

# A Blueprint for Action

## Conservation Finance to Support Canada's Target 1

### The Target 1 Opportunity

In 2010, the Conference of the Parties for the Convention on Biological Diversity (CBD) adopted a Strategic Plan for Biodiversity, which includes 20 global biodiversity targets known as the Aichi Targets. To contribute to the global plan, Canada adopted its own "2020 Biodiversity Goals and Targets for Canada" in 2015. Among the latter is Target 1, which mandates: "By 2020, at least 17% of terrestrial areas and inland water, and 10% of marine and coastal areas of Canada are conserved through networks of protected areas and other effective area-based measures."

As of 2017, Canada has conserved 10.55% of its terrestrial area. To meet Target 1, Canada, the world's second largest country, will need to add approximately 644,000 square kilometers of land to its protected areas network over the next three years.

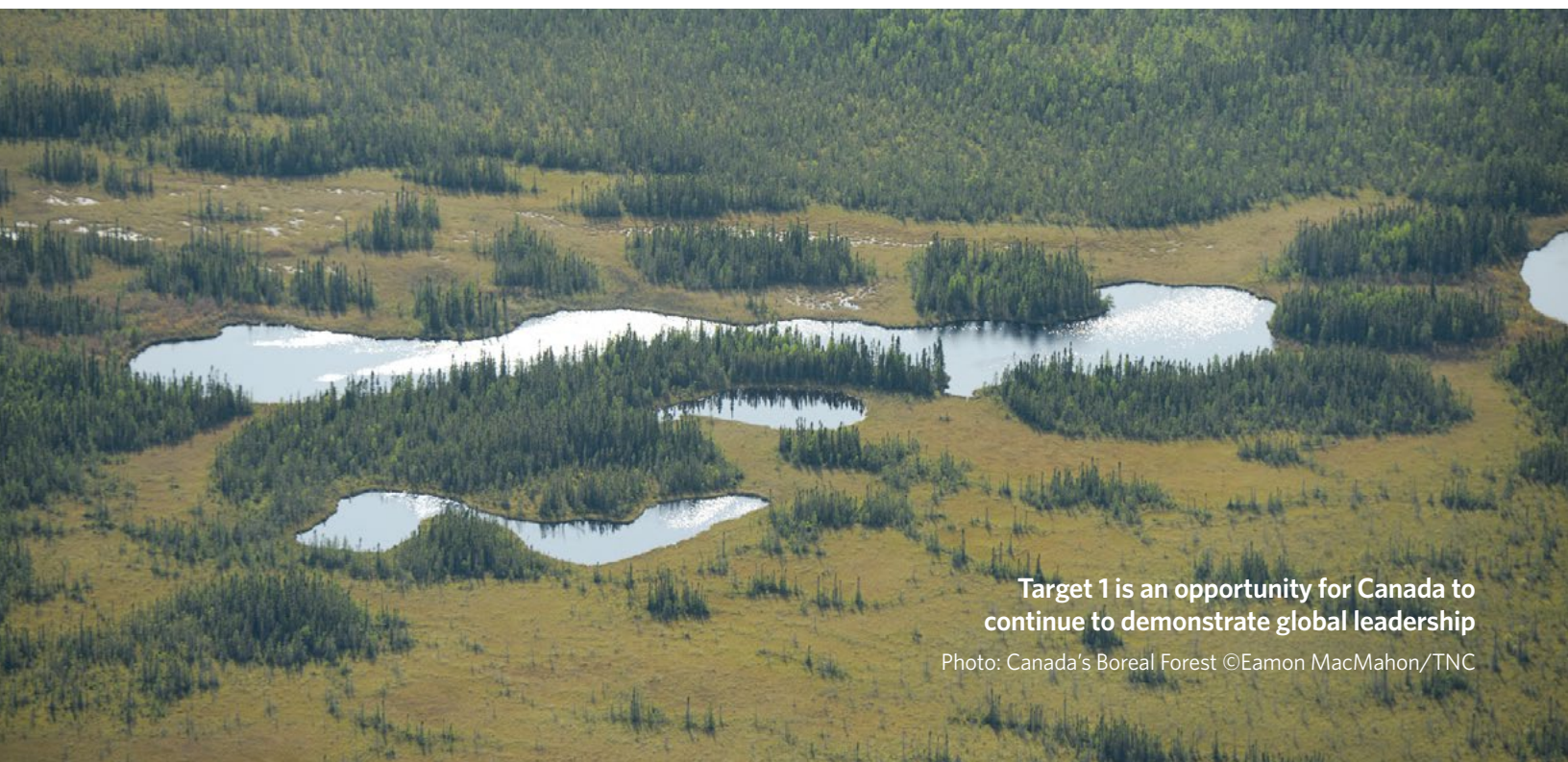
The context for conservation in Canada has changed dramatically over the past decade, driven by a national commitment to define a renewed relationship with Indigenous Peoples; a resource economy increasingly seeking to balance economic growth with environmental and social values; and a bold, globally focused federal government mandate, including commitments such as Target 1.

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*By 2020, at least 17% of terrestrial areas and inland water, and 10% of marine and coastal areas of Canada are conserved through networks of protected areas and other effective area-based measures*

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Conditions are optimal to demonstrate and grow conservation as an investment in human wellbeing across our country, and the next three years present an unprecedented opportunity.



**Target 1 is an opportunity for Canada to continue to demonstrate global leadership**

Photo: Canada's Boreal Forest ©Eamon MacMahon/TNC

New models of conservation, such as Indigenous Protected and Conserved Areas (IPCAs), have enormous potential to simultaneously advance Canada's commitments to nature protection, climate change mitigation and adaptation, promotion of sustainable development, and reconciliation with Indigenous Peoples and their governing bodies.

Target 1 is an opportunity for Canada to continue to demonstrate global leadership. Through the multi-jurisdictional, multi-stakeholder *Pathway to Canada Target 1* process, an Indigenous Circle of Experts and a National Advisory Panel are providing advice to governments across Canada to develop a plan and provide implementation guidance for attaining Target 1 goals. More recently, the federal government has shown its commitment to meeting this objective in Budget 2018, which allocated an unprecedented \$1.3 billion to conserve land, water, and species at risk in Canada over the next five years and outlined a new model for collaborative funding that brings together Indigenous, federal, provincial, and territorial governments and a host of other partners.

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*The international market for conservation investments is growing rapidly: private sector conservation impact investment grew at an average annual rate of 26% from 2009 through 2013*

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Even with new federal funding, achieving Target 1 by 2020 will be a significant challenge to plan, implement, and fully finance. Consistent with the commitment by governments to reconciliation, new protected areas will, in nearly all cases, be identified, developed, and co-managed in partnership with Indigenous governments. In the case of IPCAs, Indigenous peoples will be the leaders in new protected and conserved areas, with the support of various other governments and conservation partners. This will require dedicated funding for the many initial costs associated with land protection, for long-

term governance and stewardship, and for the establishment of endowments. Until the specific places and mechanisms for conservation are identified, the funding required to attain Target 1 by 2020 can only be estimated. Government experts indicate that the overall scale of financial need greatly exceeds the significant allocation from Budget 2018, especially once long-term stewardship requirements are included. Although this new funding commitment is a tremendously positive step, we expect that attaining Target 1 will require additional, complementary strategies, including the use of capital markets for collaborative conservation finance. While conservation finance instruments are relatively new in Canada, the good news is that the international market for conservation investments is growing rapidly: private sector conservation impact investment grew at an average annual rate of 26% from 2009 through 2013. Private investment in activities specifically related to habitat conservation quadrupled within this period.<sup>1</sup>

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*This blueprint synthesizes preliminary research into conservation finance opportunities relevant to Target 1 and proposes a set of concrete steps to further explore and develop these opportunities*

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This blueprint synthesizes preliminary research into conservation finance opportunities relevant to Target 1 and proposes a set of concrete steps to further explore and develop these opportunities. Notably, the finance instruments described in this document would provide additional environmental and social benefits beyond Target 1, for example, supporting species at risk, decreasing greenhouse gas emissions, increasing renewable energy solutions in remote Indigenous communities, and improving socio-economic conditions in Indigenous communities. While this conservation finance blueprint is focused most immediately on Target 1, the finance instruments described can contribute to a legacy of long-term conservation finance, looking to 2030 and beyond.

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## Acknowledgments

This work is the product of several months of research, collaboration, and exchange among many partners.

Key leadership roles were played by TNC Canada, Parks Canada, the Woodcock Foundation, The Nature Conservancy, and the Indigenous Circle of Experts.

Other contributing partners include Environment and Climate Change Canada, Crown-Indigenous Relations and Northern Affairs Canada, Nature Conservancy of Canada, CIBC, Metcalf Foundation, Schad Foundation, EcoAdvisors, Elemental Energy, and Open Space Institute.

TNC Canada would like to thank the Woodcock Foundation for its generous support. This foundational work would not have been possible without the foundation's visionary leadership and financial assistance.



# Conservation Finance for Target 1

Conservation finance instruments provide co-benefits, such as greenhouse gas reductions

Photo: Canada's Boreal Forest  
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## Background

In November 2017, TNC Canada convened an expert workshop—with participants from Canadian federal government departments, private nonprofit conservation organizations in Canada and the U.S., and the philanthropic community—to identify a set of conservation finance mechanisms with potential application as a source for the funding of Target 1. The group discussed a variety of potential value-generating opportunities, e.g., sustainable housing, sustainable food systems, and water funds, and narrowed in on a set of instruments with the greatest likelihood of potential in the Canadian context.<sup>2</sup> Following the workshop, a small team conducted additional research into this selected suite of financing instruments, with specific questions to assess each instrument's scale, feasibility, and replicability for Target 1. At a second workshop in February, experts reviewed these initial results and reached consensus on a set of next steps. These financing tools and recommendations are presented below.

## Findings at a glance

- 1** The global market for green bonds is growing and offers Canada an opportunity to finance both the procurement and the stewardship of protected and conserved land in pursuit of its Target 1 goals and beyond.
- 2** A federal government general revenue green bond could be used to finance new land conservation across the country at low interest rates.
- 3** Ecotourism conservation fees, renewable energy development in remote communities, debt restructuring, and carbon offsets have the potential to generate cash flows to service green bond debt - or other debt. Debt could be issued by the federal government or private entities, though the interest rate would be higher if issued by a private institution.
- 4** Absent any debt obligations, ecotourism conservation fees and carbon offsets can generate cash flows for land protection and stewardship.
- 5** These finance instruments all provide co-benefits, such as greenhouse gas reductions and potential Indigenous economic opportunities.
- 6** It is not possible to evaluate the overall scale, technical feasibility, or profitability, of these instruments at a Canada-wide level. On the other hand, such an assessment could be done at the community- or site-specific scale in potential Target 1 areas.

## Green bonds

Green bonds are a relatively new means of environmental financing that emerged in 2007. They differ from typical bonds in that the issuer commits to allocating 100% of the proceeds to finance or pre-finance projects with specific environmental benefits. Green bonds may be issued by corporate, municipal, state, federal, or supranational entities.

While issuers can self-label bonds as green, the Green Bond Principles (GBP) provide voluntary guidance for issuers. According to the GBP, eligible use of green bond proceeds includes projects in renewable energy, energy efficiency, pollution prevention and control, sustainable resource management and land use, biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, eco-efficient products, and green buildings.<sup>3</sup> Bonds can be certified as adhering to GBP through the independent second party opinion of institutions such as CICERO or Moody's. Green bonds allow investors to deploy their assets to achieve social/environmental as well as financial returns, and they allow issuers the opportunity to market their commitment to environmental sustainability. The primary disadvantage from an issuer perspective is the extra time required to underwrite and service the bonds: developing a green bond framework, securing certification, segregating the revenue, and reporting on use of proceeds annually.

### *Target 1 applicability*

At present, the demand for green bonds exceeds the supply. The global market for green bonds is growing quickly, from US\$11 billion in 2013 to US\$155 billion in 2017.<sup>4</sup> In 2016, Canadian entities issued C\$2.9 billion in labeled green bonds; that number increased in 2017 with a C\$1 billion offering from the province of Ontario, which has been at the forefront of the Canadian dollar green bond market.<sup>5</sup> Ontario is currently the largest sub-sovereign issuer of green bonds in the world and the largest and most frequent green bond issuer in Canada. Although the province of Quebec, the City of Ottawa, and Export Development Canada have also issued green bonds, there has yet to be an offering from the federal government. Canadian investors are active in green and social bond issuances; a recent sustainable development bond issued by the World Bank raised over C\$1 billion, with 55% of investors from Canada.

Green bonds present an opportunity for the federal government to finance its commitment to conservation and other environmental outcomes, particularly climate change mitigation. Several sovereign green bond issuances were made in 2016 and 2017, from countries including France (US\$10.7 billion), Poland (US\$923 million), and Fiji (US\$50 million). More sovereign issuances are expected in 2018. The federal government can learn from and build upon Ontario's success as a sub-sovereign green bond issuer and its leadership in building the Canadian green bond market. Furthermore, Canada, as a sovereign entity, could lower the borrowing cost for environmental projects by

reducing the rate of tax on revenue received by the holders of federal and provincial green bonds.

While the green bond market is showing considerable growth, examples of green bonds to finance land conservation are somewhat limited. A 2016 review found that a significant barrier to use of green bond proceeds for land conservation is the difficulty of generating cash flows from these projects; consequently, most green bond issuances for land conservation were based on the issuer's full faith and credit rather than projected cash flows.<sup>6</sup> In Canada as of 2016, only 2% of green bonds proceeds were directed to agriculture and forestry,<sup>7</sup> while at a global scale, about 3% of proceeds were directed to sustainable land use and forestry in 2017.<sup>8</sup>

In the context of Target 1, there are several opportunities:

1. A general obligation green bond used for land conservation, without a specific activity-based revenue stream. This green bond would not have a defined, project-based source of revenue for repayment, but the bond would help manage direct government expenditure, extending and reducing the annual cost over the term of the bond issue.
2. A hybrid social and green bond. This type of bond could finance a combination of activities related to land conservation for Target 1 and human wellbeing, in support of reconciliation and the United Nations Sustainable Development Goals. Proceeds from a bond like this could be used to finance land conservation as well as projects with explicit social objectives (e.g., improved housing, restructured debt) to benefit Target 1 communities.
3. Project-based green bonds for specific Target 1 geographies to catalyze any combination of the activities described in the next sections of this report: renewable energy development, carbon offsets, ecotourism development, or restructured debt for conservation.

The projects and activities financed by the second and third types of green bonds have the potential to either generate sufficient revenues or reduce subsidies that will allow them to significantly cover the cost of repaying the green bonds.

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## Ecotourism conservation fees

As researched by TNC Canada, the concept of an ecotourism conservation fee is straightforward: visitors to conserved and protected areas are charged a dedicated fee for conservation-related activities (stewardship and/or new land conservation). This could be a fee added to an existing entry or service fee, or it could be a new, stand-alone fee. Ecotourism conservation fees can be levied and collected in a variety of ways. These may include increasing entry fees to government-managed protected areas like federal, provincial, and territorial parks, developing fees for new conserved areas such as IPCAs, requiring private businesses providing ecotourism services near or within a protected or conserved area (e.g., lodging, guide services,



## Ecotourism conservation fees can generate cash flows for land protection and stewardship

Photo: Grizzly viewing in the Great Bear Rainforest ©Jon McCormack/TNC



etc.) to collect a fee, charging business license fees to service providers in a protected or conserved area, or collection of fees on a voluntary basis.

### *Target 1 applicability*

A national-level conservation or protected areas fee is a possible opportunity for Canada. In some places outside of Canada where ecotourism conservation fees have been applied, the fee is collected upon arrival to the country by airlines or cruise ships, which aggregate the payments and send them to a conservation trust fund that manages the proceeds. For example, a \$15 per person “green fee” in Palau helps to fund stewardship of national protected areas.

Beyond federal, provincial, and territorial parks, there may be opportunities to apply ecotourism conservation fees to visitors of other protected and conserved areas, such as IPCAs. This could include fees charged to access remote areas, e.g., additional fees collected on flights to access these places. An area for further exploration is the development of public-private partnerships with ecotourism-related business or facilities that benefit from publicly managed conserved areas; these businesses can collect fees that are directed to conservation and stewardship. How these fees might be structured and applied in different circumstances would depend on a myriad of factors and circumstances.

Moreover, new models of land conservation to achieve Target 1 may create new sources of revenue for Indigenous communities stewarding those lands as IPCAs. Private investments in eco-

tourism initiatives could provide the needed capital to develop new services; as those services become operational and profitable, investments could be repaid and communities could invest the residual proceeds in stewardship. This model would help enhance livelihoods for people living near conserved areas.

Regardless of the model for administering and collecting ecotourism conservation fees, the specific amount of the fee would need to be determined, and fees would likely vary across the country based on set standards and criteria. Willingness-to-pay surveys can help assess those values; studies from other places, such as the Caribbean, have shown strong support by visitors for conservation fees and a high willingness to pay. A 2008 survey of visitors to the Bahamas found that 60% were willing to pay at least US\$50, and 78% were willing to pay at least US\$25, to help protect the natural and cultural environment,<sup>9</sup> while a 2013 survey of visitors to Jamaica found that 65% of visitors were willing to pay at least US\$20 to help protect the environment.<sup>10</sup> Ecotourism fees in Rwanda to visit national parks for viewing mountain gorillas were recently doubled to US\$1,500 per person per hour. More modestly, a \$10 fee applied, on average, for each visit to a Canadian national park in the 2016-2017 period would have raised \$250 million.

For a more fulsome understanding of ecotourism conservation fee possibilities in Canada, it would be valuable to investigate the spectrum of existing conservation fee structures across the country in federal, provincial, and territorial parks. This includes looking at the value of these fees, mechanisms of fee collection, and the feasibility of creating or adding new fees within governance structures. Research into international



fee structures as well as visitor demographics, e.g., high yield foreign visitors versus local visitors, may also inform development of an ecotourism conservation fee in Canada.

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## Renewable energy development

There are currently about 283 remote communities in Canada, of which about 170 are Indigenous. About 204 of these communities rely on diesel fuel as their primary power source for electricity generation and heat.<sup>11</sup> While diesel generation is a reliable energy source, it has significant environmental, social, and economic costs, including substantial greenhouse gas emissions, risk of fuel spills during transportation and storage, health problems from emissions, and high transportation costs, as diesel must be transported a long way to reach remote communities.<sup>12</sup> The Canadian federal government has made commitments to reduce reliance on diesel in remote communities, announcing funding of over \$270 million for deployment of renewable energy sources such as wind, solar, hydropower, geothermal, and biomass. The 2018-19 budget includes an additional \$22 million for the upcoming year, and \$141 million for the next five years.

In addition to improving the well-being of remote community residents, a reduction in diesel fuel use and an increase in renewable energy use supports government commitments under the Pan-Canadian Framework on Clean Growth and Climate Change. Despite the social and environmental disadvantages of using diesel, governments across Canada have subsidized diesel use over the years. While the amounts of these subsidies are not well-known, a recent report found that Nunavut's government spends about \$60 million each year to subsidize diesel use.<sup>13</sup> Government subsidies for delivery and combustion of diesel fuel could be reallocated to service the

debt of the capitalization of renewable energy projects, as well as to incentivize and fund stewardship in new conserved lands.

Through NatureVest, The Nature Conservancy has worked internationally to fund development of renewable energy projects that generate reliable funding for habitat protection and help countries to reach their carbon emission reduction targets. For example, a planned renewable energy project in Kenya will create cash flow for local communities and stewardship of rangelands, through leasing community lands for the placement of a photovoltaic system.

### *Target 1 applicability*

Since many candidate Target 1 areas are near rural and remote communities, with many of these communities relying on diesel, there is a significant opportunity for renewable energy deployment as a tool to finance conservation. Nonetheless, deploying renewables at scale in remote communities faces some obstacles. A primary challenge to financing renewable energy development in remote communities is project size; many would be small projects, which are less attractive to energy developers, though aggregating these costs into a single amount to raise through a bond issue could be a solution. A second limitation is technical: not all community sites are suitable for renewable energy. Finally, the capital infrastructure for diesel fuel is already in place, while renewables projects—despite the free source of energy—would require an upfront infrastructure investment. Reallocation of diesel subsidies could help to finance this investment.

While information on the use of diesel in remote communities is available from the federal government, each of these 204 communities has a unique context in terms of renewable



**Subsidies for diesel fuel delivery to remote communities could be reallocated to fund renewable energy and land stewardship**

Photo: Lutsël K'é Dene First Nation ©Pat Kane/TNC

feasibility—which renewable energy sources are viable given the environmental conditions—and likely project costs. Assessing the potential of renewable energy development as a conservation finance instrument in remote communities would require working with specific remote diesel-dependent communities in likely Target 1 geographies to determine whether specific renewable technologies are viable and would be profitable. This will take some time and a bit of investment to identify which communities to target, based on the financial and technical viability of projects. Feasibility analyses have been completed in a number of communities, providing a body of knowledge on which to build.

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## Debt restructuring

The premise of debt restructuring is to create a revenue stream for new investment in land conservation and/or the stewardship of conserved areas by alleviating debt repayment burdens. For Indigenous communities holding debt, there may be an opportunity to generate funding for conservation by, for example, forgiving portions of debt or reducing interest rates in exchange for conservation and/or diverting portions of debt to pay for conservation-related activities. Alternatively, a third party could buy debt at a discount from the creditor and free up the debtor's funds for conservation by reducing the principal and the interest. Debt restructuring has been used for conservation finance internationally, particularly in small island developing states. Since many Indigenous communities hold debt, restructuring for positive economic and conservation outcomes is a potential financing mechanism for conservation.

### Target 1 applicability

Indigenous communities in Canada have a range of debt profiles and a variety of types of debts. These include negotiations loans, commercial and individual debt, and a combination of these. Evaluating debt restructuring potential would require specific information on amounts, maturity dates, interest rates, how the loans are secured, and who the creditors are. Some of this information is publicly available, and restructuring this debt warrants further investigation in light of the Government of Canada's Budget 2018 commitment to address past and present negotiations loans, including loan forgiveness.<sup>14</sup> Finally, information on the terms of commercial debt, which may offer greater potential for restructuring, is not easily accessible at a national scale.

An assessment of the potential for debt restructuring as a viable land conservation finance instrument would require working with willing Indigenous communities in potential Target 1 areas on a case-by-case basis to understand the specific terms of their debt. It will take some time to identify and engage with interested Indigenous communities for this task. Further, since there are various debt scenarios across Indigenous communities, it would be important to consider them all, including (1)

communities with negotiations debt, (2) communities with commercial and individual debt, and (3) communities with both types of debt.

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## Carbon offsets

Through land management activities that increase the land's rate of carbon storage, including improved forest management, restoring forests, improved agricultural practices, and avoided conversion (forest conservation), carbon offsets may be generated and then sold in the form of a carbon credit through a compliance or voluntary carbon market. Funds from sale of these credits may be used to finance land conservation and stewardship activities. All carbon offset projects, in compliance and voluntary markets, must meet a set of criteria, including tenure (demonstrated ownership or right to credits), permanence (no leakage), additionality, authenticity (quantifiable and science-based credits) and verifiability (including reporting).

The Nature Conservancy recently published a global analysis of natural climate solutions: conservation, restoration, and/or improved land management actions that increase carbon storage and/or avoid greenhouse gas emissions.<sup>15</sup> In Canada, the opportunities with the potential to generate the most carbon storage are likely to be improved forest management (longer rotations between harvest), avoided conversion, and reforestation (restoring forest to a deforested area). Other nature-based solutions, such as avoiding impacts to wetlands and peatlands, may also be locally important.

In some places in Canada, notably the Great Bear Rainforest in western British Columbia (see text box) and the Nature Conservancy of Canada's 55,000-hectare Darkwoods project in southeastern British Columbia, forest carbon offsets are an important source of revenue for land stewardship.

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### Conservation and carbon in the Great Bear Rainforest

*The Nature Conservancy and other private partners collectively raised \$60 million in 2006 to match a public investment from provincial and federal governments, creating the \$120 million Coast Funds and conserving the Great Bear Rainforest: 19 million acres of the largest intact coastal rainforest remaining on Earth. This initial investment has helped to protect millions of forest acres and ensure stringent harvest standards in managed forest. First Nations in the region have established resource departments to lead science and stewardship and have enacted protected areas. More than 45 new First Nations-led businesses and 500 permanent jobs have been created. Each year, \$8 million to \$10 million worth of carbon credits are generated for additional conservation projects and economic development in the region.*

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The Nature Conservancy, with other private partners, helped establish the \$120 million Coast Funds to help conserve the 19-million-acre Great Bear Rainforest

Photo: Great Bear Rainforest ©Michael Pietrocarlo/TNC

### Target 1 applicability

Canada's commitment to reducing greenhouse gas emissions through the Pan-Canadian Climate Framework requires provinces and territories to develop carbon pricing mechanisms. Examples include a carbon tax, cap-and-trade systems, and target-based programs. Currently, British Columbia regulates which offset carbon credits can be sold to the provincial government and on the voluntary market. Alberta regulates which offset carbon credits can be created as compliance options for regulated entities with emission reduction requirements, but there is no forest carbon offset protocol at this time. Ontario and Quebec have regulatory regimes that include offsets as compliance options under their cap-and-trade systems and are developing three forest carbon offset protocols: a forest management protocol (including integrated forest management and avoided conversion), a reforestation protocol, and an urban forest protocol. Manitoba has implemented a carbon tax and may be interested in developing forest carbon offset policies. The other provinces and territories have yet to announce their carbon pricing policies.

As noted earlier, carbon offset projects must meet a set of standards, such as leakage and permanence. This can be challenging, but not insurmountable. One potential obstacle for project development is in the timing of carbon credit availability, as afforestation and reforestation projects typically do not

generate up-front credits. Moreover, carbon projects can be costly to develop, with estimates ranging from US\$100,000 to \$400,000 for a suite of steps including market and protocol selection, as well as project plan development, validation, verification, and registration. Financing projects through debt to be paid back once credits are on the market can help to overcome this challenge. Advances in carbon accounting are a very promising development.

Changes in carbon accounting methods and policies can make carbon projects technically feasible and financially viable. For example, carbon credit accounting methods in Australia were changed to include carbon emissions reductions resulting from changing the timing of controlled burns. Carbon credits generated through controlled burns during cooler months help to fund indigenous stewardship, creating employment and income while also benefiting natural habitat and wildlife.

Evaluating the scale of financing from carbon offsets will require information about potential Target 1 landscapes. Depending on the ecosystem type, some Target 1 sites may have a positive return on investment for developing carbon offset projects. A forthcoming assessment of above- and below-ground carbon storage across Canada may be instructive for identifying specific landscapes with the most significant offset opportunities. Accurately calculating the carbon credit financing potential would need to be done at the project scale.

1. NatureVest & Eko Asset Management Partners (2014). *Investing in conservation: A landscape assessment of an emerging market*. 2. The three examples mentioned were not selected for further exploration but are noted to show the scope and breadth of the November workshop. 3. ICMA (2017). *The green bond principles 2017*. 4. Climate Bonds Initiative (2018). *Explaining green bonds*, URL: [www.climatebonds.net/market/explaining-green-bonds](http://www.climatebonds.net/market/explaining-green-bonds), accessed Feb. 22, 2018. 5. Climate Bonds Initiative (2016). *Bonds and climate change: the state of the market, Canada edition*. 6. duPont, Levitt, and Bilmes (2016). *Green bonds and land conservation: the evolution of a new financing tool*. 7. Climate Bonds Initiative (2016). *Bonds and climate change: the state of the market, Canada edition*. 8. Climate Bonds Initiative (2017). *Green bond highlights 2017*. 9. Laura Jane Marketing & Consultants Limited (2008). *Willingness to pay survey report*. Nassau, N.P. Bahamas. 10. Balconstics Ltd (2013). *Willingness to pay survey report: Jamaica*. 11. Natural Resources Canada (2018). *The Atlas of Canada - Remote Communities Energy Database*, URL: [atlas.gc.ca/rced-bdece/en/index.html](http://atlas.gc.ca/rced-bdece/en/index.html), accessed Feb. 20, 2018. 12. Aboriginal Affairs and Northern Development Canada and Natural Resources Canada (2011). *Status of remote/off-grid communities in Canada*. 13. Touchette, Gass, and Echeverria (2017). *Costing energy and fossil fuel subsidies in Nunavut: a mapping exercise*. 14. Government of Canada Budget 2018 announcement (March 2018). *Supporting the recognition and implementation of rights and self-determination*, URL: [www.budget.gc.ca/2018/docs/plan/chap-03-en.html#Supporting-the-Recognition-and-Implementation-of-Rights-and-Self-Determination](http://www.budget.gc.ca/2018/docs/plan/chap-03-en.html#Supporting-the-Recognition-and-Implementation-of-Rights-and-Self-Determination). 15. Griscom et al. (2017). *Natural climate solutions*. PNAS 44:11645-11650.





## The Blueprint: Next Steps in Conservation Finance for Target 1

### Strategy 1: Conservation finance toolbox and pilots for Target 1 project sites

Given the diversity of Canada's landscapes and communities, specific information about sites and Indigenous Nations and/or Indigenous governments is needed to assess the potential of conservation finance through renewable energy, carbon offsets, ecotourism conservation fees, and debt restructuring. Each community involved in a Target 1 site will be unique: in some places, only one instrument may be applicable, while in other places, a combination of instruments can be feasible and appropriate. To better understand the application and viability of the various conservation finance instruments, we propose producing a conservation finance toolbox for Target 1 and strategically testing these tools with a focused set of diverse and interested Target 1 communities. The place-based pilots can begin even as the toolbox is under development, as what we learn by doing will refine the effectiveness of the toolbox.

#### *Toolbox development*

The toolbox will comprise a suite of conservation finance tools, any one or combination of which may be useful for bringing private revenue to land conservation. The toolbox will include:

- An overview of each instrument, potential benefits, and various applications
- Ecological, economic, and policy conditions needed for the tool to be viable, e.g., a provincial carbon market for forest offsets; a set of debt parameters; potential for replacement of diesel electrical generation with renewable energy
- Ecological, economic, and policy conditions that may limit the tool's effectiveness
- Specific examples of successful application, ideally in Canada
- Next steps needed to develop each tool, e.g., the processes to determine ecotourism fees and their collection, or requirements to develop carbon projects, and timelines
- Cost estimates necessary for the development of each tool

#### *Place-based pilots*

Determining which of the finance tools is viable in a specific place will require working closely with individual Indigenous communities to identify which enabling conditions are in place.

We propose three to five pilots, in which we will work closely with communities interested in land conservation (through protected areas, Indigenous Protected and Conserved Areas, or other area-based conservation measures) to identify and pilot specific conservation finance instruments. The pilot

**Effective financing of Target 1 includes funding from the public sector, philanthropic partnerships, and capital markets**

Photo: Canada's Boreal Forest  
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communities will cover diverse cultures, landscapes, political regions, and economic conditions. We will work with partners from the Indigenous Circle of Experts, Parks Canada, and other governments and organizations to identify potential pilot areas.

In each pilot community, we will bring together Indigenous leaders, green and social finance experts, conservation groups, and government agencies to learn about community objectives and needs related to land protection. Together, we will work to identify which instruments are most suitable for achieving these objectives. Considering the economic and ecological conditions of the community as well as the policy context in the province or territory, we will provide technical resources to conduct a rigorous analysis of the feasibility of the appropriate financing tools to deliver a set of conservation finance recommendations.

Finally, we will help bring technical resources to implement the viable conservation finance instruments within these pilot communities. This may include developing a carbon offset project, creating a pricing structure for visitors to new conserved areas, working with creditors on debt restructuring deals, identifying renewable energy developers, or launching a green bond for several revenue-generating projects.

We will develop and adaptively refine the conservation finance toolbox based on lessons learned as we assess and implement these instruments through these pilots.

The deliverables for this strategy will include: a summary of three to five place-based toolbox pilots describing the process and conclusions; an analysis, set of recommendations, and implementation plan for each pilot; and a community-focused conservation finance toolbox.

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## Strategy 2: Target 1 green bond task force and business case

The opportunity to finance Target 1 activities through a green or green-social hybrid bond is compelling. Three different types of green bonds are described above; an analysis of the advantages and disadvantages of each type is needed. Moreover, government decision makers will need a great deal of information and technical support to help guide a potential green bond issuance.

We propose the development of a Target 1 green bond task force to engage key partners, conduct the research and outreach needed to determine how a Target 1 green bond could be developed and issued, educate key government constituencies, and write a Target 1 green bond business case. This business case will be refined over time with input from government decision makers.

The Target 1 green bond task force will include representatives from the financial sector, Indigenous governments, federal government, provincial and territorial governments, and conservation and philanthropic organizations. These experts will work together to investigate different types of green bonds (including a hybrid green-social bond), identify a type (or set of types) of green bond to pursue, and develop a business case.

The business case will describe:

- Objectives of a Target 1 green bond strategy
- Benefits and potential challenges
- Use of proceeds
- Potential revenue sources
- Mechanics of a various types of green bonds
- Specific steps to various types of green bonds
- Issuer/structure of the green bond

The deliverable will be a Target 1 green bond business case.

## Conservation Beyond 2020

While attaining Target 1 is the immediate focus of protection efforts in Canada, our country's work to effectively conserve and steward our lands and waters is a long-term venture. Moreover, the process of reconciling with Indigenous communities will take many years. Conservation and reconciliation can be complementary; by engaging with communities to develop locally appropriate and economically sound strategies, conservation finance can be a part of conservation and reconciliation processes.

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*Capital markets can help accelerate the pace of conservation, and bring economic benefits to communities*

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Capital markets can help accelerate the pace of conservation, ensure biodiversity protection, sustain land stewardship in the long term, *and* bring tangible economic benefits to Indigenous communities. These conservation finance tools should be seen as complementary to commitments from the government and philanthropic sectors to grow the capital stack for conservation financing. To effectively finance Target 1, we need an approach that includes funding from the public sector as well as philanthropic partnerships and capital markets. These conservation finance solutions will endure well beyond 2020, setting the stage for a long-term legacy of effective conservation and thriving communities.