



Natural Capital Financing Facility



Opportunities for the EU financial sector

The **Natural Capital Financial Facility (NCFF)** is a new instrument financed by the European Investment Bank (EIB) and the European Commission (EC). It will provide loans and investments in funds to support projects that promote the preservation of natural capital, including adaptation to climate change, in the EU Member States. The NCFF will provide € 100 to 125 million financing with the intention to invest the funds by 2017.

Investing in natural capital generates new financial opportunities

Natural capital is the limited stock of natural assets that sustain life on Earth. It refers to the set of goods and services we vitally depend on such as natural resources, crop pollination or climate regulation.

As most of our natural capital is being depleted at a high rate, safeguarding our society's future requires considerable

investments in natural capital today. Biodiversity conservation projects and investments in climate change adaptation projects provide cost-effective solutions for society, helping safeguard essential services such as the provision of clean air and pure water and the protection against flooding. They therefore represent strong opportunities for investors willing to generate reliable, long-term revenue streams.

What is NCFF?

The NCFF seeks to support new ways of harnessing investments in natural capital, by focusing on the financial opportunities this offers. In that prospect, the EU's financial sector, working with businesses and environmental organisations, has an important role to play.

Experience demonstrates that addressing these challenges requires new financing solutions that look beyond public sector grant funding. Finding new ways of financing investments in our natural environment offers new growth opportunities for the financial sector. Companies are becoming increasingly aware of their direct dependence on natural assets, as well as the reputational risks of failing to consider their impacts on the natural environment, and are therefore incorporating management of natural capital into their business models. Today, climate change, management of biodiversity losses and natural resources are growing challenges which offer long term opportunities for business and finance.

What role does the financial sector have in the NCFF?

The NCFF is a flexible mechanism, allowing for the provision of direct and/or intermediated debt financing and equity financing depending on project types and conditions. Financial institutions can engage with the NCFF in three different ways:

1 Co-financier of a project

The NCFF can only partly finance projects. Financial institutions will therefore have a crucial role to play in co-financing investments to help ensure the viability of NCFF projects.

2 Intermediate debt financier

A financial institution can apply for a loan from the EIB in order to lend funds borrowed to final beneficiaries implementing projects eligible under the NCFF. For this pilot phase, target operations will typically have a size of € 5 - 15 million but smaller amounts could also be considered. For each direct investment, the EIB will assess the requisite and appropriate share in the investment, which will not exceed 75%. Direct financing will last up to 15 years including potential extensions.

3 Equity fund manager

The NCFF can also invest in private equity funds. A fund manager investing in – or proposing to invest in – projects eligible under the NCFF can submit a proposal for NCFF to participate in their fund. If the EIB decides to go ahead with the investment, NCFF's participation will be proportionate to other contributions and limited to a maximum of 33%. Although full lending criteria will remain with the intermediary institutions, 60% of the underlying investments made by the investment fund will need to fully meet the NCFF eligibility criteria. Here again, the terms of the instruments will typically be up to 15 years including potential extensions. Funds shall be established as a regulated investment entity and registered with the competent authorities. The fund manager must be duly authorized and registered with the competent authorities to execute its role.

Where to find more information and express an interest in the NCFF

The EIB has a dedicated webpage on intermediated loans which is available at: <http://www.eib.org/products/lending/intermediated/index.htm>. Potential investors and beneficiaries are encouraged to make an expression of interest to the EIB and enter discussions with the EIB regarding possible support. You can find out more information about the eligibility criteria and the application process at: <http://www.eib.org/ncff>



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