalising on our existing footprint.



Key Ingredient 2: the right frameworks and tools



Setting rules and guidelines to govern the integrity of the carbon market

The UK Woodland Carbon Code (WCC) and Peatland Carbon Codes provide quality assurance for buyers

In the UK, Carbon Codes have been developed for both woodland and peatland that are developed by experts and endorsed by the government.

These codes provide quality assurance standards for carbon credits and generates high integrity, independently verified carbon units.



They are the only voluntary standards backed by the government, and are generally considered pretty robust.



The Peatland Carbon Code was developed by the International Union for the Conservation of Nature (IUCN), and has been formally endorsed by UK government.

All credits generated through the Woodland Carbon Code and Peatland Carbon Code are logged in the UK Land Carbon Registry, which was launched by DEFRA in December 2020.

This registry is the official record for all carbon credits generated from restoring the UK's woodland and peatland.



The Woodland Carbon Code (WCC) is the quality assurance standard for woodland creation projects in the UK, and generates high integrity, independently verified carbon units.

Backed by the Government, the forest industry and carbon market experts, the Woodland Carbon Code is internationally recognised for high standards of sustainable forest management and carbon management and is endorsed by ICROA, the global umbrella body for carbon reduction and offset providers in the voluntary market.

The introduction of codes, rules and guidelines help to govern the integrity of the voluntary carbon markets

There are a number of global science-based ecosystem service codes and carbon methodologies coming into the market



Key Ingredient 3: Connected Thinking and Action






The UK natural capital market place

The UK nature-based solutions market is growing rapidly and has the potential to be a thriving natural capital market-place if the key bottlenecks are addressed


Drivers of the UK natural capital market



A highly supportive British policy environment set in motion by the 25 Yr Environment plan, and the shift from the Common Agricultural Policy towards ELMS



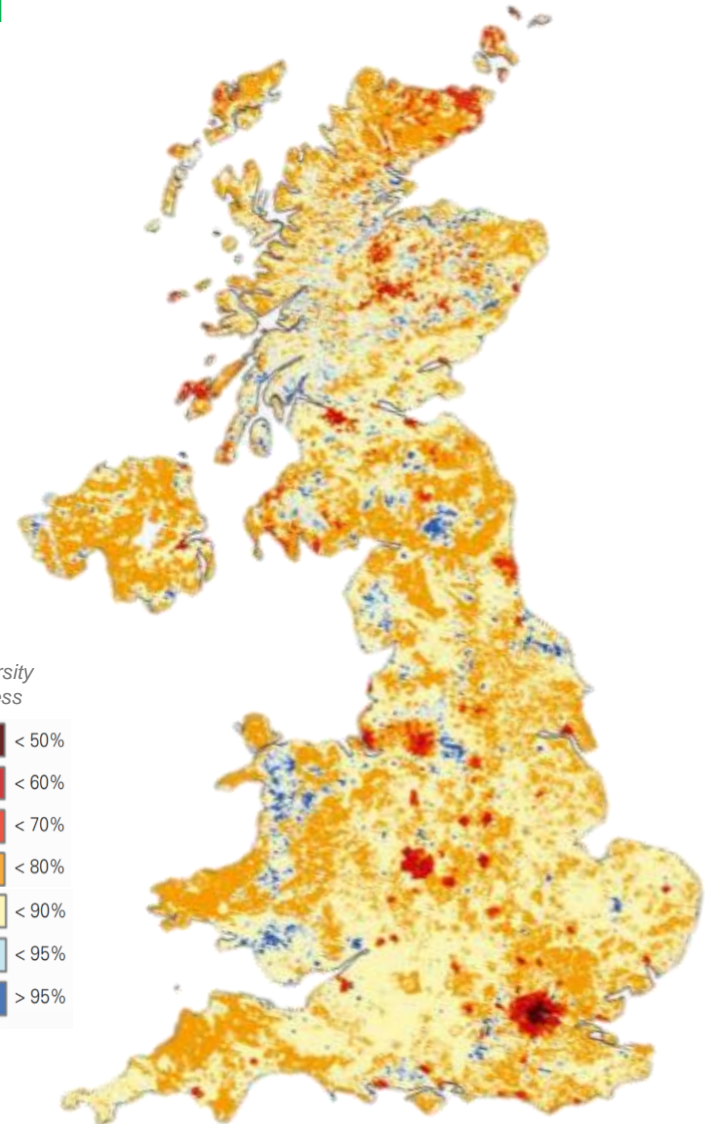
The increase of science-based ecosystem service codes and methodologies provide the quality assurances required by buyers.



Standards that set a high bar for corporate climate action such as STBI and other 3rd party standards driving increased demand from corporates.




A growing demand for green investment opportunities driven by consumers and new UK green investment mandates




Constraints in the market


A lack of project pipeline to meet demand; capital is being pledged for nature-based solutions at a far greater rate that can be absorbed



Limited skills and capabilities within project developers required to identify opportunities and develop commercially viable nature-based investment models



A lack of large-scale project portfolios with the potential to deliver significant returns that can attract buyers and large-scale investors.



The lack of appropriate capital to support project implementation which results in a lack of project pipeline and investable opportunities





Mapping the natural capital of Protected Areas to quantify the potential

The UK National Parks mapped the potential for carbon sequestration across their landscapes. Expanding woodland and restoring peatlands across nine parks could generate **over 50 million carbon credits** up to 2050

Massive peatland carbon potential can be generated by an unprecedented restoration effort

Cairngorms
90,000 hectares of peat to restore
18,090,000 million tCO₂e

Loch Lomond
9,967 hectares of peat to restore
2,003,407 million tCO₂e

Northumberland
5,000 hectares of peat to restore
1,005,000 million tCO₂e

Lake District
12,000 hectares of peat to restore
2,412,000 million tCO₂e

Yorkshire Dales
20,000 hectares of peat to restore
4,020,000 million tCO₂e

Peak District
8,233 hectares of peat to restore
1,654,833 million tCO₂e

**Total from 6 highlighted Parks:
29.1 million tCO₂ avoided
emissions over 30 years**

**National
Parks**



Unlocking large scale woodland expansion and creation will generate an enormous supply of high integrity domestic carbon removal credits

Yorkshire Dales
6,000 hectares of woodland creation potential
2,095,488 million tCO₂e

Cairngorms
35,000 hectares of woodland creation potential
12,223,680 million tCO₂e

Northumberland
3,000 hectares of woodland creation potential
1,047,744 million tCO₂e

Exmoor
8,300 hectares of woodland creation potential
2,898,758 million tCO₂e

South Downs
5,380 hectares of woodland creation potential
1,878,954 million tCO₂e

New Forest
5,000 hectares of woodland creation potential
1,746,240 million tCO₂e

**Total from 6 highlighted Parks:
21.8 million tCO₂ sequestered
over 30 years**

The Solution: Revere is working directly with the National Parks to create a scalable pipeline of nature-based investment opportunities



Revere is addressing key market constraints by turning restoration ambitions into commercially viable projects that unlock private investment to deliver nature restoration and impact at scale

How Revere works

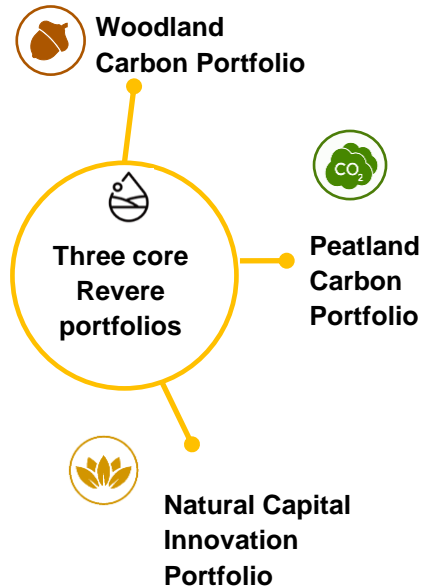
1. We build a pipeline of investable projects

- Design approaches and tools to create bankable projects
- Identify a pipeline of projects across the Park network.
- Co-design a portfolio of models with National Parks
- Engage farmers and landowners

We engaged with financiers by:

- Generating interest from investor community
- Securing commitments from off-takers

2. We create investment platforms to secure capital



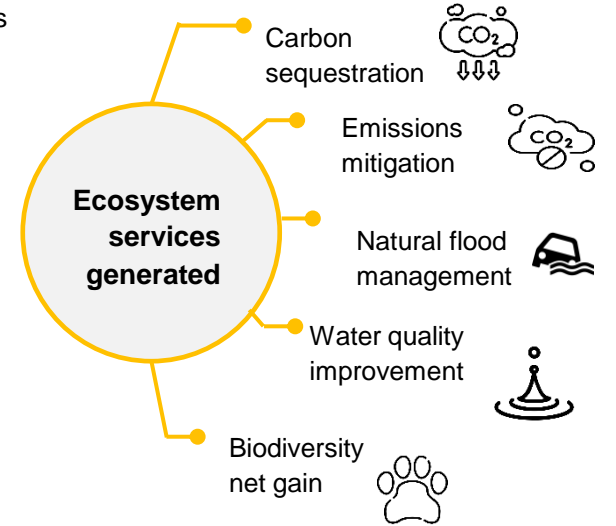
3. We deliver large-scale nature restoration works

Restore peatlands, expand woodlands and integrate biodiversity into mixed farmland within NPs



- Deploy private finance into projects
- Operationalise new delivery model
- Establish new partnerships with contractors to ease bottlenecks
- Enable local job creation
- Agree mechanisms for community benefit sharing

4. We generate ecosystem services with healthy financial returns



- Off-takers pay Revere for successful generation of ecosystem services
- Revere repays investors and provides a commercial return
- Revenues are communicated transparently and shared between stakeholders



Revere's Pipeline:



Revere worked with the UK National Parks to create a shared vision and identify nature restoration projects that aligned with their restoration goals



Scope: Peatland restoration
Pilot Size (ha): 60



Scope: Feasibility study: finance platform
Pilot Size (ha): 4,000 ha



Lake District National Park

Scope: Water quality in Windemere
Pilot Size (ha): 1,000 ha



Yorkshire Dales National Park

Scope: Woodland creation platform
Pilot Size (ha): 1,100



Scope: Peatland for water quality
Pilot Size (ha): 2,800



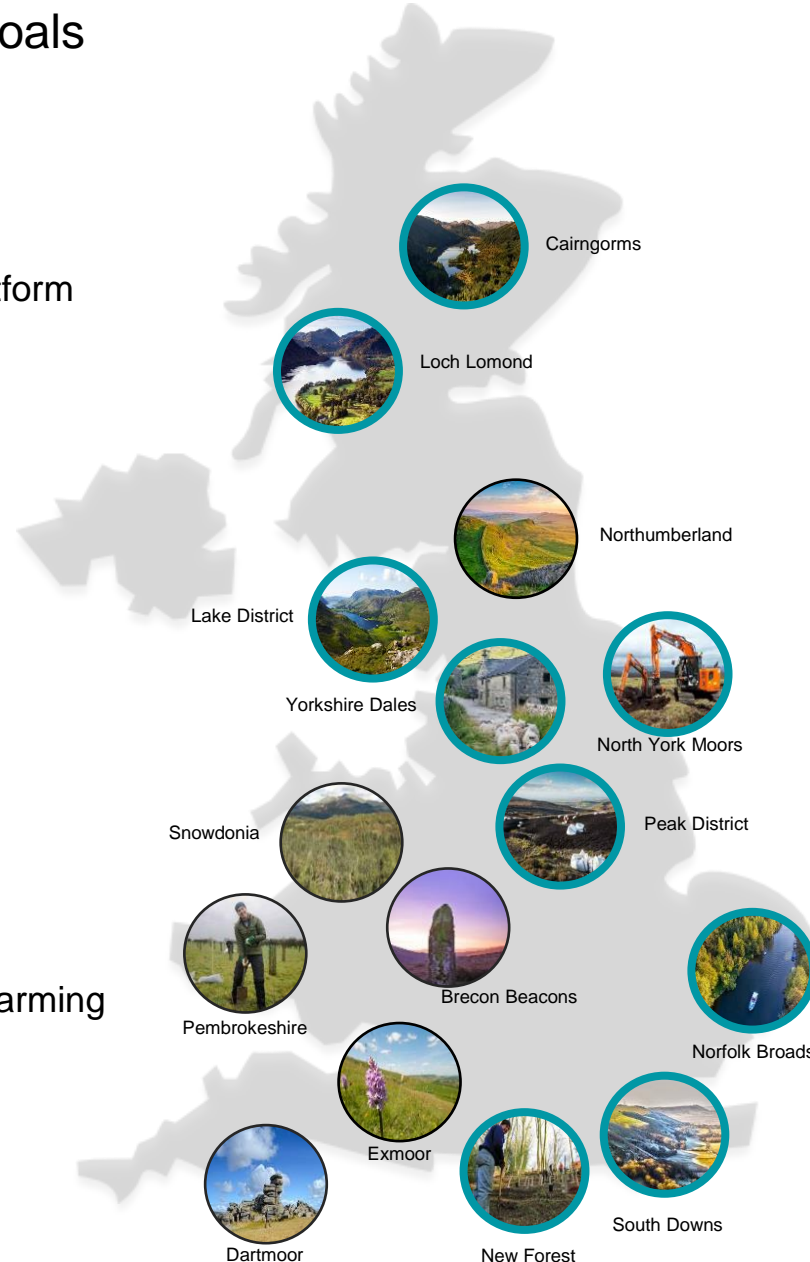
New Forest National Park

Scope: Mixed nitrate reduction and farming
Pilot Size (ha): 2,500



South Downs National Park Authority

Scope : Arable to woodland pasture
Pilot Size (ha): 4,000



Scope: Investment models for peatland
Pilot Size (ha): Up to 8,000

Scope: Peatland restoration
Pilot Size (ha): 220

Scope: Upland grazing to wood pasture
Pilot Size (ha): 10,500

Scope: Peatland restoration
Pilot Size (ha): ~500

Scope: Peatland restoration
Pilot Size (ha): ~500

Scope: Arable to woodland pasture
Pilot Size (ha): 180

Scope: Mixed ecosystem services and food
Pilot Size (ha): ~5,000



Revere is delivered through a partnership between Palladium and the UK National Parks. We catalyse private finance to restore the UK's 15 National Parks.

Since our launch in Nov 2021, we have established prominent financing partnerships, including:



Highlights:

- **14 live projects** across three strategic portfolios; woodland peatland and mixed ecosystem service and food production systems
- **£2 million** in funding secured in 2021-2022 for pilot projects
- **£70 million** capital allocated through the Respira contract; the biggest peatland carbon offtake deal in the UK
- UK wide project pipeline in of **100,000+ ha**



Business Green Awards
Nature-based Project of the
Year 2022



Editor's Award for Best
Sustainable Investment
Natural Capital Initiative

Key Ingredient 4: Establishing the rules of engagement - ethics and principles



Ethics and Principles

Establishing rules of engagement to manage risk and drive credibility.

- An increasing number of organisations are making public commitments to reach net zero. Yet existing transition plans vary in detail and quality, limiting the ability of stakeholders to assess their credibility.
- Consider who you want to work with and the standards that you expect all partners and buyers of carbon and other ecosystem services to adhere to.
- Frameworks such as the Science Based Targets Initiative, or local standards for corporate disclosures and climate action can be useful reference tools.



Provocation 2

Matthew McLuckie

Managing Partner, Posaidon Capital



Identifying barriers and challenges



Provocation 3

Will Close-Brooks

Director, Respira International



Mapping the Market



Provocation 4

Mariana Sarmiento

CEO, Terrasos



Action Plans



Developing Ethical Principles



Ethics and Principles

Establishing rules of engagement to manage risk and drive credibility.

- Consider who you want to work with and the standards that you expect all partners and buyers of carbon and other ecosystem services to adhere to.
- What are the criteria that you would expect to put in place to remove the risk of greenwashing?
- What are the standards that you would expect from any partner, to ensure that your values are aligned?



Ethics Charter – example

Our Ethics Charter sets out the standards that we expect all partners and end-buyers to adhere to if trading ecosystem services generated through our NBS projects.

- We will only trade ecosystem services with organisations that have made a public commitment to reaching Net Zero emissions by 2050 at the latest, and signed up to a credible initiative to deliver on this commitment. Examples include SBTi, Race to Zero and GFANZ.
- We will not trade ecosystem services with organisations with a history of lobbying against climate action, unless the organisation has since made a public apology and can demonstrate its commitment to climate action in the time since.
- We will not trade ecosystem services with any organisation with a history of responsibility for environmental damage, unless such organisations have provided appropriate remedy for damage and the organisation can provide satisfactory evidence that effective policies and procedures are in place to prevent recurrence.
- We will not trade ecosystem services with organisations that derive their primary source of income from the extraction of fossil fuels.
- We will not trade ecosystem services with any organisation with a history of responsibility for human rights abuses, unless appropriate remedy has been provided and the organisation can provide satisfactory evidence that effective policies and procedures are in place to prevent recurrence.

Project Opportunity



Summary and Wrap Up



Q&A



South Downs, England

Solving the Challenge



Additional slides

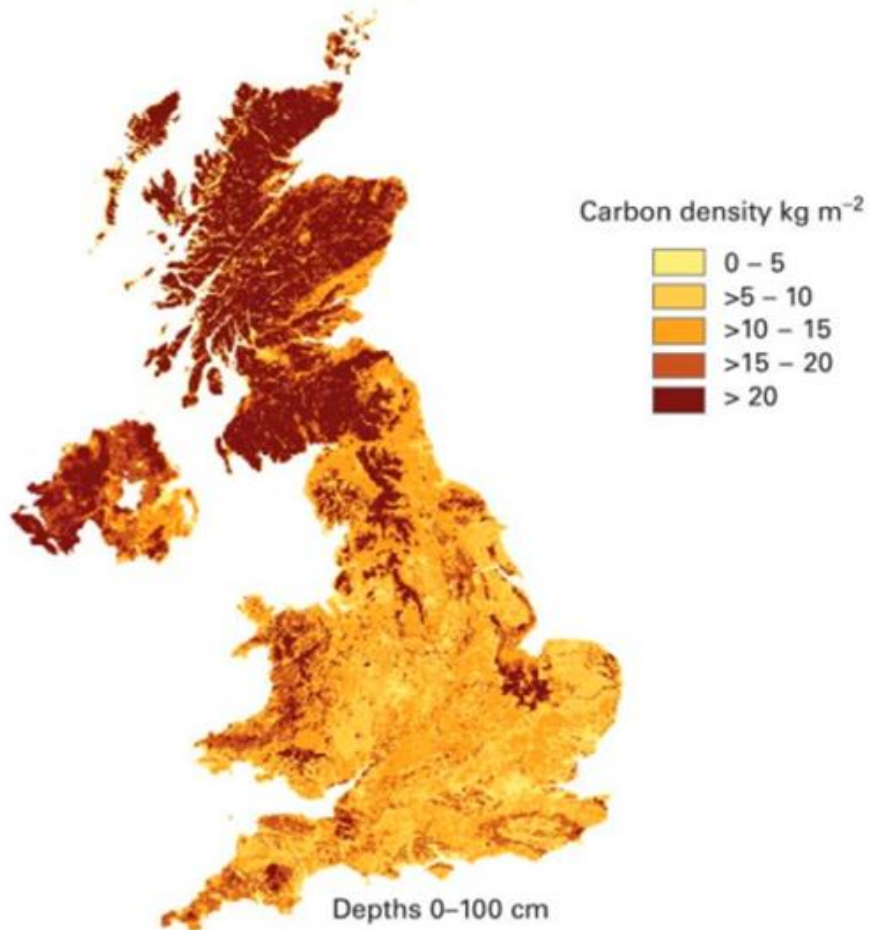


Example 1: Revere is establishing the largest private mechanism to restore peatlands in the UK

We are working with Santander and a carbon retailer to catalyse over GBP 65 million for peatland restoration

“Britain’s Rainforests”

UK peatlands store 3.2 billion tonnes of carbon:
10 times the UK’s entire emissions from
industry, transport, energy and land use in 2020



The Revere peatland restoration portfolio

80% of the UK’s peatlands are now severely degraded. This land is emitting upwards of 21 million tonnes of carbon every single year: equal to approx. **5 percent of the UK’s entire carbon footprint.**

Palladium and the National Parks are establishing **partnerships with Santander and Respira** and are in discussion with **Lombard Odier** to finance the restoration of peatlands at scale and offtake carbon credits at a guaranteed floor price.

This deal will **generate over GBP 65 million in revenues for landowners and the parks**, by restoring over 7,500 hectares of degraded peat.

Together, Palladium and the National Parks are now forming teams dedicated to scaling up peatland restoration operations over 2022. **We anticipate that this will catalyse unprecedented progress in the peatland conservation sector.**

The challenge is significant: **over 1.5 million hectares of our degraded peat must be resealed by 2050:** ten times the size of Greater London. But so is the prize: to turn off the tap on almost 5 percent of the UK’s entire annual carbon footprint.



Restoring peatland in the UK is now a core pillar of the UK’s net zero strategy.

In December 2020, the parliamentary Committee on Climate Change set a target of **79% of the UK’s peatlands to be restored by 2050.**

THANK YOU

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