

# Encouraging Private Investment in Restoration

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# Private Investment Model allows . . .

- Restoration successfully completed *before* end-user funds are expended
- Scientifically exacting standards
- Long-term maintenance included in the initial cost
- Risk born by the project proponent
- More (private) money available for restoration

# Standards are the key to opening the private market . . .

- Outcome standards are best
- Same standards must apply to all potential project sponsors
- Clear, objective, and practicably attainable standards encourage investment
- *Without clear standards*, private investment actors will assume higher risks, i.e.,

**The standards become a risk factor**

# Why do we need private capital?

The private capital pool is quite large . . .

- U.S. pension funds comprise **\$22 trillion**
- U.S. Savings Accounts: **\$8 trillion**
- Top three sovereign wealth funds: **\$2.4 trillion**
- University endowments: **\$415 billion**
- CALSTR (CA Teacher Retirement): **\$190 billion**

# Public funds are more limited . . .

- Total federal discretionary spending:  
**\$1.2 trillion**
  - For the environment ~ **\$38 billion**
    - EPA ~ **\$8 billion**
    - DOI ~ **\$12 billion**

# Managing risk is the challenge

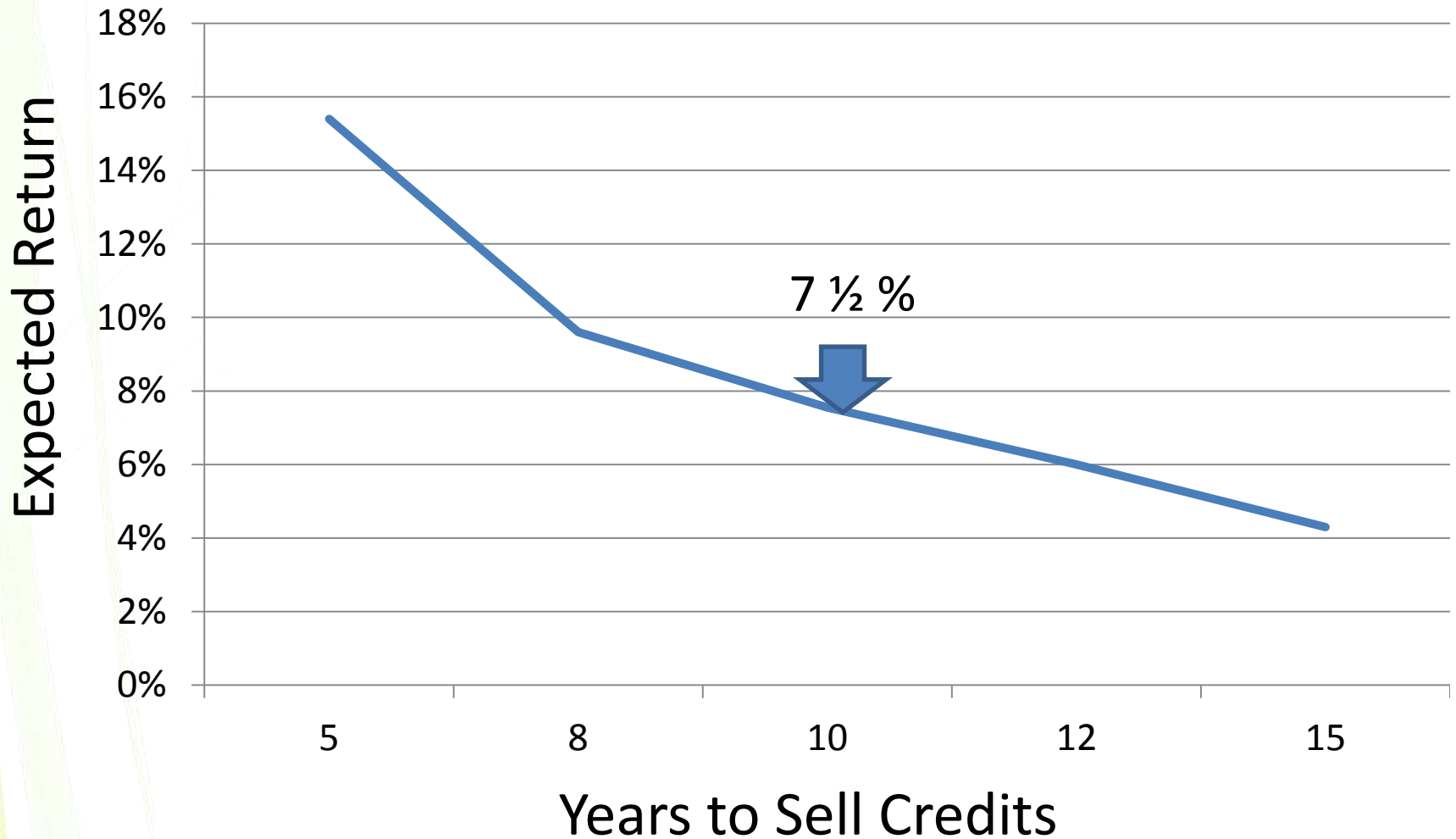
## All Projects Risk Factors

- Environmental vagaries
- Outcome specification
- Project management risks (cost overruns, delays)
- Funding continuity
- Responsible party identification
- Inadequate maintenance funding

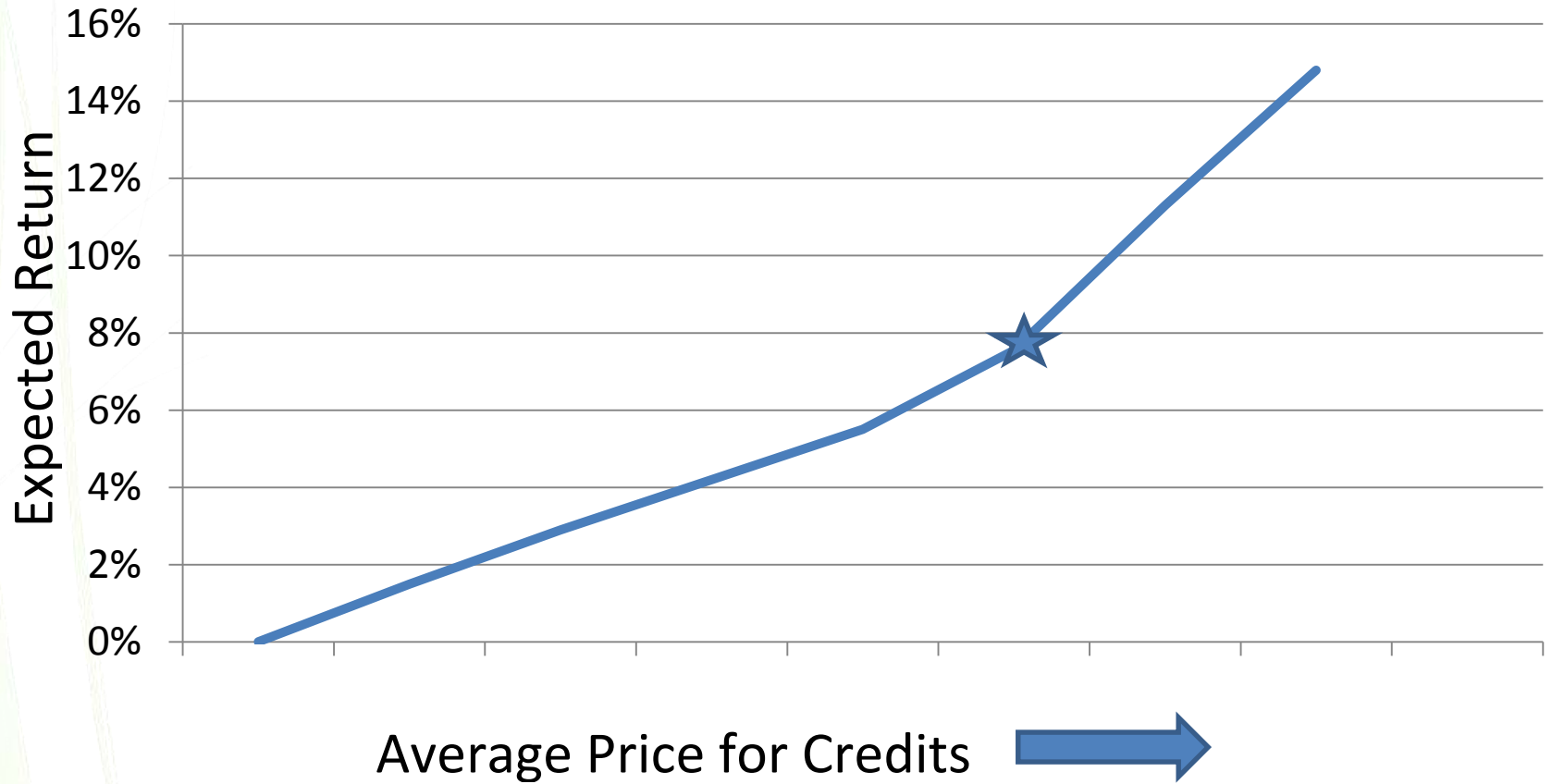
## Private-funded Risk actors

- Investment risk for mitigation credits
  - Timing of credit sales
  - Credit pricing

# Returns are sensitive to time



# Returns are sensitive to price





# The “take-homes” are . . .

- Private investment in restoration could greatly increase restoration funding
- Pay for Performance shifts risk away from the public sector
- The cost of private capital is largely a function of investment risk
  - Price sensitive
  - Timing sensitive

# Conclusions

- Without reducing project standards, reducing risk would
  - Lower the cost of capital
  - Make more private capital available
- Lower risk = more private capital = more restoration investment



**What if we made investing in  
restoration as easy as investing in  
resource extraction?**