

## Finance Earth – UK Nature Accelerator: unlocking investment for high-integrity nature restoration projects

10<sup>th</sup> July 2024

Answers to questions raised by participants during the event. Kindly provided by the Finance Earth and Surrey Wildlife Trust teams.

**Q1:** Are investments likely to be allocated to a 3 yr., 5 yr., 10-year framework/ agreement? I work with Landscape recovery, and they are long term agreements, so my question is around that context.

The UK Nature Impact Fund (UK Nature) has a 5-year investment period and a 12-year holding period, after which another investor will replace the fund's position. However, UK Nature's exit will not change the project controller's obligation to maintain the project for the remaining project lifetime. All the contracts and obligations remain the same after UK Nature's exit.

The implications for Landscape Recovery schemes are that as and when specific carbon or BNG projects within those schemes become ready for investment, UK Nature can invest on a repeated basis within the 5-year investment period which we expect to run from 2025 to 2030 once it has reached first close. If ecosystem markets outside of peatland and woodland carbon and BNG become commercially viable before 2030, UK Nature will also be able to invest on a more limited basis in projects selling into those more nascent markets.

Also, on Landscape Recovery Schemes it's worth noting that the UK Nature Accelerator has the approach outlined below:

### *How the UK Nature defines a project*

UK Nature can invest in a project (or group of projects) controlled by one landowner or controller (i.e. a freeholder or an organisation who has leasehold of the land for at least the project duration, e.g. through a lease or farm business tenancies). Generally, this is based on a single ecosystem service income stream as each income stream has a different risk-return profile (different buyers, pricing, demand levels, sales timeframe, etc.). Whilst we would look to aggregate projects delivered by the same organisation, UK Nature is looking for consistency in delivery, income stream and contracting entity, rather than providing a single investment across a whole landscape.

### *Rationale*

In a Landscape Recovery scheme, the involvement of multiple landowners and diverse sites necessitates individual contracts for each project, encompassing agreements with landowners, delivery partners, and buyers. Consequently, the UK Nature Fund must thoroughly assess the specific characteristics and contractual arrangements of each project to accurately evaluate its risk-return profile. This would require a breakdown of projects across the landscape.

### *Suggested approach*

We look to identify specific landowners with projects that have the potential for BNG, Woodland or Peatland Carbon. We welcome EOIs from the project developer(s) with more advanced sites in the LR scheme. Information around the project budget and costings (restoration and maintenance costs), ecosystem service unit generation as well as feasibility assessments of these sites would support the assessment of project suitability.

### **Q2:** Can you explain a bit more about Matching Rights to 3rd party offers?

The Matching Right agreement provides UK Nature with the right to make a first offer to a project participating in the Accelerator and match offers received from third parties over a limited time period. Until UK Nature has made an offer of investment in an Accelerator, or confirmed it will not be making such an offer, the project is not able to market the opportunity to third-party investors.

### **Q3:** How do species factor into the nature accelerator?

Species measurement on project sites would fit under the impact management approach which will be covered as part of an implementation plan workshop in the Accelerator programme. Impact management to achieve social and environmental outcomes - such as site-specific species monitoring, public access, and job creation – will be considered in the investment case participants would prepare.

### **Q4:** You mentioned the role of habitat banks for mandatory BNG, is there the potential to combine voluntary biodiversity credit markets within the same project to increase demand side?

We primarily focus on the mandatory BNG market, as we believe this is where the majority of buyer demand exists currently. However, we are open to exploring how projects could tap into the voluntary biodiversity credit market to access additional sources of demand.

**Q5:** So would the ideal option be a single site of peatland, woodland or BNG potential, which has baseline assessments and requires £200k plus of investment to realise it?

That's largely correct as per UK Nature's definition of a project outlined in response to Q1. The Accelerator may look to expand its scope in the future to encompass more emerging nature-based solutions (NbS) markets.

On the investment need however, £250k is generally the minimum. We can look to aggregate projects across multiple sites delivered by the same organisation to reach this figure.

In addition to the baseline assessments and investment need, we also assess other key criteria, including estimates of ecosystem service unit generation, and project costings. This information will be requested as part of a follow-on assessment for the shortlisted EOIs.

**Q6:** Aggregation - could we say include multiple peatland restoration sites from across England in a single bid?

Yes, in line with the response to Q1, we would welcome EOIs that are looking to aggregate projects across multiple sites, if these are delivered by the same organisation.

*Answered Live*

**Q7:** How many companies has the accelerator taken on so far? Is SWT the only one whose involvement has been announced?

We have just made a start on our first cohort, and we currently have four organisations in our first cohort focused on BNG. Surrey Wildlife Trust is one of these four organisations.

**Q8:** Does applying for accelerator funding bind you to also seeking funding from the impact fund? Or can we 'shop around' for other investments?

As outlined in response to Q2, participants are ultimately free to receive offers from other investors should they reject a UK Nature investment offer.

**Q9:** Please can you clarify the 0.5 FTE input?

We ask participants to assign some 0.5 days/ week resource throughout the Accelerator programme to ensure engagement and successful delivery. In practice, Accelerator participation involves attending workshops and then pulling together information required at each stage programme to complete an investment case that will be submitted to UK Nature. You can adapt this requirement as you see fit, for instance, the 0.5 FTE requirement can also be spread over 2-3 employees at the same organisation.