



Natural Capital Financing Facility



The **Natural Capital Financial Facility (NCFF)** is a new instrument financed by the European Investment Bank (EIB) and the European Commission. It will provide loans and investments in funds to support projects which promote the conservation of natural capital, including adaptation to climate change, in the Member States. The NCFF will provide finance of € 100–125 million between 2015 and 2017.

About the NCFF

Halting the loss of biodiversity and ecosystem services requires increasing investment in natural capital and going beyond traditional grant funding. Indeed, natural capital investments can generate revenues and save costs whilst delivering on biodiversity and climate adaptation objectives. The NCFF will establish a pipeline of operations that will serve as a “proof of concept”, helping investors to address challenges such as the scale of up-front funding needs, the unproven nature of new business models, the time and resources required to bring projects ‘to the market’ and the barriers to financial and business planning owing to the innovative nature of these investments.

The NCFF will finance projects by public and private entities, including public authorities, land owners, businesses and NGOs. The size of each NCFF investment will typically be between € 5 million and € 15 million. The NCFF intends to provide finance to project developers both directly as well as indirectly through financial intermediaries.

Types of project supported

To be eligible for funding, projects need to fall into one of the following categories:

- **Projects using payment for ecosystem services (PES):** projects involving payment or compensation for the benefits provided by ecosystems, such as cleaner water, higher soil quality or enhanced carbon sequestration;
- **Green infrastructure (GI projects):** investments in natural capital that generate a range of goods and services, such as water quality, flood protection and climate change mitigation;
- **Projects developing biodiversity offsets:** conservation measures designed to compensate for unavoidable damage to biodiversity arising from development projects; and
- **Innovative pro-biodiversity and adaptation businesses:** projects involving the supply of goods and services from conservation activities, such as sustainable forestry, agriculture, aquaculture and ecotourism. Innovation may relate to innovative approaches to ecological restoration/conservation or innovative business models.



Eligibility criteria

All projects funded under the NCFE will:

- Promote one or both of the following objectives:**
 - Conservation, restoration, management and enhancement of ecosystems including through ecosystem-based solutions; and
 - Application of ecosystem-based approaches that enable businesses and communities to address identified risks associated with current and projected impacts of climate change, including through urban, rural, and coastal green infrastructure projects.
- Demonstrate financial and economic benefits,** including the ability to generate revenues or save costs, with overall benefits exceeding costs;
- Contribute to the objectives of the EU LIFE programme** for nature and biodiversity, and/or climate adaptation; and
- Meet the standard criteria set by the EIB for its investments.**

Applying for funding

The available funding will be allocated over the three-year pilot period (2015-2017, inclusive). Expressions of interest can be made to the EIB at any time, for a preliminary discussion. Once developed, proposals will be considered for approval by the EIB, and will be assessed on the basis of precise criteria, including amongst others: capacity, experience and resources; strength and coherence of the business model; contribution to LIFE objectives; demonstration effect and replicability; leverage effect (for the full list of criteria see: <http://www.eib.org/ncff>).

Funds available

The NCFE will make investments either directly or indirectly through intermediaries. Equity investments will be made exclusively through participation in funds managed by specialised intermediaries. The NCFE will finance up to 75% of the total project costs, with a maximum of € 15 million for each direct investment. The NCFE may also invest in equity funds, taking a maximum share of 33% and will be proportionate to other contributions.

Geographical coverage

For the NCFE pilot phase, the selection of awarded projects will aim at a balanced spread throughout the EU and over project categories.

NCFE Support Facility

The NCFE includes a € 10 million Support Facility for capacity building measures to help the development of successful projects. Support and capacity building will be provided only to projects which are likely to meet the NCFE eligibility criteria. The Support Facility will consist of external advice and consultancy services to final recipients in relation to technical market, financial, economic, business planning, training, social and environmental aspect of individual projects or monitoring and reporting impacts on environment and ecosystems.

Financial intermediaries (including funds) may benefit from the Support Facility for the identification, screening and assessment of underlying projects as well as the profitability assessment of innovative projects in line with the project eligibility criteria set for the NCFE. Such support shall, however, not substitute normal operating costs.

The maximum amount of support per operation will be limited to € 1 million.



For further information on the NCFE please contact the European Investment Bank (NCF_Instrument@eib.org) or consult http://ec.europa.eu/environment/life/funding/financial_instruments/ncff.htm