



**Environmental
Finance**



**Lancashire,
Manchester &
N Merseyside**

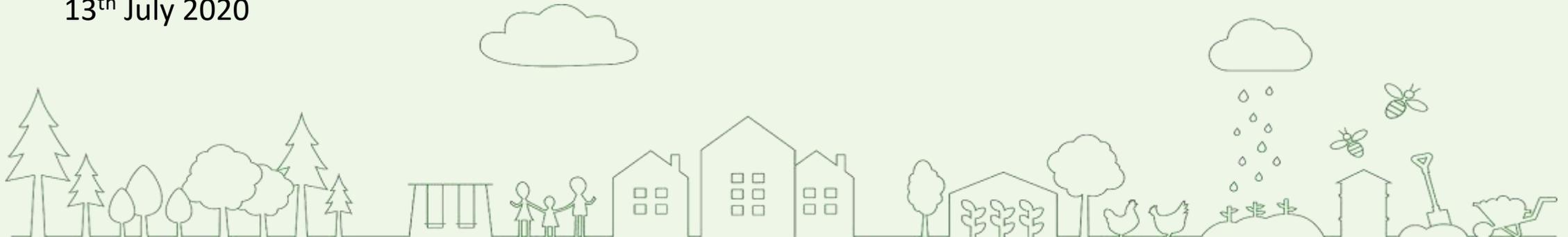
GMCA GREATER
MANCHESTER
COMBINED
AUTHORITY



Natural Capital Group Webinar

Greater Manchester Environment Fund

13th July 2020



Agenda

Overview

- **Welcome and housekeeping** (AS - 5 mins)
- **Greater Manchester (GM) Environment Fund background** (MA - 5 mins)
- **GM Environment Fund overview** (LWT and EF – 30 mins)
 - Structure and approach
 - Investment model development update
 - Next steps
- **Q&A** (All – 20 mins)
- **Close**

Housekeeping

- Webinar will be recorded
- Please turn microphones/cameras off if not speaking
- Please submit questions via chat or verbally during the Q&A session, and introduce yourself



“A clean, carbon neutral, climate resilient city region with a thriving natural environment and circular, zero-waste economy”

#GMGreencity

**GREATER
MANCHESTER**
DOING THINGS DIFFERENTLY

Greater Manchester 5 Year Environment Plan

5 environmental threats and challenges to Greater Manchester

Climate change –
mitigation

Carbon neutral city
region by 2038

Air Quality

Meet WHO
guidelines and
support UK govt in
meeting and
maintaining
thresholds

Production and
consumption of
resources

Put us on a path to
a circular economy
and reach 65%
recycling rate by
2035

Natural
Environment

Protect, maintain
and enhance, and
take steps to
achieve
environmental net
gain

Climate change –
resilience and
adaptation

Be prepared and
adapt to future
changes

People

Improve health and quality
of life, increase productivity
and reduce inequality

Places

Create vibrant and
sustainable places and
good quality homes

Economy

First mover advantage –
increase prosperity and
productivity

3 opportunities in tackling them

“The management of natural capital draws upon a relatively limited suite of business models and financing strategies”



Greater Manchester Natural Capital Investment Plan

EXECUTIVE SUMMARY — JANUARY 2019

eftec, Environmental Finance and Countryscape
to
Greater Manchester Combined Authority (GMCA)

eftec economics for
the environment

countryscape 

 Environmental
Finance

GMCA GREATER
MANCHESTER
COMBINED
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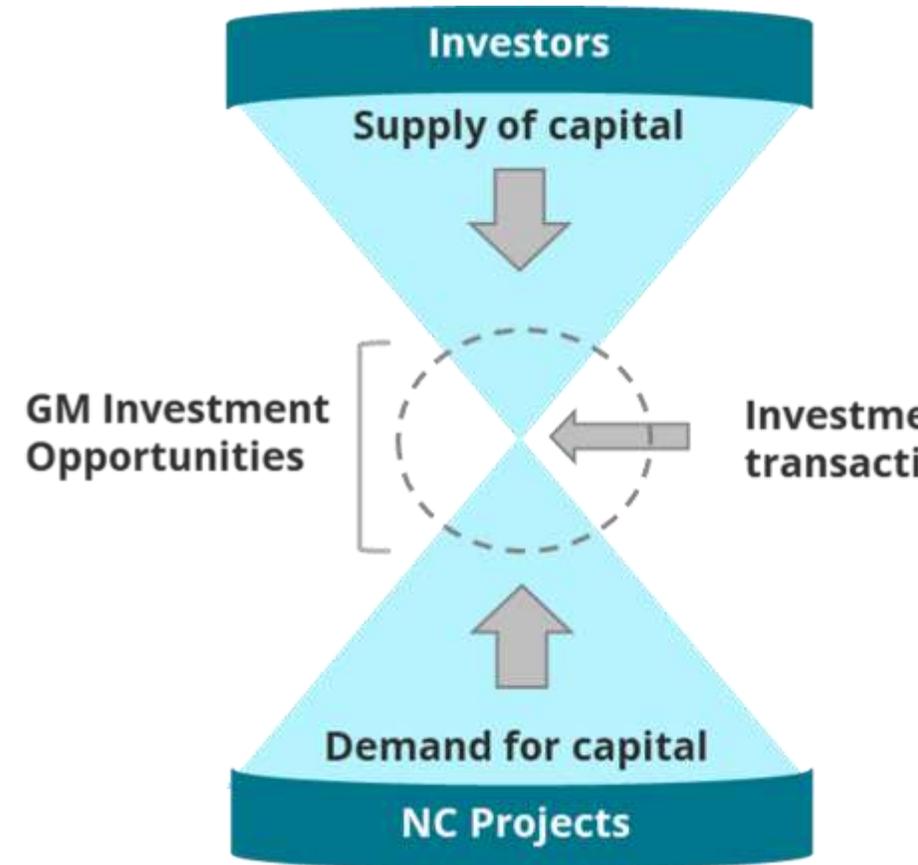
 NATURAL
FOR PEOPLE AND PLANET
COUNCIL 

#GMGreencity

**GREATER
MANCHESTER**
DOING THINGS DIFFERENTLY

Why?

- Limited suite of business models
- Lack of scale and aggregation
- Lack of business cases
- Lack of arrangements for accountability and governance



A GM Environment Fund

“A clear, consistent and transparent mechanism for funders and delivery organisations to set priorities, access funds and deliver accountable results whilst supporting the Mayor’s goal of developing a green city region”



**Environmental
Finance**



Lancashire,
Manchester &
N Merseyside

Greater Manchester Environment Fund Overview



Greater Manchester Environment Fund Opportunity

The GM Environment Fund could support GM to deliver its ambitions to become a leading European green city and achieve carbon neutrality by 2038.

Status-Quo

GM Environment Fund Opportunity

Investors



- **Growing interest in environmental investment** – investors are seeking new opportunities to invest in environmental impact alongside financial returns
- **Lack of investable projects** – limited robust business models at sufficient scale to attract investment



- **Aggregate and leverage new funding sources** – provide a transparent mechanism to bring together funding and investment
- **Develop investable business models** – funding deployed strategically to develop investable business models that provide triple bottom line investor returns

Project developers



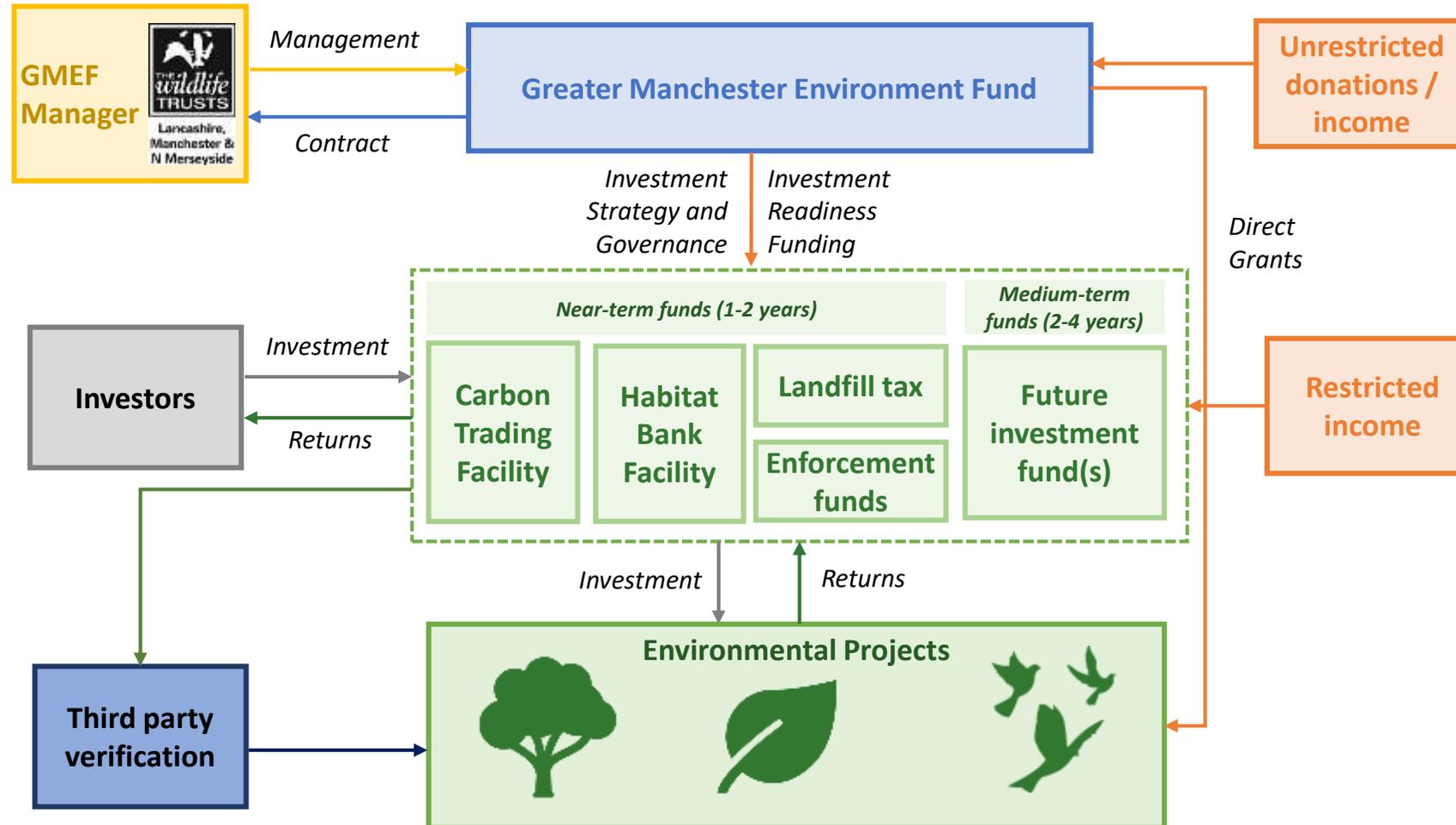
- **Funding pressures** – ad-hoc, piecemeal grants available from disparate sources to enable NGOs to protect, restore and enhance the environment
- **Capacity constraints** – limited capacity to create investable propositions to secure new sources of investment



- **Reduce funding pressures** – provide a coordinated approach and governance framework to source and channel funding
- **Provide increased capacity** – provide funding for technical assistance and capacity building to enable organisations to access blended finance opportunities

GM Environment Fund Overview

The GM Environment Fund will take a strategic approach to leverage a significant increase in investment to deliver a green city region.



The GMEF Manager: Why Lancashire Wildlife Trust?

Lancashire Wildlife Trust has over 50 years of experience in managing large-scale projects, partnerships and funding programmes to protect and enhance the natural environment, build a strong voice for wildlife, and inspire people to connect and engage with nature.

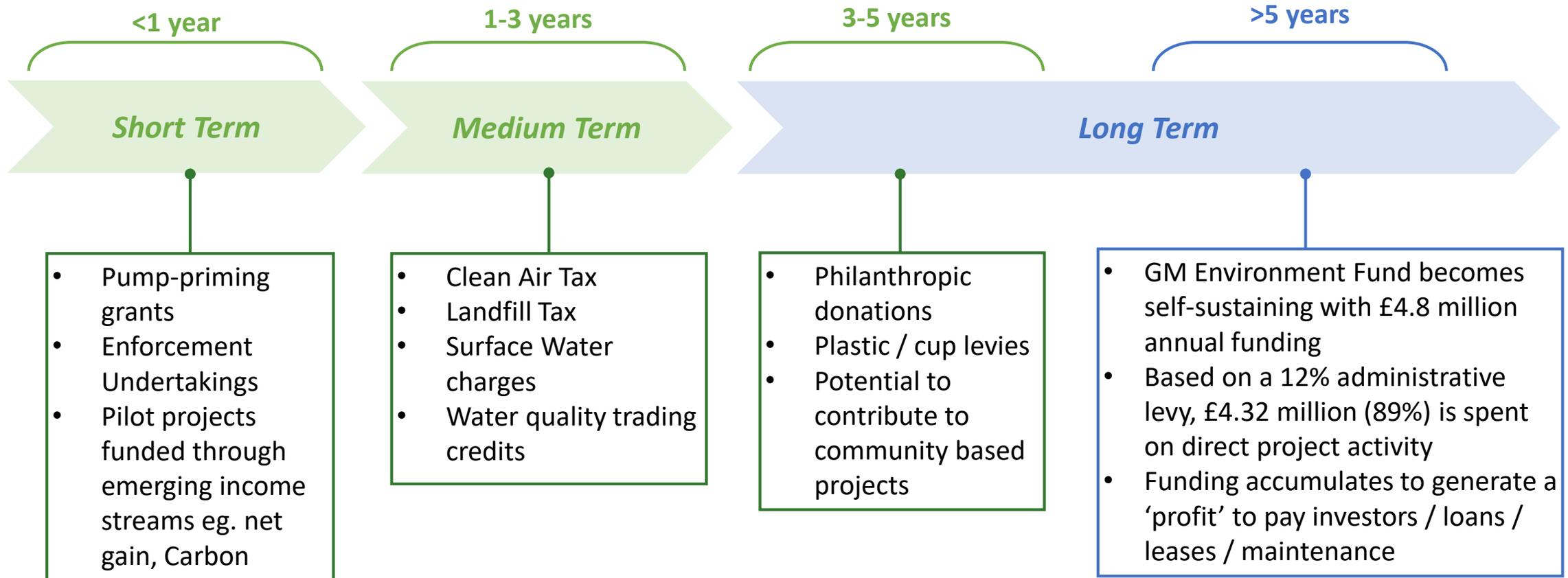


**Lancashire,
Manchester &
N Merseyside**

- Managing large scale projects – annual turnover £5million and £1m trading arm, £1m landfill distribution
- Core values, ambition, commitment, determination, belief, independence, principles
- Expertise in natural environment – prioritisation, evidence, advocacy, campaigning, land management, fundraising, landscape scale, partnerships, knowledge
- Partnership and programme management
- Wider stakeholder engagement, consultation and communication
- Fundraising and experience in new and more diverse income streams
- Fund distribution
- Strategic influence

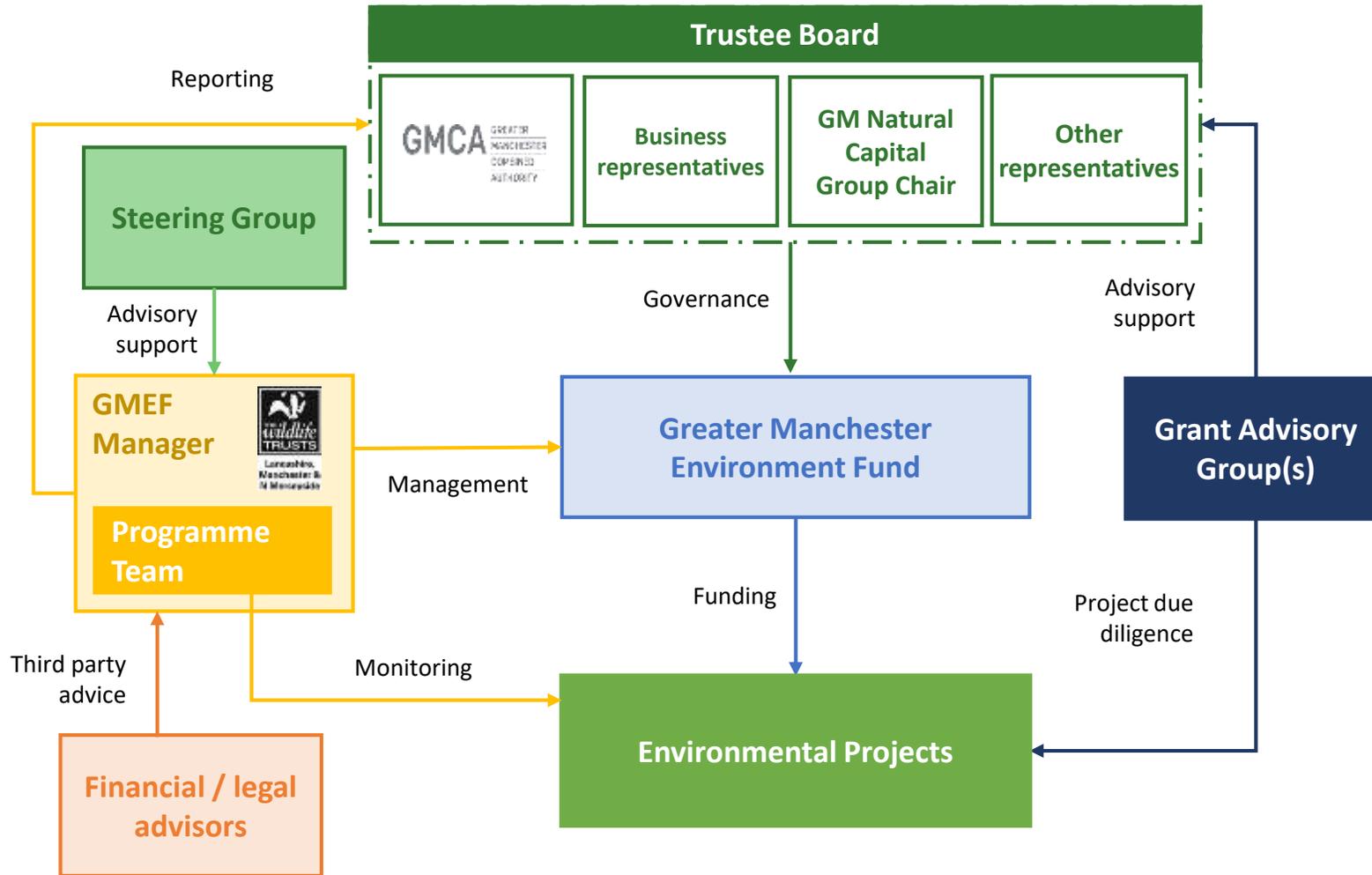
A Self-Sustaining Funding Opportunity

The GM Environment Fund presents significant opportunities to expand sources of funding and investment to deliver a thriving natural environment in GM and become self-sustaining over the long-term.



Indicative GM Environment Fund Governance Structure

The GM Environment Fund will be structured as a charitable company limited by guarantee using a similar model as the Lancashire Environment Fund, which LWT has managed for the last 20 years.



Indicative Structure

- Charitable company with a Trustee Board to provide independence which could include: GMCA, Chair of GMNCG, Business, GMEF Community
- Project 'Steering Group', engaging individuals with influence over the various funding streams. Could include members of the current Advisory Group.
- Financial / legal expert as required for support.
- Grant Advisory Groups could support the Board with recommendations for specific funding streams and agree on verification process and due diligence. These groups will be populated by technical and practical experts specific to each funding stream.
- GMEF Programme Team will monitor delivery and compliance of projects.
- *Structure subject to further review and assessment by the project team*

Communications

Communications will be key to promote opportunities for funders

- ✓ Communications Plan and Branding Guidelines
- ✓ Website – our shop window – landing point for information and enquiries
- ✓ Celebration for first projects funded.
- ✓ Case studies on every project that is funded.
- ✓ Video diaries of projects and how they are progressing with the help of funding.
- ✓ Social media
- ✓ Poster campaign around GM celebrating projects funded by the GM Environment Fund.
- ✓ Interesting stories released to the media about projects and individuals.
- ✓ Reports on how the fund is supporting projects in the local community.
- ✓ Annual celebration event, inviting funders and participants, incorporating an awards ceremony.

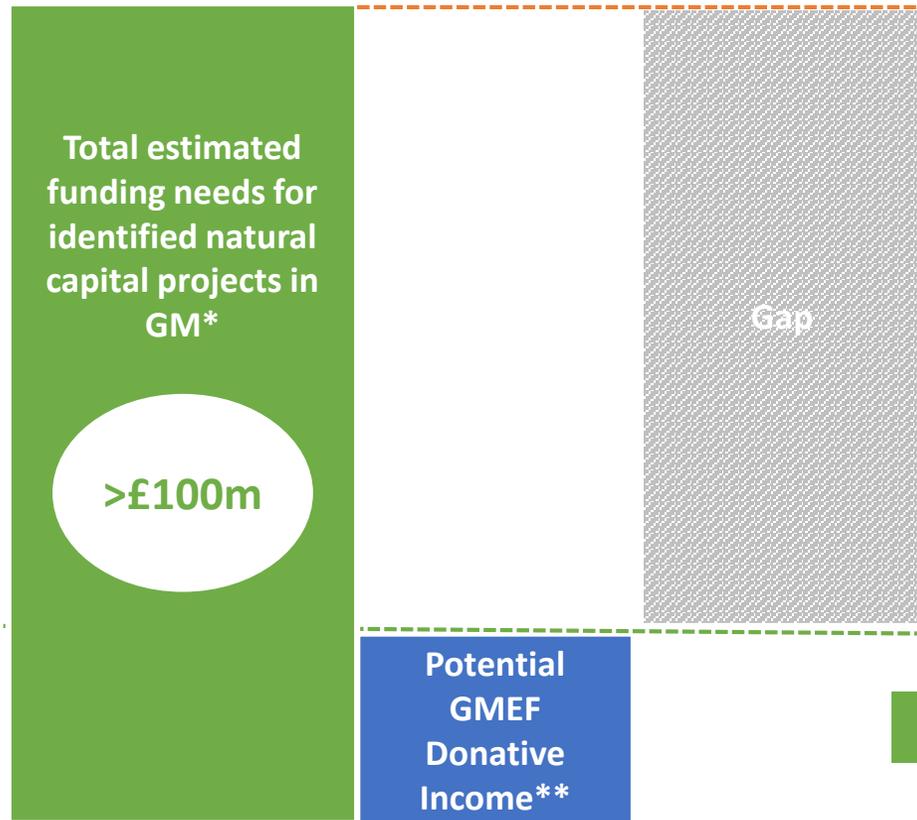
GM Natural Capital Investment Opportunity



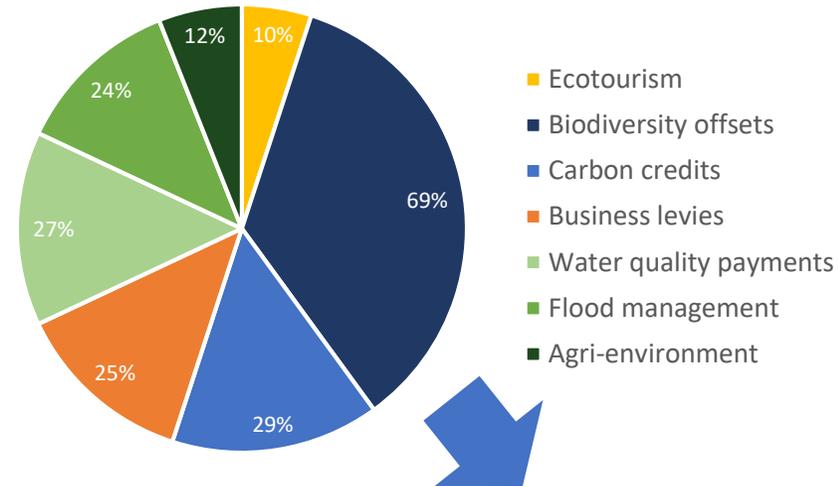
GM Natural Capital Investment Opportunity

There is considerable need to mobilise additional investment to deliver Greater Manchester's natural capital priorities.

GM's natural capital (NC) project funding need



Emerging revenue sources for GM's natural capital projects



Need to identify new forms of finance to deliver the city region's natural capital objectives

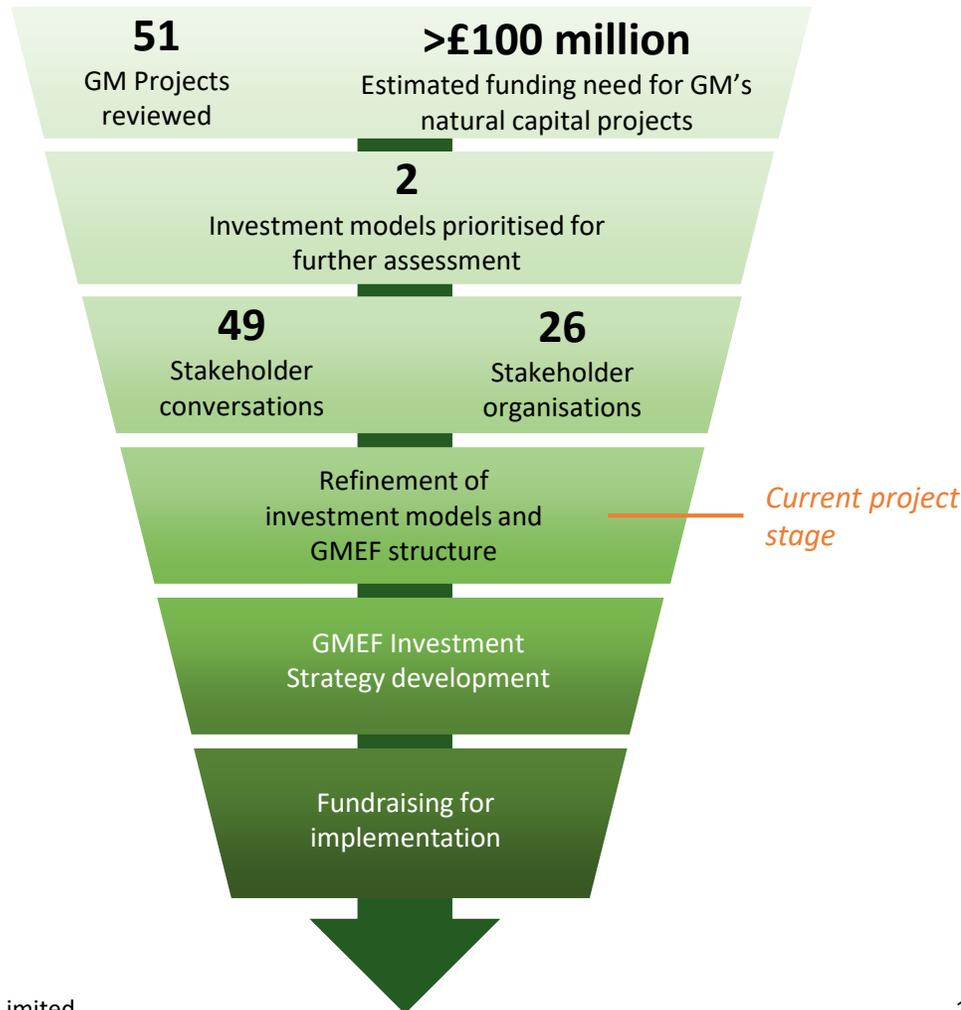
Significant opportunity to mobilise investment in habitat creation across GM through securing biodiversity net gain and carbon income streams

* Based on initial list of 26 projects; a further 25 projects have been identified but not yet costed.

** Will depend upon a separate process to raise charitable donations.

Investment Model Development Process

Between March and May 2020, EF engaged with a wide range of stakeholders in the GM region to support the design of the GM Environment Fund and assess the opportunity for investment in habitat banking and carbon trading as the primary near-term trading opportunities.



Stakeholder engagement summary



- Natural capital project developer
- Local authority / public body
- Regulatory bodies
- Local business

Habitat Bank Facility



Investment Model Opportunity: Habitat Bank Facility

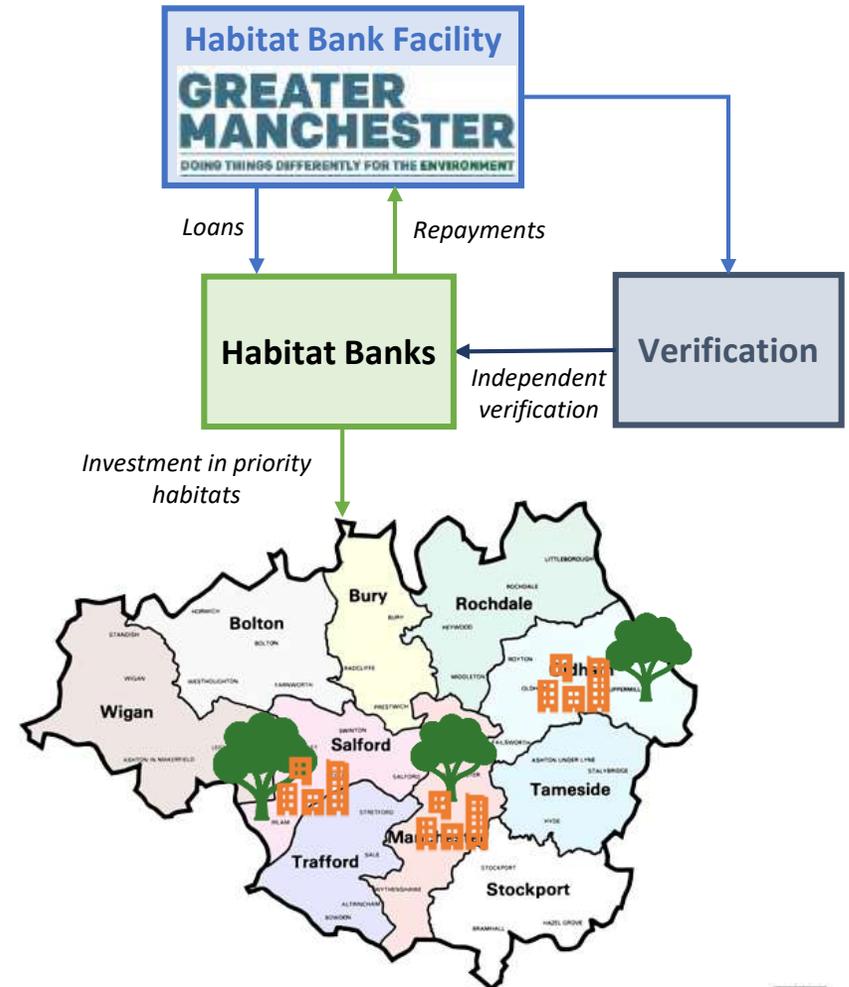
GM could lead the delivery of strategic habitat creation by setting up a dedicated Habitat Bank Facility (HBF) to provide funding to deliver Biodiversity Net Gain (BNG).

New opportunities for habitat creation as a result of BNG policy...

- Requires all developments to provide **habitat gains of 10% or more**.
- Is expected to deliver **£190 million revenues** for habitat creation / restoration per year (Defra 2019).
- Provides a major opportunity to **attract private capital** into the market to create and restore strategic habitats in GM.

A HBF could...

- Enable districts in GM to access upfront financing to **create strategic habitats in advance of the development impact**, and ultimately deliver a **GM-wide Nature Recovery Network**.
- **Streamline** the housing development and habitat delivery process.
- **Reduce development and verification costs** across habitat projects.
- Enable GM to **fulfil the potential of a new market** for BNG and allow the city region to grow sustainably.



Learnings from Stakeholder Engagement: Strategic Opportunities

The habitat bank investment opportunity has been assessed through stakeholder engagement with LPAs, regulatory bodies, developers and conservation NGOs.

	Status
Policy development	<ul style="list-style-type: none"> • Strong political ambition and governance framework in place in GM to support BNG policy development • District-level policy is under development at various stages • LPA preference to avoid pooling S.106 funding across multiple districts
Funding needs	<ul style="list-style-type: none"> • High upfront costs and uncertainty over process, timescales and costs involved in setting up a HB • Identification of strategic priority areas for net gain is in progress e.g. Local Plans, Nature Recovery Network • No mechanism in place to enable districts to set up habitat banks once policy is in place



A 'proof of concept' pilot in advance of national BNG policy would...

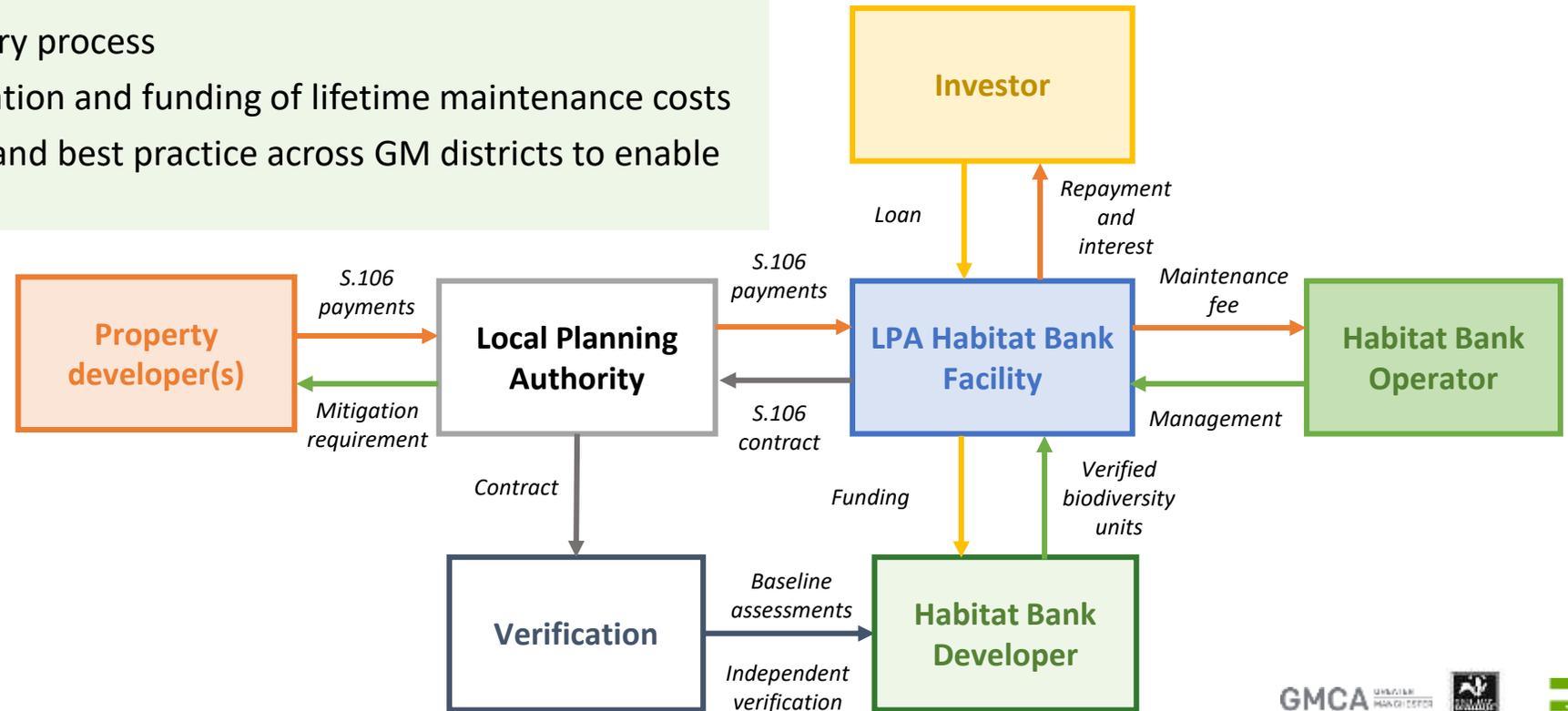
- Ensure a robust business case and strong investor appetite by matching volume of income to a strategic habitat creation project
- Demonstrate multi-partner collaboration to deliver BNG and maximise opportunity for growth
- Prepare GM to meet future increased demand for habitat creation by building confidence in the approach
- Provide valuable learnings ahead of national policy to inform best practice and unlock investment to scale up habitat delivery across GM
- Establish GM as a leader in BNG policy and a pioneer in delivering strategic approaches to nature recovery, providing green jobs and sustainable growth

Indicative Habitat Bank Investment Pilot Structure

Delivery of a pilot HBF-funded BNG site would provide valuable learnings to enable the investment model to be scaled up to deliver BNG across the city region as district-level policy is implemented and UK legislation comes into place.

Targeted learnings from pilot

- Use of repayable finance
- Application of Defra metric to verify BNG units
- S.106 contracting mechanism with LPA
- Habitat bank funding delivery process
- Habitat bank set up, verification and funding of lifetime maintenance costs
- Dissemination of learnings and best practice across GM districts to enable scale up



Carbon Project Facility



Investment Model Structure: Carbon Project Facility

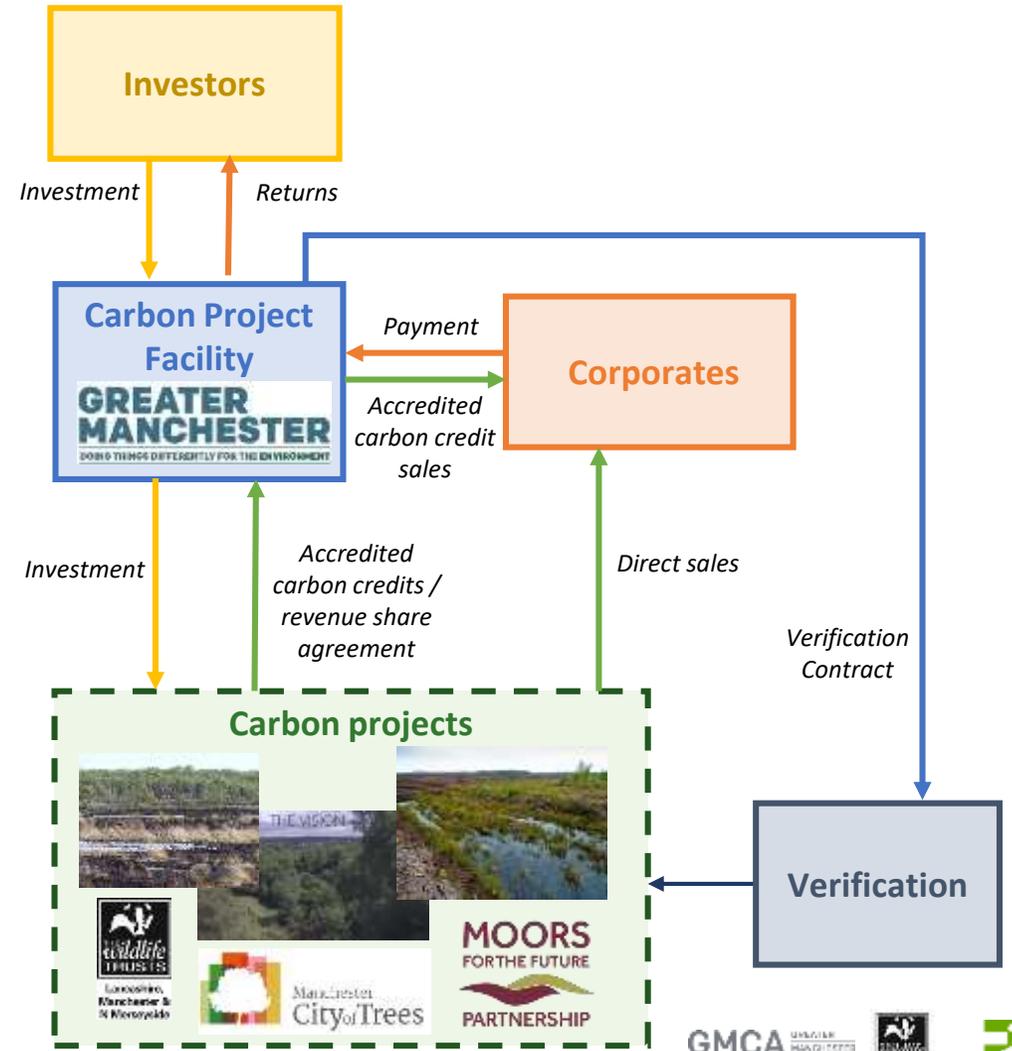
With GM's ambition to become carbon neutral by 2038 and an increasing corporate focus on carbon mitigation, GMCA could lead the creation of a Carbon Project Facility to accredit and monetise carbon credits from natural assets.

Significant GM carbon opportunity...

- GM's natural assets provide **significant opportunities for carbon sequestration**.
- **Corporate appetite for local carbon impact mitigation is increasing** as a result of policy and consumer pressure.

A GM Carbon Project Facility could...

- **Secure partnerships with corporates** with carbon targets to enable mitigation of residual emissions in return for accredited carbon credits.
- Attract **private investment** into carbon sink projects with significant upfront funding requirements.
- Provide **higher and more consistent carbon prices**, and **reduced set up and verification costs**.
- Enable GM to **meet its carbon reduction targets** through restoring its natural assets.



Learnings from Stakeholder Engagement

	Status
Funding needs	<ul style="list-style-type: none"> • Lack of funding to facilitate the development and expansion of projects looking to supply GM verified carbon credits in terms of identifying delivery plan, costings, verification process • Carbon funding insufficient to enable land acquisition and / or project delivery – need to stack benefits and aggregate projects • Flexible service offering required regarding funding, verification, brokerage etc. depending on project developer needs
Credit demand	<ul style="list-style-type: none"> • Corporate appetite for local carbon offsetting and willingness to pay a price premium but limited supply of suitable projects • Lack of certainty over carbon prices
Verification	<ul style="list-style-type: none"> • Ad-hoc verification process across projects; established verification programme only exists in woodlands • Corporate demand likely to determine optimum verification strategy e.g. GM approved scheme, carbon codes, international scheme



A 'proof of concept' carbon pilot would...

- Build investor and corporate confidence in the approach to unlock further investment in carbon projects
- Prove the opportunity for benefit stacking alongside BNG income or other funding sources to improve carbon project viability
- Determine the service offerings required from the funding vehicle
- Provide standardised transaction documents and templates to reduce project transaction costs

Carbon Pilot Options Overview

A range of options are available for the delivery of a carbon investment pilot – we are looking to identify the preferred pilot project based on the opportunity to attract repayable investment.

Option	Considerations	Key requirements for pilot
Woodland aggregation vehicle	<ul style="list-style-type: none"> • Need for project aggregation to reach sufficient scale • Strategic mapping for woodland creation across GM carried out • WCC established in the market; WCaG provides a floor price and guaranteed market for credits • Difficult to stack alongside BNG pilot as limited opportunity to deliver significant BNG uplift through new woodland creation 	<ul style="list-style-type: none"> • An existing project in development with a need for funding for further development and expansion • Opportunity to test the market for verifiable local carbon credits • Opportunity to use repayable finance in project delivery
Peatland – alignment with BNG pilot	<ul style="list-style-type: none"> • Potential for large-scale peatland carbon sequestration in GM • Peatland Carbon Code difficult to apply to GM lowland habitats – opportunity to use BEIS metric • Carbon funding insufficient to meet costs of peatland habitat restoration • Potential to prove benefit stacking opportunity by alignment with BNG pilot or other funding sources 	
Other / mixed habitat	<ul style="list-style-type: none"> • Verification codes / metrics not yet in place for other landscapes • Limited supply of other carbon habitats in GM 	

Next Steps



Key questions



Are you aware of any suitable funding pilot opportunities?
e.g. habitat creation/restoration project in GM, c.£0.5m-£1m funding gap, close to “shovel-ready”?



Are there any other key learnings you would like to target for the pilot projects that we haven't mentioned?



Are there any concerns or other suggestions around the approaches described?

