Putting Private Finance to Work for Conservation


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Achieving the ambitious goal of net-zero greenhouse gas emissions by 2050 will require scaling up private sector investments in nature-based infrastructure solutions, such as wetland and forest restoration, say Jeff Eckel, CEO of Hannon Armstrong, and Timothy Male, executive director of the Environmental Policy Innovation Center. They look at projects around the Chesapeake Bay and state legislative efforts.

To avert a climate breakdown, more than 120 countries are working to achieve net-zero greenhouse gas emissions by 2050. That's matched by pledges from more than 1,000 companies and 450 cities with the same bold commitment. We'll likely see even more net-zero commitments from U.S. businesses and investors next month at President Biden's Leaders' Climate Summit on Earth Day.

Most of the attention on the actions to achieve this net-zero transformation has focused on expanding investment in technologies that reduce emissions from fossil fuels, such as wind, solar, energy efficiency, and electric vehicles.

What's less widely understood and discussed in the U.S. and around the world is that achieving this ambitious goal will also require scaling up private sector investments in nature-based infrastructure solutions, such as wetland and forest restoration, which help pull carbon emissions out of the atmosphere and embed it in our natural ecosystems.

Topics

green building
roads and highways
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Private Sector Investment Is Key for Ecological Restoration

Ecological restoration is a huge climate and business opportunity in part because there is so much past damage, which thankfully can be fixed using current technology and methods. We have much work to do, as over half of our original wetlands in the lower 48 states have been drained.

Today, a network of rivers and streams 10 times the total length of the U.S. interstate highway system is significantly degraded by pollution, and the Department of Agriculture has predicted a possible net loss of 37 million acres of forest by 2060.

America's ecological restoration industry is already taking on some of this work with available capital. For example, about $4 billion in wetland and stream restoration is carried out each year by private businesses that specialize in repairing damaged aquatic ecosystems. The ecological restoration must meet stringent government standards, or it can't be valued under well-established net-zero federal wetland policies.

Unfortunately, a dramatic expansion of investment in climate resilience, water quality, and ecosystems is held back by government rules. A patchwork of outdated state and federal laws, approval processes, and government procurement strategies too often stifle private sector investment in ecological restoration.

Progress in the Chesapeake Bay

The good news is that many climate-focused legislators and advocates are working to accelerate environmental restoration market growth by re-envisioning policies that foster market expansion for job-creating conservation. And there is no better place to see how this shift is already taking place than in the states surrounding America's largest estuary, the Chesapeake Bay.

Virginia has the nation's only program that efficiently offsets water pollution caused by impacts such as single-family home development. It does this through forest planting and protection by restoration businesses on nearby properties.

In Washington, D.C., the government has established the first program in the country that sets a minimum floor price on the future purchase of green infrastructure. This "price lock" incentivizes private companies and nonprofits to build green infrastructure such as rain gardens to offset future construction impacts on stormwater pollution.

In Pennsylvania, a nonprofit and business partnership has launched a private capital-backed revolving water fund that pays farmers to restore water quality, credits from which are later bought by others to meet regulatory requirements.

In Maryland, we are also starting to see innovative proposals by the state legislature that showcase how subtle policy shifts can dramatically expand private investment in conservation and climate resilience.

One bill, the Maryland Clean Water Commerce Act, allows the state to purchase millions of dollars of water quality improvements after project completion and water quality benefits are verified. We are all used to buying products when or just before we receive them, but in an environmental program, it's a radical thing to pay on delivery.

A second innovative bill under consideration, the Maryland Comprehensive Conservation Finance Act (CCFA), goes further in aligning numerous state programs to attract capital interested in investing in climate and water quality improvements.

For example, protected or restored natural features such as oyster reefs and coastal marshes offer tremendous potential to store carbon emissions and protect communities from floods. The Maryland CCFA legislation would redefine these climate-smart green and blue infrastructure projects, so they are equally eligible for state infrastructure financing.

The legislation would also put Maryland on a path to establish standards for cities and counties to account for natural assets like forest carbon on municipal or county balance sheets, thus making the investment in maintaining those assets more likely.

The centerpiece of the CCFA draws on best practices of a similar proposal floated recently by USDA. It would define environmental outcomes, like sequestered carbon or reduced water pollution, as a commodity. In changing how the state signs contracts for the delivery of these outcomes and standardizing the measurement and verification, we would finally be creating predictable standards to remove a lot of the uncertainty around environmental offsets.

Private investment in climate resilience and ecological restoration is already rising. Legislative efforts to bring more investment into these nature-based infrastructure solutions are, too. To drive a climate positive future, we should build on the first wave of common-sense policy reforms needed to accelerate investment in ecological restoration, which defines the 'net' in net-zero emissions.

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