



# Unlocking Private Capital for Conservation: The US Experience

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**Conservation Finance Network**

**Nature Restoration**

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# Topics

- About the Conservation Finance Network
- The Capital Continuum
- What Drives Private Investment
- Spotlight on Illustrative Projects
- Emerging Lessons



## **CFN Mission**

**CFN seeks to accelerate the pace and scale of land and resource conservation, restoration, and stewardship by expanding the use of innovative and effective funding and financing strategies.**

**Convene | Coach | Connect | Catalyze**

# Sources of Conservation Finance

## Government Grants and Tax Incentives:

- Local and County funding programs (includes municipal bonds)
- State funding programs
- Federal grants:
  - Land and Water Conservation Fund
  - Farm Bill conservation programs
  - Federal infrastructure grants that (can) fund nature
  - Other...
- Federal budget appropriations
- Federal acquisitions
- Environmental damage mitigation costs
- Favorable federal or state tax incentives: tax benefits, (transferable) tax credits
- Tax-Exempt Debt

## Philanthropy:

- Gifts & grants
- Foundation grants
- Corporate philanthropy
- Individual donations (of money and land)
- Bargain Sale or Easement Donation
- Seller financing
- Voluntary Surcharges
- Voluntary Private Transfer Fees
- Cause-Related Marketing

## Cash Flows from the Land:

- Watershed service payments
- Environmental credit markets (regulated or not)
  - Function Trading (water, nutrients, carbon)
  - Watershed Service Payments
  - Habitat & Species Mitigation/Banking
- Agriculture, Timber, Energy & Other Income
- Water Transactions (partial or full sales, leases, etc.)
- User fees (hunters, visitors, etc.)
- Tradable Land Use Rights (TDRs etc.)
- Conservation Development/Buyers (parcel sales)

## Debt and Equity:

### *Public:*

- Green bonds, Blue Bonds, Environmental Impact Bonds
- Revolving Loan Funds
- Debt-for-nature swaps

### *Private:*

- Green bonds, blue bonds
- Conservation investing
- Commercial & Farm Credit Lending
- Concessionary Debt
- Credit Enhancements

### *Philanthropic:*

- Conservation investing
- Revolving Loan Funds (including internal land trust funds)
- PRIs
- Conservation Lenders & Guarantors

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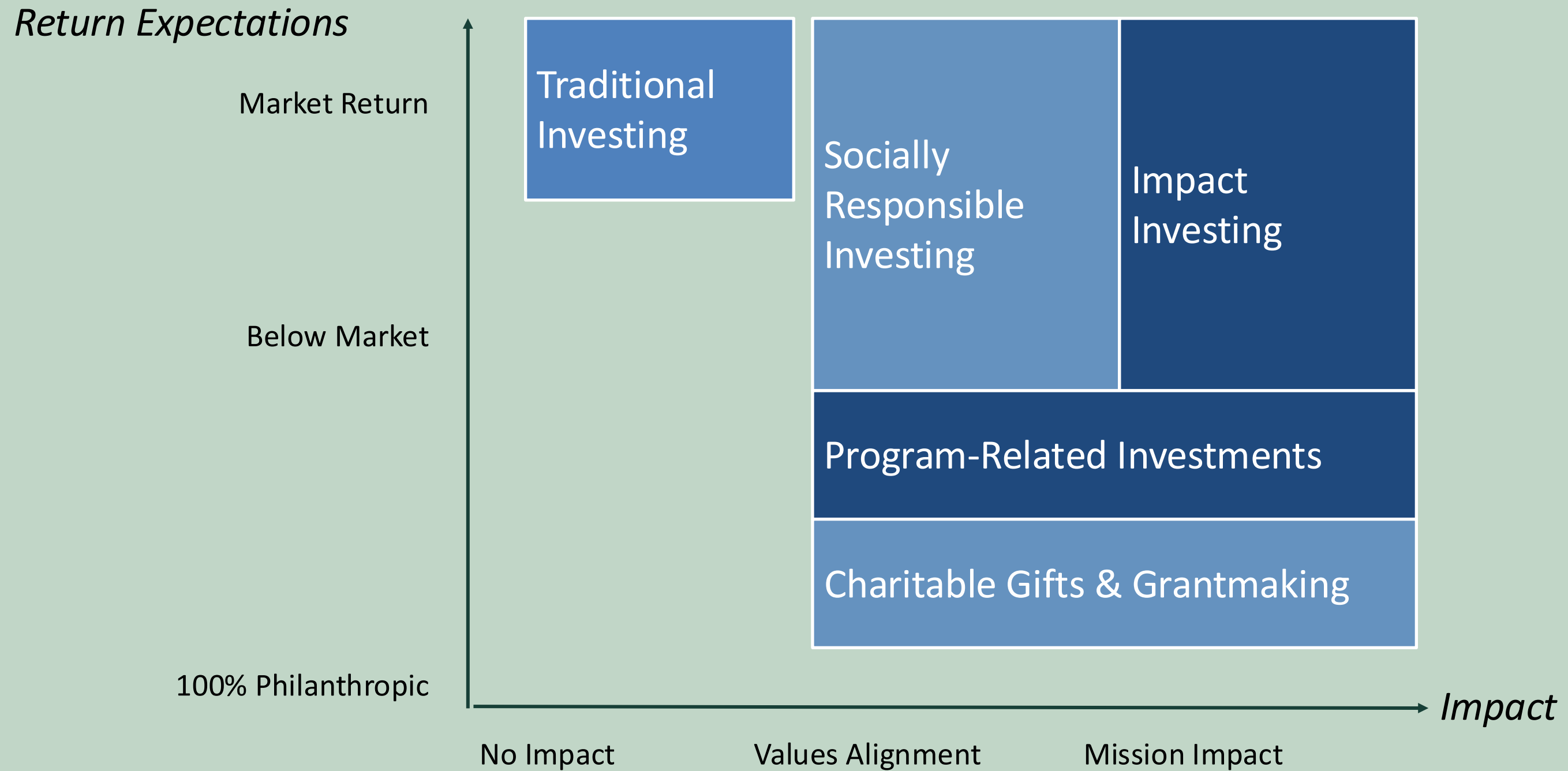
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# Private Investment and the Capital Continuum



Source: Lyme Timber

# Investors are increasingly interested in deploying capital in ways that generate **financial returns** and **societal benefits**.

Impact capital strategies:

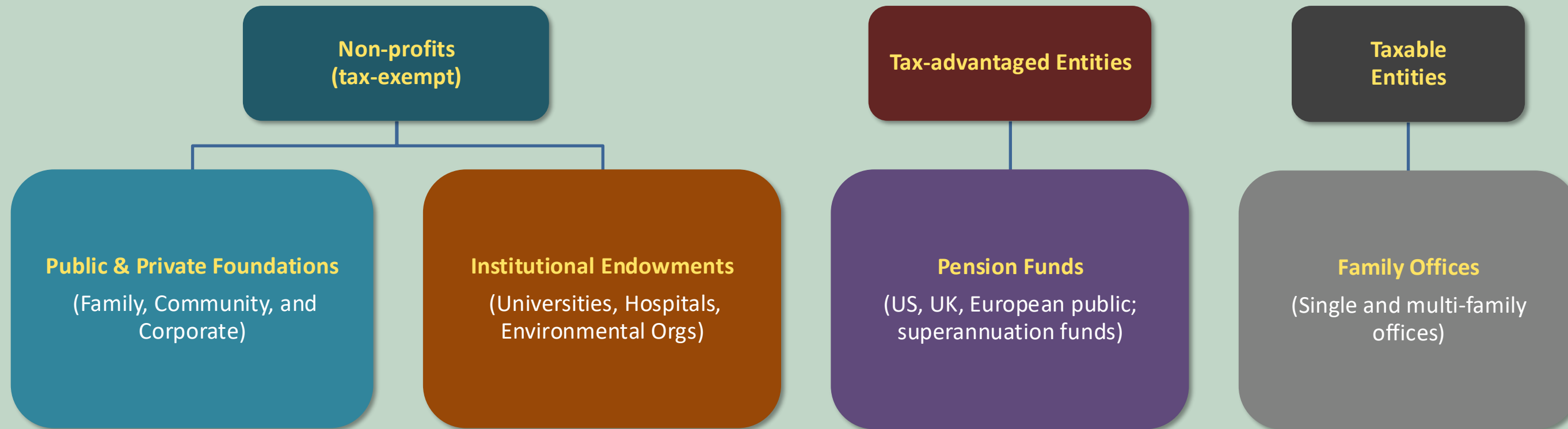


Source: Lindsey Brace Martinez , Star Point Advisors



# Investors

*Institutional investors invest funds on behalf of clients or members. These investors have significant control of global financial assets and influence on markets.*



Source: Lindsey Brace Martinez , Star Point Advisors

# “The Ecosystem”

## Investment Managers

- Nuveen
- Lyme Timber Company
- Resource Environmental Solutions / KKR  
*(f/k/a Environmental Banc & Exchange)*
- Equilibrium Capital
- Dirt Capital Partners
- Conservation Resources
- Ecosystem Investment Partners
- Vision Ridge
- Beartooth Capital
- Farmland, LLC
- Eco-Trust Forests
- Agricultural Capital Management
- Finance – Earth
- SLM Partners
- BTG Pactual-TIG
- Resource Renewal Fund
- New Forests

## Investors

- Jesse Smith Noyes Foundation
- Sonen Capital
- Gordon and Betty Moore Foundation
- Skoll Foundation
- Gates Family Foundation
- Rockefeller Foundation
- Mighty Arrow Foundation
- Munich RE/MERG
- Blue Haven Initiative
- Grounded Capital
- The Nature Conservancy
- New Summit Investments
- Merck Family Fund
- Donnelley Foundation
- Yale Endowment

## Advisors

- US Forest Capital
- Pathstone
- Goldman Sachs
- Cambridge Associate
- Townsend AON
- Caprock
- Veris Wealth Advisors
- Tiedemann
- Align Impact
- Stepstone
- Fiduciary Trust International



# Impact investments helps capitalize important conservation partners: private investment managers

## Forestland

- The Lyme Timber Company
- Conservation Resources
- Ecotrust Forests LLC
- New Forests
- Anew
- Climate Assets Fund (HSBC)
- Manu-Life

## Ecosystem Services

- Ecosystem Investment Partners
- Environmental Banc & Exchange (EBX) is now part of RES/KKR
- New Forests
- Climate Assets Fund (HSBC)
- Manu-Life

## Agriculture/Ranchland

- Beartooth Capital
- Farmland LLC
- New Spirit Farmland Partnerships
- Dirt Capital Partners
- Iroquois Valley
- SLM Partners

Source: Lyme Timber



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# Estimated Value of Ecosystem Markets in US (2024)



Source: Updated analysis based on Zion Market Research & Global Market Insights (2024).



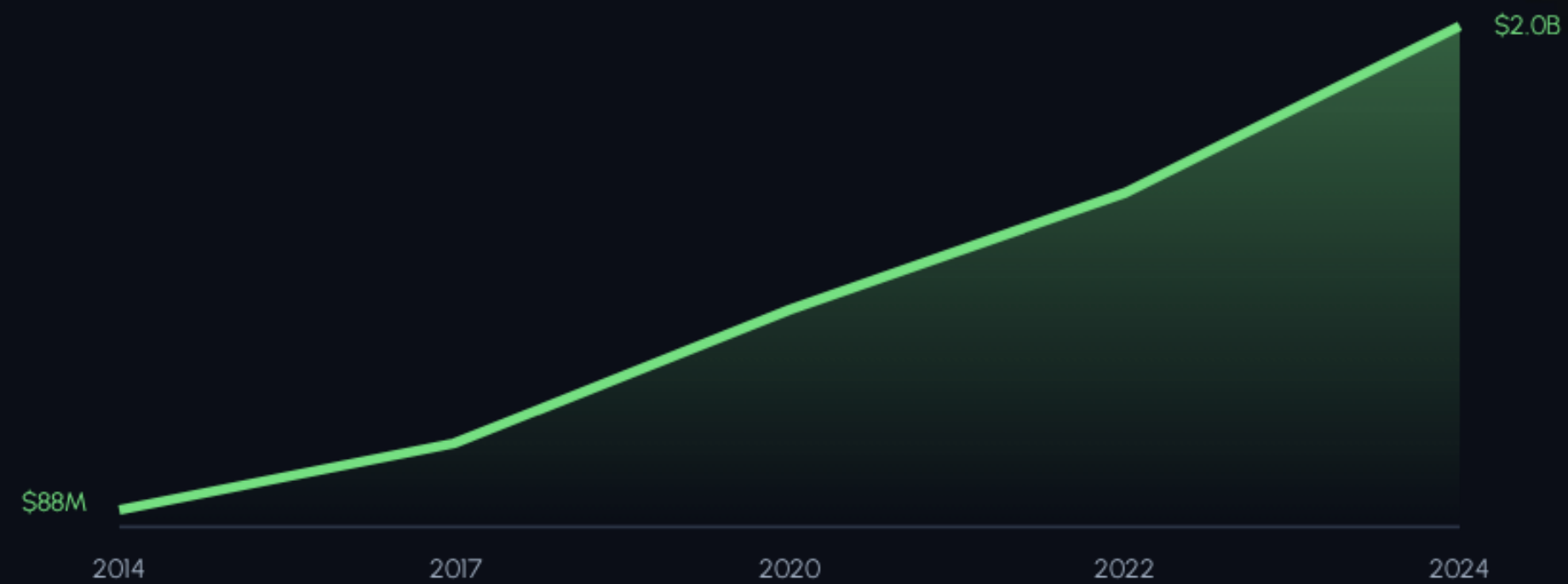
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# MITIGATION BANKING: THE \$9.8B ENGINE

- ✓ **Regulatory Pillar:** Continued enforcement of Section 404 "No Net Loss" policies.
- ✓ **Institutional Capital:** Shift from small private banks to large-scale institutional REITs.
- ✓ **Project Scale:** Comprehensive Everglades restoration and Gulf Coast resilience projects driving regional volume.
- ✓ **Market Share:** North America accounts for over 65% of global market revenue.



# GROWTH IN FOREST CARBON MARKETS (2014-2024)




Improved Forest Management (IFM) projects have grown to cover over 9.3 million acres by late 2024.




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# CONSERVATION BANKING

Conservation banking provides a business-based model for protecting endangered species. In 2024, the market for "Imperiled Species" has expanded to include diverse habitats from desert dry washes to stock ponds.

 **High-Value Assets:** Credits range from \$1,500 to \$325,000 per acre.

 **Urban Corridors:** Demand is highest in high-growth states like California, Florida, and Texas.




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# NATURAL INFRASTRUCTURE FOR WATER

Payments for Watershed Services (PWS) are transitioning from pilot programs to essential utility infrastructure.

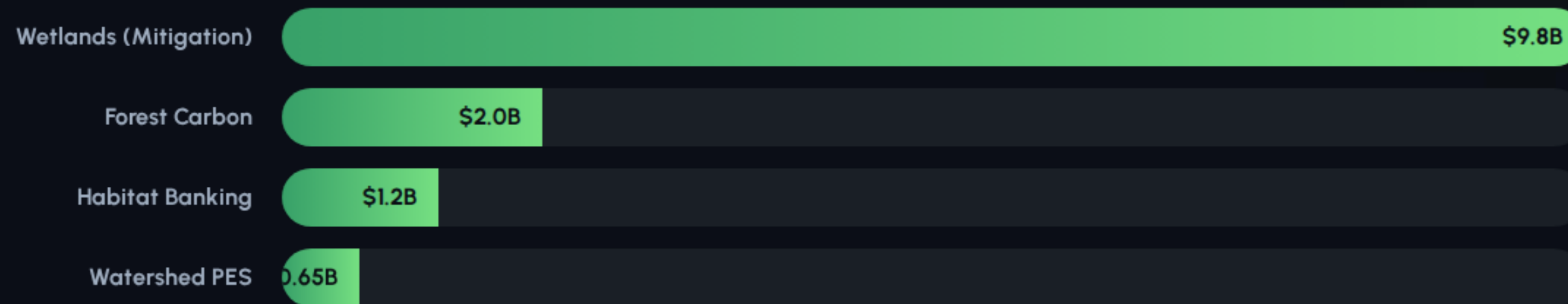
**Source Protection:** Cities investing in upstream land conservation to reduce filtration costs.

 **Market Valuation:** Current estimated flow is \$650M+ annually through water quality trading and PES schemes.



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# RELATIVE MARKET SIGNIFICANCE



The US remains the global leader in regulatory-driven ecosystem markets, while voluntary carbon markets are rapidly closing the gap.



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## EVOLUTION OF THE MARKETS

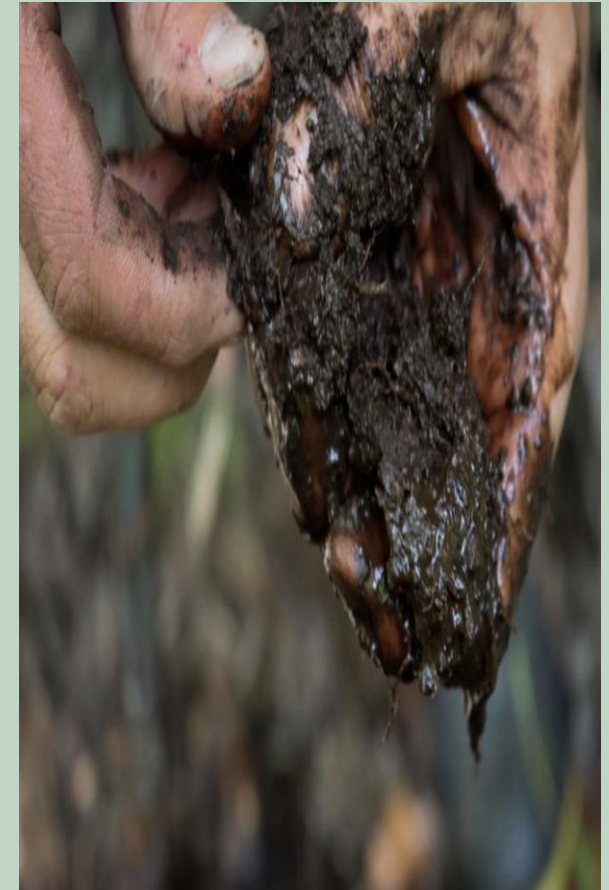
<b>Market Segment</b>	<b>2014 Value (Reported)</b>	<b>2024 Value (Estimated)</b>	<b>Status</b>
Wetlands & Streams	\$2.2 Billion	\$9.8 Billion	Mature & Scaled
Forest Carbon	\$88 Million	\$2.0 Billion	High Growth
Imperiled Species	>\$200 Million	\$1.2 Billion	Specialized
Watersheds	\$383 Million	\$650 Million	Emerging



# Why Is Driving Private Investment?

## The Landscape of Private Restoration Capital

- **The Shift:** Ecological restoration has evolved from a purely philanthropic or grant-funded endeavor into a sophisticated, multi-billion-dollar private asset class.
- **The Drivers:** Capital flows are directed by federal regulations, public-private performance contracts, and voluntary corporate sustainability commitments.



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Source: Global Impact Investment Network 2020 Annual Impact Survey

# THREE KEY DRIVERS



## Market-Driven

Backed by federal laws and regulatory compliance. Private equity firms invest in mitigation banks to sell credits to developers.



## Performance-Based

Utilizes Outcome Contracting via Environmental Impact Bonds (EIB). Payouts are tied to achieving specific ecological targets.



## Corporate Responsibility

Voluntary markets driven by ESG goals, carbon net-zero pledges, and corporate supply-chain resilience initiatives.

# WETLAND MITIGATION IN FLORIDA

## Scaling Restoration

Resource Environmental Services managed over 400 mitigation banks across the US. RES has restored 60,000+ acres of land.

Spanning 2,695 acres, Bluefield Rank site IIN Florida serves as a massive repository for freshwater forested and herbaceous wetland credits, offsetting development impacts across a 2 million-acre multi-county watershed.



# TEXAS MITIGATION BANKING

## Blending mitigation with land conservation

In 2018, Lyme Timber acquires 9,400 acres of ecologically sensitive lands in Texas.

- **Mitigation Bank:** Lyme reserves half the land for the Frentress-Johnson Mitigation Bank
- **Conservation Tract:** Lyme earmarks the other half for preservation
- **Result:** After three years, Lyme sells 4,714 acres to GBF for \$10.5M, and transfers the bank to another firm.



# DC Water Bond

## OUTCOME BASED FINANCING AND ENVIRONMENTAL IMPACT BONDS

### *Risk Sharing with Private Investors to Advance Green Infrastructure*



- **Problem:** DC facing stormwater run-off. Green infrastructure much cheaper than grey but untested. City not want to risk ratepayer dollars on unproven strategy.
- **Solution:** Instead of using traditional tax-exempt bond, DC Water used a private placement that shared risk with private investors: Goldman Sachs and Calvert Impact Capital.
- **Mechanism:** Bond carried a 3.43% interest rate. Three scenarios:
  - If stormwater runoff reduced less than 18%, private investors would pay \$3.3M back to DC Water.
  - If, as expected, runoff dropped between 18% and 41%, no addition payoff required.
  - If it exceeded expectations and runoff dropped by more than 41.3%, DC Water would pay investors \$3.3M.

# DC Water Bond

## What Happened?



## *OUTCOME BASED FINANCING AND ENVIRONMENTAL IMPACT BONDS*

- **Result:** Dstormwater run-off reduced by 20% , as expected. No additional payments were necessary.
- **Key Take Away:** It was an important confirmation that environmental performance could be legally and financially tied to institutional capital.
- **Enabling Factors:** Philanthropy helped subsidize significant transactions borne by Quantified Ventures.
- **Model:** The DC water bond has been replicated in Atlanta and Baltimore and other cities seeking to reduce stormwater runoff through green infrastructure.

# Forest Resilience Bond

*OUTCOME BASED FINANCING AND ENVIRONMENTAL IMPACT BONDS*

## *Accelerating Pace and Scale of Forest Restoration through Innovative Finance*



- **Problem:** Catastrophic wildfire requires significant forest thinning on national forestland. Required capital unavailable to do work at necessary scale and timetable.
- **Solution:** Mix of investors provide upfront capital through Special Purpose Vehicle (SPV) to administer prescribed fire.
- **Beneficiaries:** Principally water utility who benefits from reduced sedimentation from catastrophic fire, ensuring safety of water supply.
- **Repayment:** Beneficiaries pay the SPV over time, which then repays investors with a modest return.

# Pilot Success: The Yuba Project

## *OUTCOME BASED FINANCING AND ENVIRONMENTAL IMPACT BONDS*



- Launched in 2018, the first-ever FRB raised \$4M to protect 15,000 acres of the North Yuba River watershed. Partners include Blue Forest, Yuba Water Agency, and the US Forest Service.
- Foundations provide 1% capital, commercial capital at 4%.
- By blending low-cost philanthropic loans with commercial impact capital, the FRB reduces the overall cost of capital for public beneficiaries while offering stable returns for investors.
- Building on this success, **Yuba II** was launched in 2021 with a total funding of \$25M to protect an additional 16,800 acres. Total of 10 FRBs implemented to date.

# APPLE'S RESTORE FUND



## **\$200M Carbon Initiative**

- **Goal:** Scale high-volume carbon removals & generate financial returns
- **Financial Structure:** For profit equity/debt investments
- **Recipients:** Commercial forestry and agribusinesses
  - Carbon Target: 1 Million metric tons of CO2 annually.
- **Key Partner:** Climate Asset Management
- **Intended Outcomes:** High quality, verified carbon credits to balance Apple's emissions

# VOLUNTARY WATERSHED CREDITS

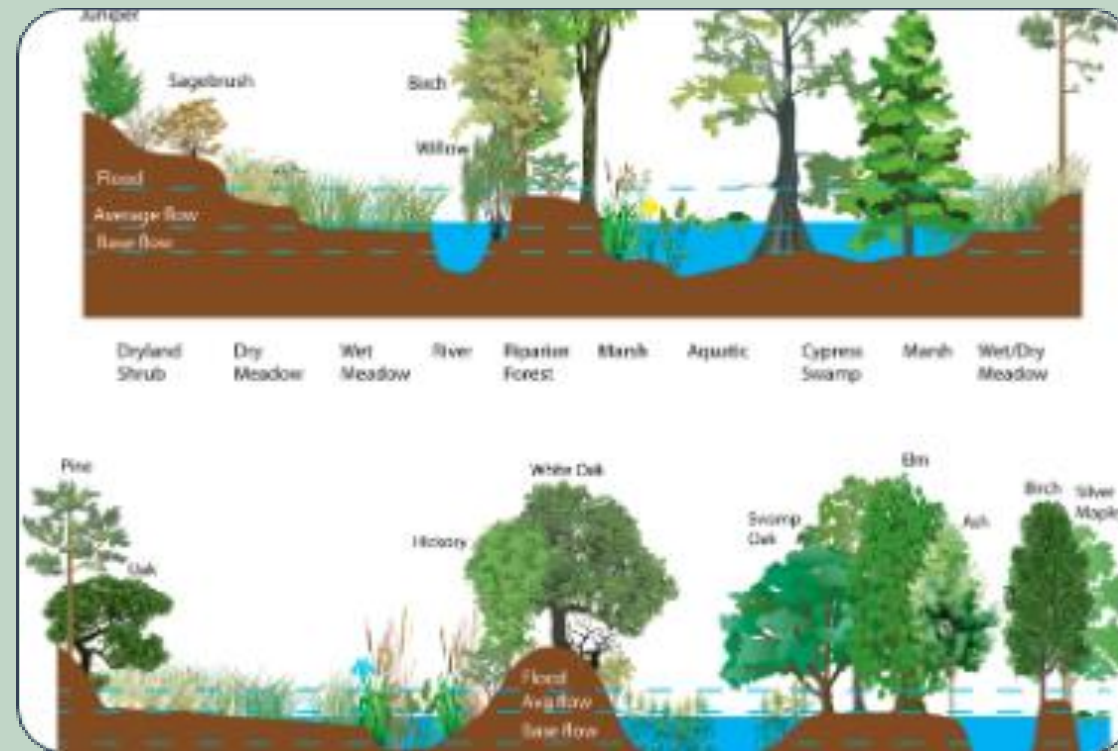
# VOLUNTARY MARKETS AND ESG ALIGNMENT

Technology and financial firms leverage environmental brokers to bolster corporate water-neutrality targets through voluntary watershed and soil credits.



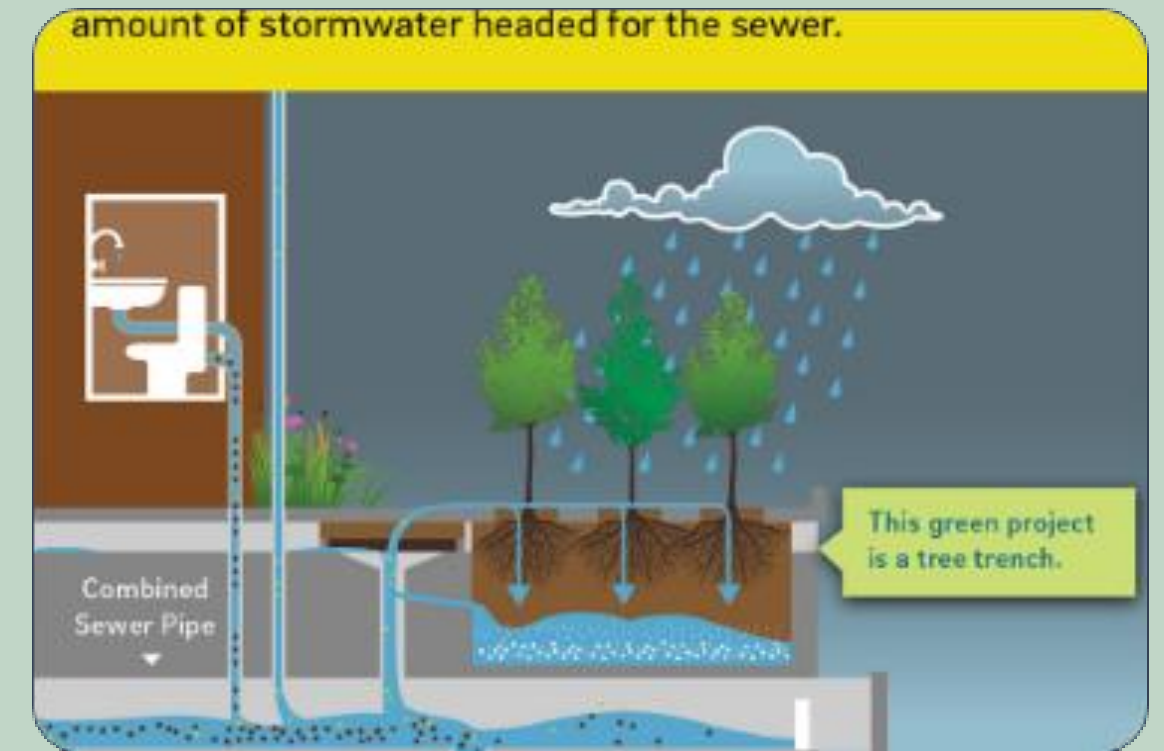
## Cape Fear River Basin

Native hardwood restoration in NC.



## Water Neutrality

Soil and water quality improvement.



## Corporate ESG

Aligning investment with green values.

# Key Take Aways from the US Experience

- Blended finance helps overcome timing issues, institutional inertia
- Long term revenue models essential to meet financier expectations for short-term returns
- Scientific rigor is essential but degree varies with context (regulatory versus voluntary efforts)
- Voluntary investments can benefit businesses by reducing the risk of potential future regulatory action
- Community buy-in essential to ensuring ecological – and financial – outcomes



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