

Where Do I Start? The First Steps to Determine if Conservation Finance Can Work for You

Many individuals and organizations are eager to secure long-term funding for nature conservation, restoration and stewardship activities in Canada. But they may face uncertainty about where to start when it comes to conservation finance. This short explainer outlines initial steps to help individuals and organizations determine if conservation finance is a beneficial option.

Authored by the Nature Investment Hub team. Nature Investment Hub publications do not necessarily reflect the views of Hub partners or funders.



Fundamentally, conservation finance instruments are intended to provide sustainable funding streams and/or provide a return on investment. Generating cash flows and returns from nature investments requires a value stream that someone is willing to pay for. This is why forestry and agricultural businesses with associated commodities such as timber and crops are more straightforward pathways for investors: there is a cash flow and the ability to deliver a return on investment. Ecosystem services, whether carbon sequestration, flood regulation, or improved air quality are all associated with real costs. However, in order to deliver a return on investment, financial instruments need to align three different groups: those willing to pay for the services, those who benefit from their delivery, and those who will be compensated to deliver them.

To create a business case for nature, there may be multiple buyers of several value streams that make an investment feasible. For example, instead of the single economic return generated from clearcutting a forest, an alternative management strategy that has better outcomes for nature may involve stacking several value streams. These could include income generated from selling carbon offsets or credits, income from less impactful sustainable forestry on a smaller overall area, revenue from a forest-based ecotourism enterprise, or cost savings from improved water quality due to restoration efforts. While the Canadian land use

and policy context is unique, and not all international conservation finance examples readily apply as a result, there are several financial instruments that can be utilized. These instruments are context dependent and their applicability needs to be assessed on a case-by-case basis. However, they share commonalities, and undergoing a few initial steps can help identify whether there is potential for conservation finance. Following these steps can help determine whether it is worthwhile to pursue more detailed investigations about appropriate instruments and strategies.

While some individuals or organizations may not need to start at step 1 if they have already done the initial groundwork, it remains important to have a solid grasp of steps 1-7 before embarking on step 8.

Step 1: Define Activities

Outline the **specific activities you plan to undertake** to achieve your nature-related objectives, such as conservation, reforestation, forest or wetland restoration, or sustainable agriculture practices, among others.

Step 2: Identify the Ecosystem Services Generated by the Activities

Specify the desired **environmental or ecological outcomes of your activities**, like increased carbon storage / sequestration, habitat restoration, improved water quality, improved air quality, or reduced erosion.

Identify any additional ecological benefits that will result from the activities. For example, the primary objective may be habitat restoration for bird species, but there may be other ecosystem services delivered in the process, including carbon sequestration and reduced erosion.

Step 3: Consider and Identify Social, Cultural, and Economic Co-Benefits

Identify the **social and cultural benefits associated with your activities**, such as educational opportunities, improved recreational experience, improved access to traditional foods and/or medicines supporting Indigenous health practices and cultural preservation, reconnection of Indigenous communities with their ancestral lands, or community engagement.

Consider if there are **potential economic benefits** - including those that align with Indigenous rights, values, and stewardship practices, such as job creation, enhanced tourism, improved forestry, agricultural or fishery productivity, or increased property values.

Step 4: Consider Existing Data Availability and Impact Measurement

Measuring the impact of activities is crucial for demonstrating their effectiveness and attracting funders. This requires a **baseline of the status quo for key metrics**, as well as a plan for ongoing data collection to monitor changes.

- Assess whether existing ecosystem data is available. If not, consider methods for new data collection.
- Determine which additional social and economic outcomes can already be measured or require new data collection.
- Consider the feasibility and cost of measurement for various impacts.
- Identify key metrics to measure progress.

Step 5: Identify Who Benefits

Determine who might be interested in the ecosystem services and co-benefits generated by your work, and therefore potentially interested in investing in your activities. This is usually individuals or organizations who serve to benefit from the outcomes being achieved including ecological, social, cultural and economic value streams generated by the activities. These potential “outcome buyers” may be:

- **Various levels of government** if the outcomes are for public benefit and/or sit within their responsibilities, such as stormwater management, improved air quality, reduced risk and costs associated with fires and flooding.
- **Municipalities** if your activities help to avoid capital or maintenance costs, such as the avoided water treatment costs associated with watershed restoration, or the reduced costs to cities or landowners associated with reducing the impact of extreme weather events.
- **Insurance companies** if your activities help to reduce insurance premium payments due to reduced risk or impact from a weather-related event or natural disaster, such as forest management practices that reduce the risk or impacts of wildfire.
- **Corporations** if the outcomes of your activities helps their organization reach their environmental, social, and governance (ESG) goals and commitments. An example of this may be carbon offsets generated by sustainable forestry or agriculture practices, which can be used to meet a corporations’ internally-set net-zero goals once they have already invested in reducing emissions from operations.

Considering whether you are trying to solve a local, regional, national or global issue may help with the identification of who benefits.

Once outcome buyers are identified, reach out to determine their level of interest in participating. Identify the key impacts they are most interested in, and if or how those align with the intended objectives of the activities you are undertaking. For example, a wetland restoration project may be primarily focused on improving bird habitat, though an individual or organization downstream of the wetland may be most interested in the potential flood mitigation that comes from the same restoration activities. Identifying beneficiaries and outcome buyers is essential, as when there is an absence of an existing cash flow, it is these buyers that will generate the returns for investors.

Step 6: Consider What Needs to be Funded and How Much You Need

Thoroughly understanding and articulating what activities need to be funded and how much funding is required is a foundational step.

- **Outline the tangible activities the funding will support**, such as trees planted or equipment purchased, **and specify the level of funding required**. Given that setting up conservation finance instruments can be complex and involve multiple partners, it is important to include anticipated administrative costs.
- **Consider potential early-stage funders** who would be willing to provide the financial support necessary to cover any initial costs such as research or capacity building efforts to ensure the long-term success of the activities. This funding could come in the form of grants or seed funding and help attract further investment by proving the credibility of activities and potential for success. This will most often come from government, philanthropy or outcome buyers. These funders are distinct from investors who will provide up-front funding with the expectation of some level of return on investment.

Step 7: Investigate Potential Conservation Finance Instruments

Once you have gathered all of the information from steps 1-6, it will become easier to choose which financial instrument(s) is best suited for your unique situation. The [Invest in Nature report](#) provides a detailed list of conservation finance instruments categorized by land use type. A shorter description of some of these instruments can be found on the [Nature Investment Hub website](#).

Step 8: Seek Out Potential Investors and Tell Your Story

It is time to identify potential investors who share an interest in your expected outcomes!

- **Develop a compelling narrative** and tailor your messaging to the specific audience, emphasizing how your activities and expected outcomes align with their interests and objectives.
- **Communicate the details of the proposed model and provide examples if relevant to support investors who may be less familiar with conservation finance instruments.**

An activity that is considered “investment-ready” is one that has:

- A defined scope and scale.
- Necessary partners in place.
- A governance model that all partners agree to that sets out goals, priorities and outcomes.
- Resolved jurisdictional issues.
- Available necessary ecosystem services data to demonstrate impact over a specific time frame.
- Social, cultural, and economic impact that can be measured and articulated.
- Financial tools to collect and allocate funding.

It is important to acknowledge that conservation finance is not always the best way to fund

certain types of activities. By following the steps above, you can begin to articulate whether there is potential for conservation finance to become an effective funding source for your work, while also advancing numerous benefits for nature, the economy, and people.

The Nature Investment Hub is driving a fivefold increase in investments in nature in Canada, to realize environmental, social, and economic benefits locally and nationally. This collaboration between public, private, philanthropic, and Indigenous leaders champions a new conservation finance agenda for Canada. The Nature Investment Hub is a Solution Space of The Natural Step Canada in partnership with the Smart Prosperity Institute, whose shared vision is a strong and inclusive economy that thrives within nature's limits.