

The Natural Capital Financing Facility (the 'Facility' or 'NCF') is a financial instrument blending EIB funding with EC financing funded by the Programme for the Environment and Climate Action (LIFE programme).

The NCF shall contribute to meeting the LIFE objectives, in particular for the priority areas "nature and biodiversity" under LIFE Environment and "climate change adaptation" under LIFE Climate Action **by providing financial solutions to bankable projects which are revenue-generating or cost-saving, and promote the conservation, restoration, management and enhancement of natural capital for biodiversity and climate adaptation benefits. This includes ecosystem-based solutions to challenges related to land, soil, forestry, agriculture, water and waste.**

The Facility will be managed by the European Investment Bank ('EIB').

### OBJECTIVES

The primary objective of the NCF is to develop a pipeline of projects, testing different financing options in order to identify the most suitable approach. The overall objective is to provide a proof of concept demonstrating to the market, financiers and investors, the attractiveness of such operations, thereby developing a sustainable flow of capital from the private sector towards the financing natural capital and achieving scale.

### FINANCING INSTRUMENTS

The pilot phase of the NCF has been extended and will now last until 2021 with a total amount of EU 100-125m made available for investments in 9-12 operations. Given the innovative features of the target areas and operations, the NCF is **a flexible mechanism, allowing for the provision of direct and/or intermediated debt financing and equity investment funds** depending on project types and conditions.

Given the limited experience in financing natural capital project through market-based mechanisms, **a Support Facility** in the amount of EUR 10m will be made **available to eligible final recipients and/or financial intermediaries for project preparation, implementation, monitoring and evaluation.**

### TERM, CONDITIONS and ELIGIBILITY

#### Target Projects

- Green infrastructure (e.g. green roofs, green walls, ecosystem-based rainwater collection / water reuse systems, flood protection and erosion control).
- Payment for ecosystem services (e.g. programmes to protect and enhance forestry, biodiversity, to reduce water or soil pollution).
- Biodiversity offsets / compensation beyond legal requirements (e.g. compensation pools for on-site and off-site compensation projects).
- Pro-biodiversity and adaptation businesses (e.g. sustainable forestry, agriculture, aquaculture, eco-tourism).

#### Eligibility of the Operations

- Projects must be exclusively located in the EU-28.
- For this pilot phase, target operations will typically have a size of EUR 2-15m but larger amount could be considered.
- The terms of the debt and equity instruments will typically be up to 10 years plus potential extensions.
- The NCF will finance up to 75% of total project costs for direct debt financing but its commitment to a single operation cannot exceed EU 15m. In the case of equity, the maximum participation of the NCF in funds is of 33%.

Project proposals will be examined on a continuous basis and will be assessed against the following criteria:

- Capacity, experience and resources of the counterparts (final recipient and/or financial intermediary);

- Strength and coherence of the business model;
- Contribution the LIFE objectives;
- Demonstration, replicability, transferability;
- Potential leverage effect;
- Employment creation or safeguard of employment.

#### **Eligibility of the Recipients for the NCFE**

The recipients of the NCFE must

- be legal entities registered in the EU. They may be (i) public bodies – referring to national public authorities, regardless of their form of organisation whether central, regional or local structure, or the various bodies under their control, provided they operate on behalf of and under the responsibility of the national public authority concerned, (ii) private commercial organisations and (iii) private non-commercial organisations (including NGOs);
- pioneer new business models for natural capital management, amongst the typologies defined above, i.e. PES, GI, biodiversity offsets or pro-biodiversity/adaptation businesses or corporates.

Recipients and/or financial intermediaries will need to demonstrate that they have the necessary technical, operational, and financial competence and skills to implement the proposed operation. They shall have adequate experience in the relevant sector and geography and demonstrate that they have the appropriate systems and staff sufficiently qualified to carry out the operation.

#### **Eligibility for the NCFE Support Facility**

The support and capacity building to be financed under this facility will be defined for each of the selected operation taking into account the following:

- The overall feasibility of the operation considered for financing under the NCFE;
- Developing the capacity of the final recipient to develop projects that are technically, commercially and financially sustainable;
- Guaranteeing the correct reporting and monitoring of the impacts on biodiversity, ecosystems and climate change adaptation of the underlying investments

The maximum amount of support per operation will be limited to EUR 1m.

#### **Expression of interest for the NCFE**

If you are an eligible recipient for the NCFE or a financial intermediary wishing to participate in the NCFE, please send us the [contact form](#) with your project details at [NCF\\_Instrument@eib.org](mailto:NCF_Instrument@eib.org)