Key Conservation Finance Terms/ Concepts (organized by day):

Monday:

Conservation Finance: The practice of raising and managing capital to support land, water, and natural resource conservation.

Conservation:

Conservation Easement: A legal agreement between a landowner and a qualified conservation organization that permanently restricts usage rights of the property. This may apply to real estate development, commercial and/or industrial uses.

Fee-Simple Ownership: Ownership of all property rights associated with a property

Land Trust: a 501c3 nonprofit organization that conserves land for public benefits, such as clean water, wildlife habitat, recreation, and climate change mitigation.

Conservation Donor: A private group or individual who purchases a property and later donates a conservation easement or fee interest.

Resilient and Connected Network: A system of sites that are both physically connected and capable of supporting biodiversity and ecological functions in the face of environmental changes, particularly climate change.

Natural Climate Solutions: Actions that focus specifically on climate change mitigation by reducing greenhouse gas emissions and sequestering carbon in natural ecosystems.

Nature Based Solutions: Actions that encompass a broader range of actions than Natural Climate Solutions and that protect, conserve, restore, sustainably manage and enhance natural or modified societal challenges, including biodiversity, water scarcity, food systems and human health.

Finance:

Many of these definitions are adapted from Investopedia.com

Cost of Capital: the overall expense a company incurs to finance its operations and investments. It represents the opportunity cost of using capital, reflecting the return investors expect for providing the funds. Includes costs of both debt and equity.

Debt: (1) A financial obligation to another person or entity; (2) An obligation which is created by borrowing. “Debt” typically refers to funds that are used to support the purchase of an asset with credit.

- **Debt Service:** The mandatory cash repayment during a given period of time.
- **Interest Rate:** The percentage of the borrowed amount that is charged by a lender on borrowed funds.
- **Principal Balance:** The amount of money borrowed or still owed on a loan, excluding accumulated interest.
- **Repayment Terms:** The terms under which a loan will be repaid. This may include the interest rate and the timing of repayment schedule.
- **Debt Ratio:** A ratio used to assess a borrower's ability to repay a loan and their capacity for overall borrowing. Calculated as Total Debt/ Total Assets.

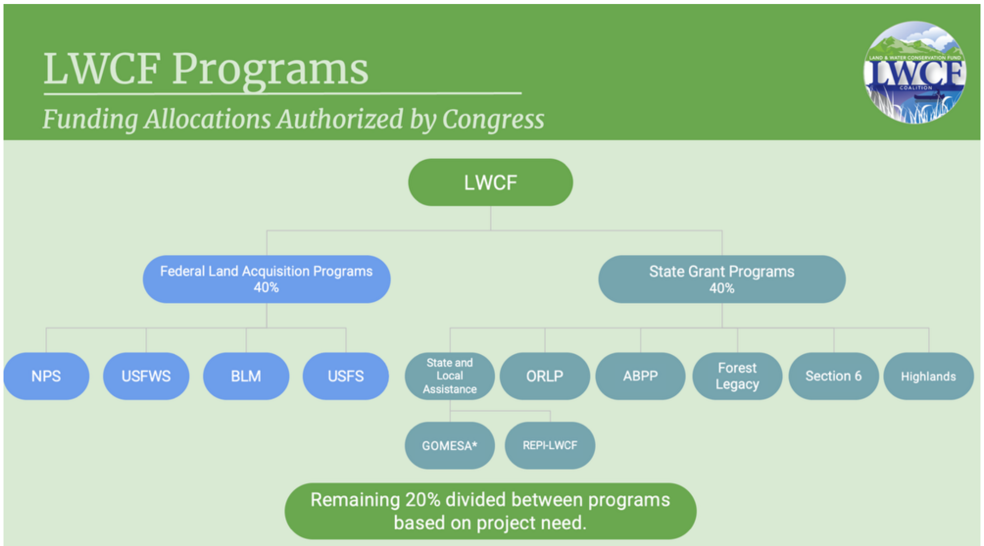
Equity: an ownership stake (calculated as the investor’s stake in a company, calculated by subtracting a company’s total liabilities from its total assets)

Time Value of Money:

- **“Present Value” (PV)**: current value of future payments, discounted at a specified rate to reflect risk and the time value of money
    - *$1 today is more valuable than $1 in five years*
    - **$PV = FV \div (1 + r)^n$** (FV is the future value, r is the required rate of return, and n is the number of time period)
- **“Net Present Value” (NPV):** the difference between the PV of cash inflows and the PV of cash outflows over a given period of time.
    - **$NPV = \text{cash flow} \div (1+i)^t - \text{initial investment}$** (where "i" is the required rate of return and "t" is the number of time periods)
- **Internal rate of return (IRR)**: the discount rate at which forecast cash flows will yield a net present value of zero
- **Discount Rate:** the rate of return used to discount future cash flows in order to calculate an investment’s present value. Said differently: the rate of return that a company needs to make

Tuesday:

Federal Agencies and Acronyms:



LWCF=Land and Water Conservation Fund

NPS=National Park Service

USFWS= U.S. Fish and Wildlife Service

BLM=Bureau of Land Management

USFS=U.S. Forest Service

ORLP=Outdoor Recreation Legacy Program

ABPP=American Battlefields Protection Program

Forest Legacy (sometimes abbreviated to FLP)

Section 6=U.S. Fish and Wildlife Cooperative Endangered Species Conservation Fund

Highlands= Highlands Conservation Act Grant Program

GOMESA= Gulf of Mexico Energy Security Act

REPI-LWCF=Readiness and Environmental Protection Integration-Land and Water Conservation Fund

DOI=Department of Interior (includes the Bureau of Land Management, Bureau of Indian Affairs, National Park Service, U.S. Fish and Wildlife Agency, and others)

USDA=U.S. Department of Agriculture (includes Farm Service Agency, Natural Resources Conservation Service, Rural Development, U.S. Forest Service, and others)

Public Finance (Tax Incentives and State/Local Funding)

Municipal and Tax-Exempt Bonding: A debt instrument issued by a state, municipality or county to fund state, municipal or county projects whose proceeds to bondholders (i.e., the interest payments) are exempt from federal, state and/or local taxation.

State Tax Credits: A tax deduction or tax benefit which allows a taxpayer to reduce its taxes.

Tax Credits: amounts that taxpayers can subtract directly from the taxes they owe, which can lower their tax bill or increase their refund.

Tax Deductions: amounts that taxpayers can subtract from taxable income to reduce the amount of tax owed.

Transferable Tax Credits: Transferable tax credits are tax incentives that allow certain taxpayers to sell their tax credits to other entities, enabling them to reduce their tax liabilities.

Philanthropy:

Private Philanthropy: Charitable giving by an individual or organization.

Endowment: A financial investment that is typically structured to keep the principal amount intact and use investment income for specific purposes.

Program-Related Investment (PRI): a type of mission or social investment that foundations make in order to achieve their philanthropic goals. These can take the form of a loan, equity investment, or guarantee, and often have lower interest rates than conventional financing.

Recoverable Grant: a grant in which return of the original grant amount, in whole or part, is tied to the achievement of certain impact targets.

Forgivable Loan: a form of a loan where the recipient takes on a debt obligation, but upon hitting certain positive impact targets, it does not have to pay back principal and/or interest.

Green Banks

Green Bank: mission-driven public finance institutions that use traditional financing tools to lower greenhouse gas emissions. Green banks use public and philanthropic funds to reduce the risk for private investment and facilitate market development to support energy efficiency, clean energy, and environmental infrastructure. (source and source)

Wednesday:

Private Investors and Investments:

Conservation Investors: A subset of investors who make investments intended to generate financial returns while also generating a positive return on natural resources or ecosystems.

Impact Investing: Investments that combine financial returns with social and/or environmental benefits.

Private Equity Funds: An aggregated amount of investor capital used to purchase an ownership interest in a non-public entity or entities.

Environmental, Social, and Governance (ESG): refers to investments that screen out environmental or social harms

Nature positive: as opposed to ESG, which screens *out* harms, nature positive investments seek to have a net *positive* environmental impact

Ecosystem Markets:

Ecosystem Services: The sum of value provided to people from the ecosystem and ecosystem structure. More recently, this definition has also included the ability of an ecosystem to provide goods and services, which has been assigned economic value to help in decision-making processes. These can be both voluntary and regulatory.

- **Compliance markets** are driven by regulation and enforcement, similar to other pollutant trading markets. (source)
- **Voluntary markets** are driven by ethical and/or business-case motives. In many cases, the threat of future regulation also drives these markets. (source)
- And **government-mediated markets** are publicly-administered programs that use public funds to pay private landowners for the stewardship of ecosystem services on their property. (source)

- **Compensatory mitigation**: the restoration, creation, enhancement, or preservation of natural resources to offset impacts pursuant to a regulatory program (source)

Carbon Credits: payment for carbon sequestration above what would otherwise happen. Carbon credits can be provided for both 'nature-based projects' (i.e. tree planting or improved forest management activities) and carbon dioxide removal (i.e. turning carbon into concrete and burying it).

Biodiversity credits: defined by the Biodiversity Credit Alliance as "a certificate that represents a measured and evidence-based unit of positive biodiversity outcome that is durable and additional to what would have otherwise occurred." Biodiversity credits are quite new, and only project has been completed in the US (https://www.prnewswire.com/news-releases/qarlbo-biodiversity-signs-first-ever-voluntary-biodiversity-credit-agreement-in-the-us-302454723.html?tc=eml_cleartime).

Wetland mitigation: the restoration, creation or enhancement of wetlands for the purpose of compensating for unavoidable impacts to wetlands at another location.

Habitat mitigation: Enabled by the Endangered Species Act (1973), which requires mitigation of "incidental take" of species or acres of critical habitat (source)

Other Types of Finance

Outcomes-Based Financing (aka "Pay for Success"). Investors provide upfront capital and are repaid based on the project's performance and achieved environmental outcomes. This approach incentivizes service providers to achieve desired outcomes and allows them the flexibility to adjust their methods to meet these goals. This can be a tool to attract private sector investment: investors fund the intervention and receive repayment, often with a premium, once the agreed-upon results are achieved. (source)

Environmental Impact Bond: a type of outcomes-based financing. A financing mechanism to raise capital for environmental projects where the principal and interest is repaid using financial benefits stemming from project outcomes. EIBs specifically tie financial return on investment to the success of the intervention and revenue generated and/or cost savings related to that success. (source)

Interim Finance

Bridge Financing (aka Interim Finance): A temporary loan used to fill a gap in financing between the availability of permanent funding (or take-out funds) and the immediate need to react quickly and fund the purchase of an asset.

Revolving Fund: A pool of loans made to individuals or small-businesses which self-funds via the proceeds received from loans within the portfolio.

Loan to Value Ratio (LTV): is a percentage that compares the amount of a loan to the value of the property securing that loan. The higher the LTV, the higher the risk.

Loan Security: is an asset pledged by a borrower to a lender to guarantee repayment of a loan. If the borrower defaults, the lender can take possession of the asset, often selling it to recover the unpaid loan balance.

Thursday:

Land Back: land return to sovereign indigenous nations without restriction

Water Funds: A water fund is a financial mechanism designed to support the sustainable management and conservation of water resources. These funds typically aim to blend public and private sources in order to finance projects that improve water quality, enhance water supply, restore ecosystems, and promote efficient water use, often by pooling resources from various stakeholders, including governments, businesses, and non-profit organizations.

Filtration Avoidance Determination (FAD): A Filtration Avoidance Determination (FAD) is a regulatory decision made by the U.S. Environmental Protection Agency (EPA) that allows certain public water systems to avoid the installation of filtration systems for their drinking water sources. To qualify for a FAD, a water system must demonstrate that its water source meets specific criteria for water quality and safety, typically by implementing effective watershed management practices and maintaining high standards of water treatment.

Blended Finance: a strategy that combines the right mix of capital from multiple stakeholders who have different risk-return requirements on their capital but common impact objectives. It is often seen as the strategic use of philanthropic funding to "catalyse" private capital into impact investments with the aim of increasing impact by accessing larger, more diverse pools of capital from commercial investors. (source)

Up-front financing: Upfront financing involves providing funds to a borrower or project before a project begins, helping cover initial costs and manage cash flow. This type of financing can take various forms, such as loans or prepayments or even completing a full project while awaiting reimbursement, and while it enables quicker project initiation, it also carries risks if the expected returns do not materialize. Groups like Blue Forest have structured creative up-front financing systems for work on public and private land while awaiting government repayment.

Stewardship: a term that can refer either to the perpetual monitoring obligations of land under conservation easement, and the acts required to maintain land or trails.

Stewardship Endowment: A fund set up to pay for stewardship of property (ideally in perpetuity)

For other vocabulary terms, see the Conservation Finance Glossary:
https://conservationfinancenetwork.org/conservation-finance-glossary