



“Money does not grow on trees, unless you are in the timber business” Financial Times

Investment Opportunities: Sustainable Forestry



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RESEACH PROJECT 1

Research Project: *Boosting Investment in Biodiversity and Ecosystem Services* (2008 - 2009)

Goal: to stimulate further investments supporting biodiversity conservation

Methods:

(1) Desk-research:

study existing initiatives (portfolio)

classification market (conference report)

barriers (based on literature review and interviews)

opportunities (id.)

(2) International conference: bringing together expertise in field

(3) Reporting and follow-up

(4) Building on worldwide expertise and experience





RESEARCH PROJECT 2

Research Project: *Business Cases for Biodiversity* (2010)

Goal:

- (1) provide examples and typology of pro-biodiversity business cases (business cases are typically poorly defined)
- (2) Understand scale up problems
- (3) Provide practical solutions to different stakeholders

Method

- (1) 100 examples of different categories of pro-biodiversity business cases were identified
- (2) In-depth interviews, assessment of projects from the ecological, social and financial aspects of these cases, as well as the barriers and solutions for scaling up



+ SUSTAINABLE FORESTRY TRENDS: IS IT TIME TO INVEST?

Interest for new markets (Institutional investors, Danish Pension Fund - ATP)

Consumer awareness and “green buyers”

Pressure from NGOs



+ SUSTAINABLE FORESTRY TRENDS: IS IT TIME TO INVEST?

Regulatory:

- (1) EU Regulation-ban of illegal timber (support by private sector)/US Lacey Act
- (2) American Clean Energy and Security Act (proposal) -emergence of multi billion carbon market



Certification schemes (NL: increase of import from 13% in 2005 to 34% in 2008)

Voluntary markets, REDD? New revenue streams





RESEARCH CONCLUSIONS

- New markets for some goods and services that forests produce
- Financial returns: value-added wood products, non-timber forest products, recreational opportunities, carbon, provision of clean water etc), e.g. New Forests: “Timber Plus”
- Multi-party involvement and diverse revenue streams/financiers for different stages





BARRIERS

- Lack of capacity and knowledge
- Large investments only
- Low risk investments only

Institutional investors

- Mismatch supply and demand
- Low visibility investment opportunities
- No supervising / independent information
- High risk
- High transaction costs

Executing organisations



Other ecosystems

- Small projects, low revenues
- Uncertain investment returns
- Long term profits only
- Lack of collateral assets
- Limited access to capital
- Lack of management capacity of entrepreneurs

- Lack of regulation and law enforcement
- No property rights



+ FOLLOW-UP DISCUSSION

How to close the gap between business and conservation world?

Investors: role in the early development? Up-front finance?

Possibility to include environmental responsibilities into fiduciary duties?

