CHESAPEAKE BAY PROGRAM
WQGIT MEETING

CONSERVATION FINANCE 301

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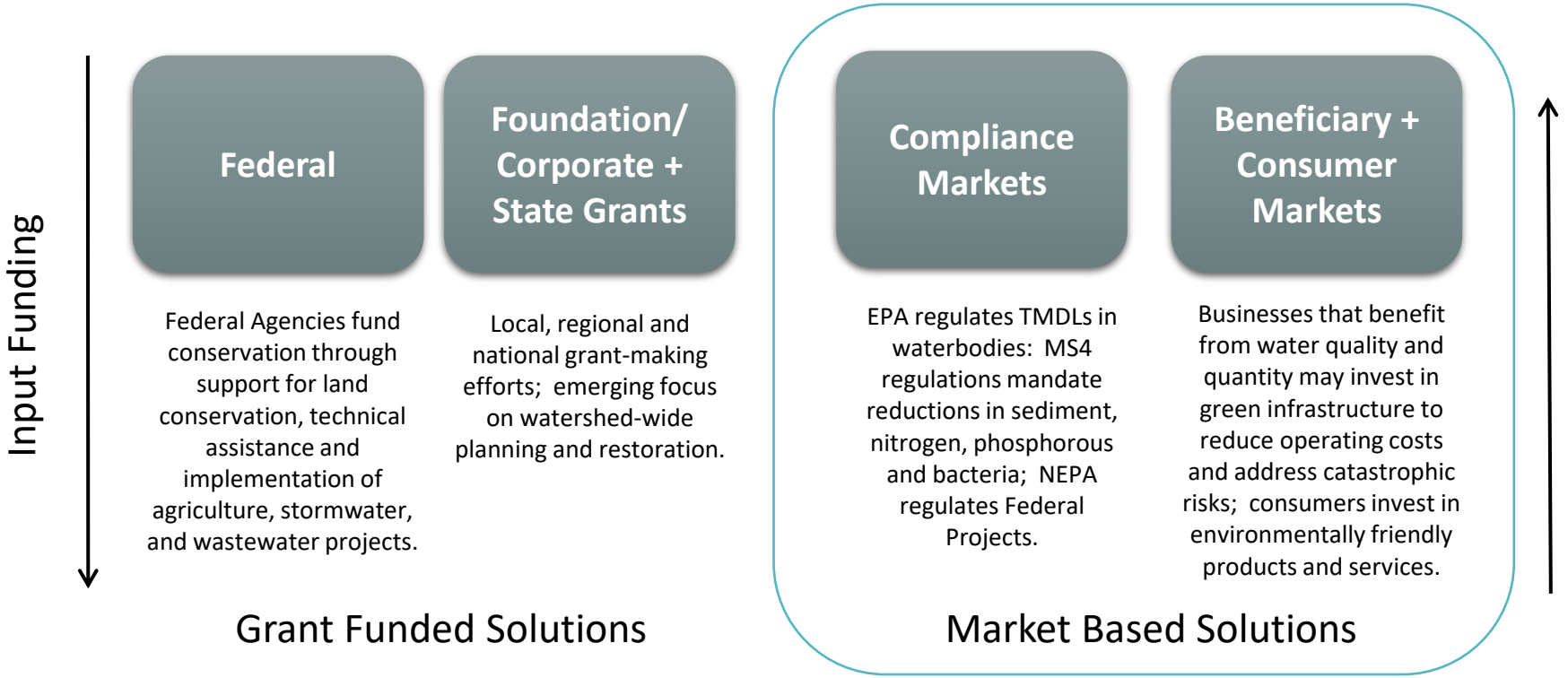
June 22, 2020

Sources of Water Conservation Funding



- Conservation: How can I coalesce more money for conservation?
- Investment: How can I achieve financial returns and help the environment?
- Conservation Finance: How can I increase the pace and scale of conservation outcomes through capital market innovations? *How can I address market gaps?*

Strategic Approach: Ag-BMP Pollutant Reductions

Cover Crops

Conservation Tillage

Riparian Buffers

Agricultural Wetlands

Sources: Agricultural Wire, University of Minnesota Extension, Mississippi River Basin Conservation Network, Oregon State University

- In PA and DE, the largest contributor to impaired waters = non-point source agricultural runoff (sediment and nutrients).
- Agricultural BMPs support maximum pollution reduction and watershed restoration.
- Agricultural BMPs also potentially offer the most cost-effective approach to meet MS4 obligations.
- Strategic Question: Can we quantify and package Ag-BMP's for "offtake" transactions?

Calculation Methodology*

= lbs N, P, TSS

	Outside Urban Area	Inside Urban Area
1. Drainage Area Inputs	✓	✓
2. Starting Load	✓	✓
3. Baseline BMP Inputs	✓	✓
4. Baseline Load (%)	✓	✓
5. Voluntary BMP Inputs	✓	✓
6. Post-Voluntary BMP Load (%)	✓	✓
7. Threshold Inputs	✓	—
8. Post-Threshold Load (%)	✓	—
9. Delivery* and/or Reserve (%)	✓	✓
10. Load Reduction - Planning Area	✓	✓

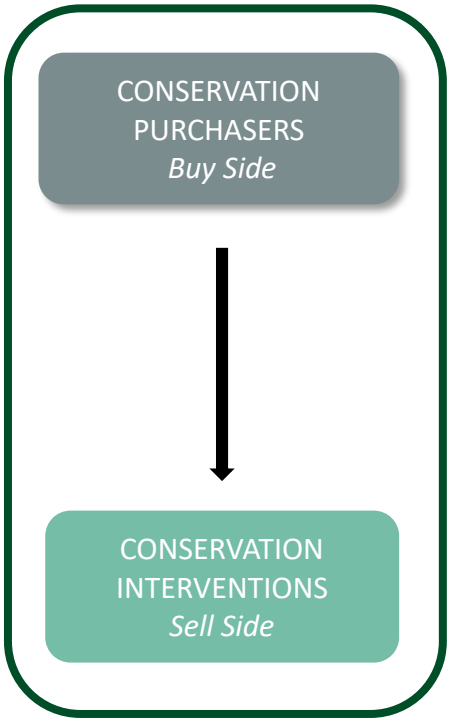
- * =

*Delaware municipalities only

**Aligns with PA regulatory approach (offsets) & measurement standards*

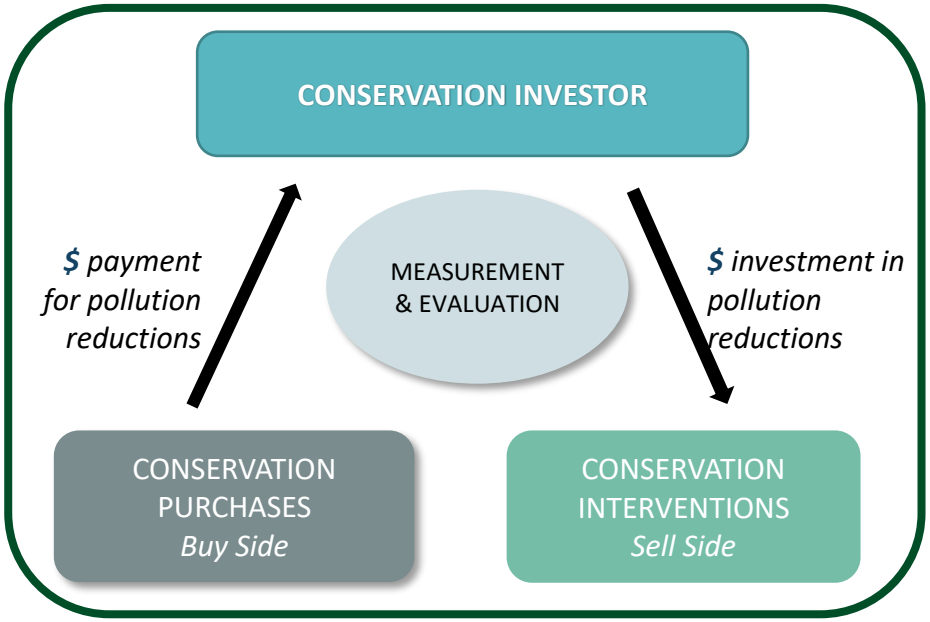
Market Transaction Approaches

Purchase Contract



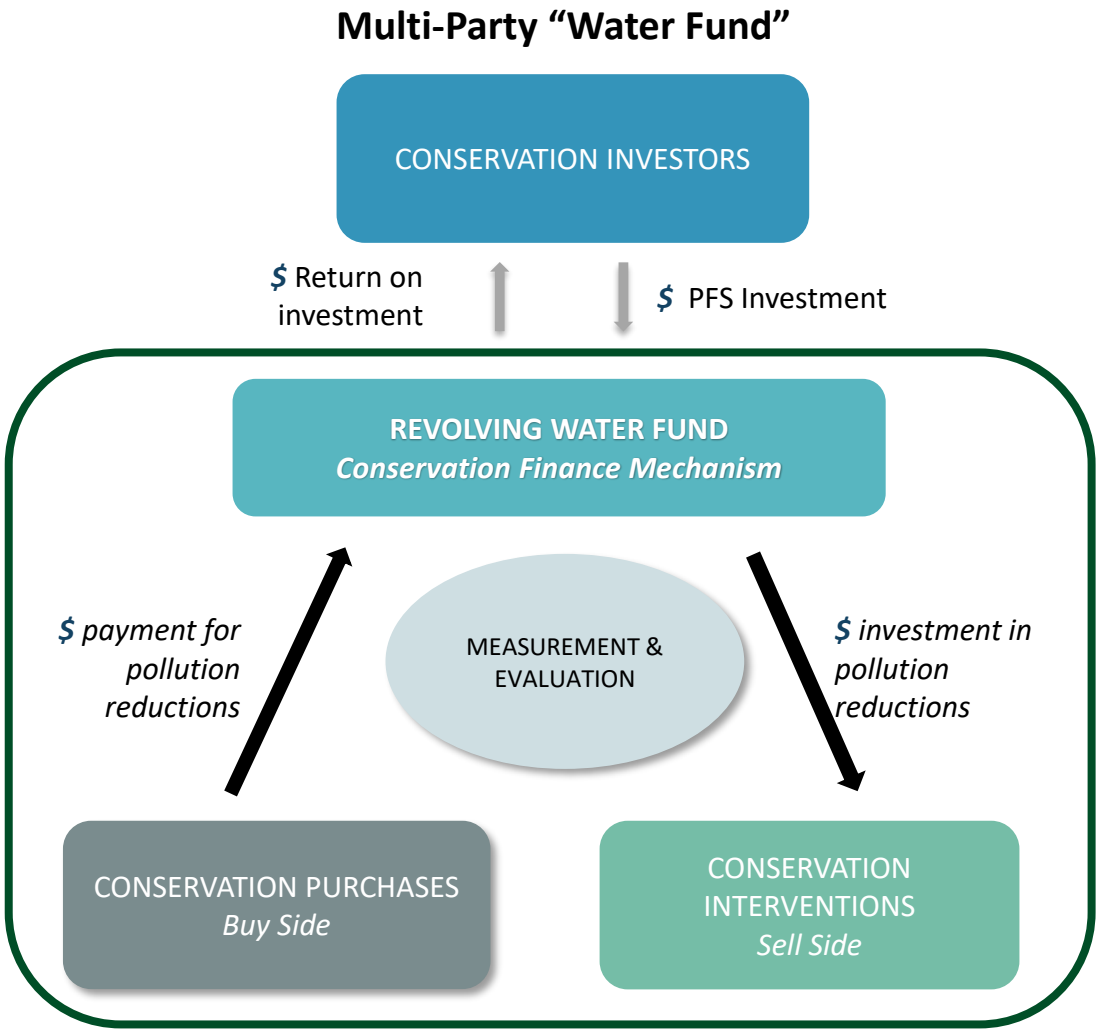
Direct purchase of quantified outcomes

Pay-for-Success Contract



Investment in quantified outcomes; Purchase (refund) based on achievement of agreed "trigger"

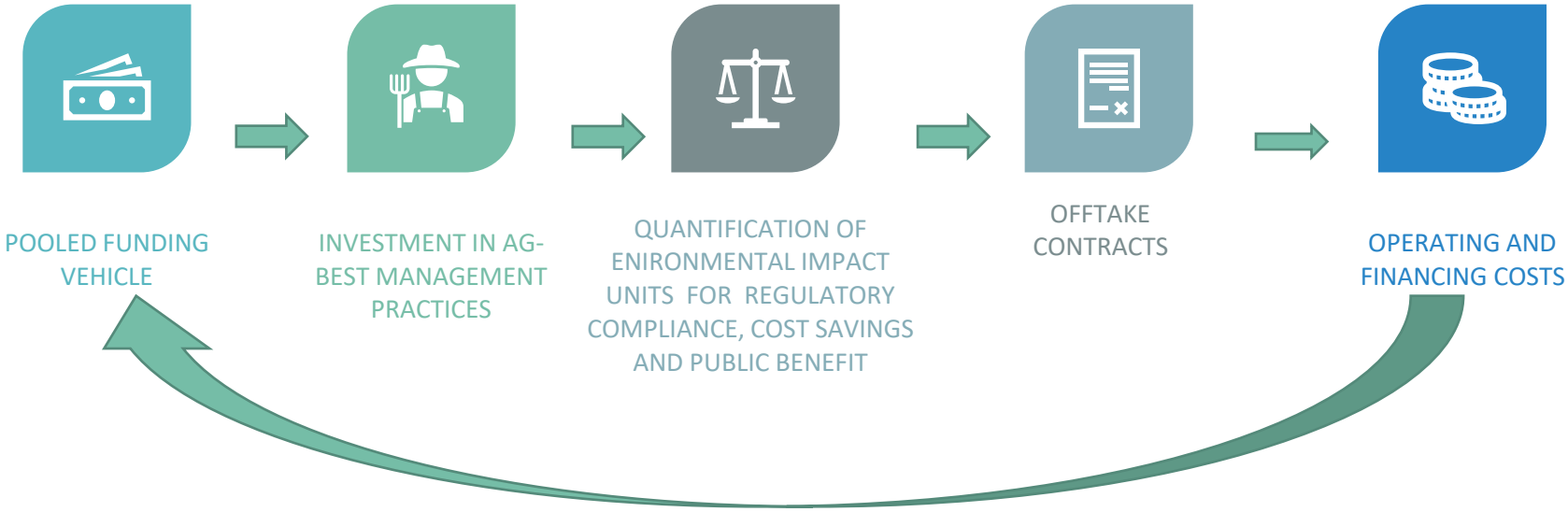
Transaction Approaches



Offtake contract tied to regulatory approval (compliance driven)

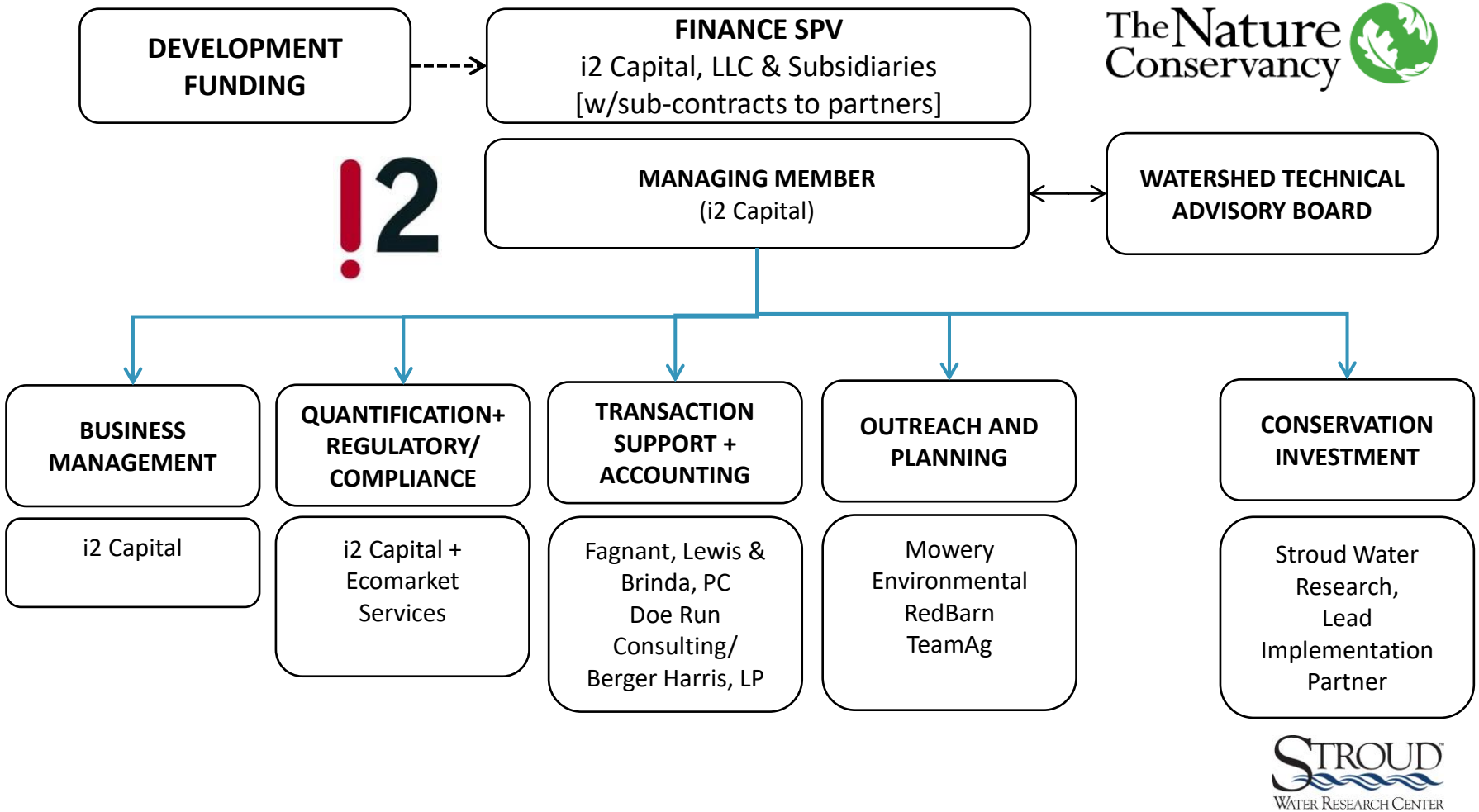
Revolving Water Fund Model

The Revolving Water Fund, pioneered by i2 Capital and the Nature Conservancy, is a blended conservation finance pool that invests in natural infrastructure solutions (Ag BMPs) on working farmlands.



The “offtake” of quantified pollution reductions (EIUs) by multiple beneficiaries supports a sustained pool of capital to re-invest in conservation outcomes.

Organizational Model



Management & Operations

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Governance and Oversight

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VP, i2 Capital
Finance & Project Management

Maria Dziembowska
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Conservation & Project Management

Evan Branosky
Environmental Incentives
Ecosystem Markets
Regulatory & Quantification

Richie Jones
Berger Harris, LP
Doe Run
Consulting
Legal & Policy

John Jackson
Stroud Water Research
Water Science

Conservation Orgs.

STROUD WATER RESEARCH CENTER

MOWERY ENVIRONMENTAL, LLC
At the Intersection of Business and the Environment

Brandywine Red Clay Alliance
Watershed Conservation | Environmental Education

BRANDYWINE CONSERVANCY

Regulators

DELAWARE DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENTAL CONTROL

pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Municipal Leaders

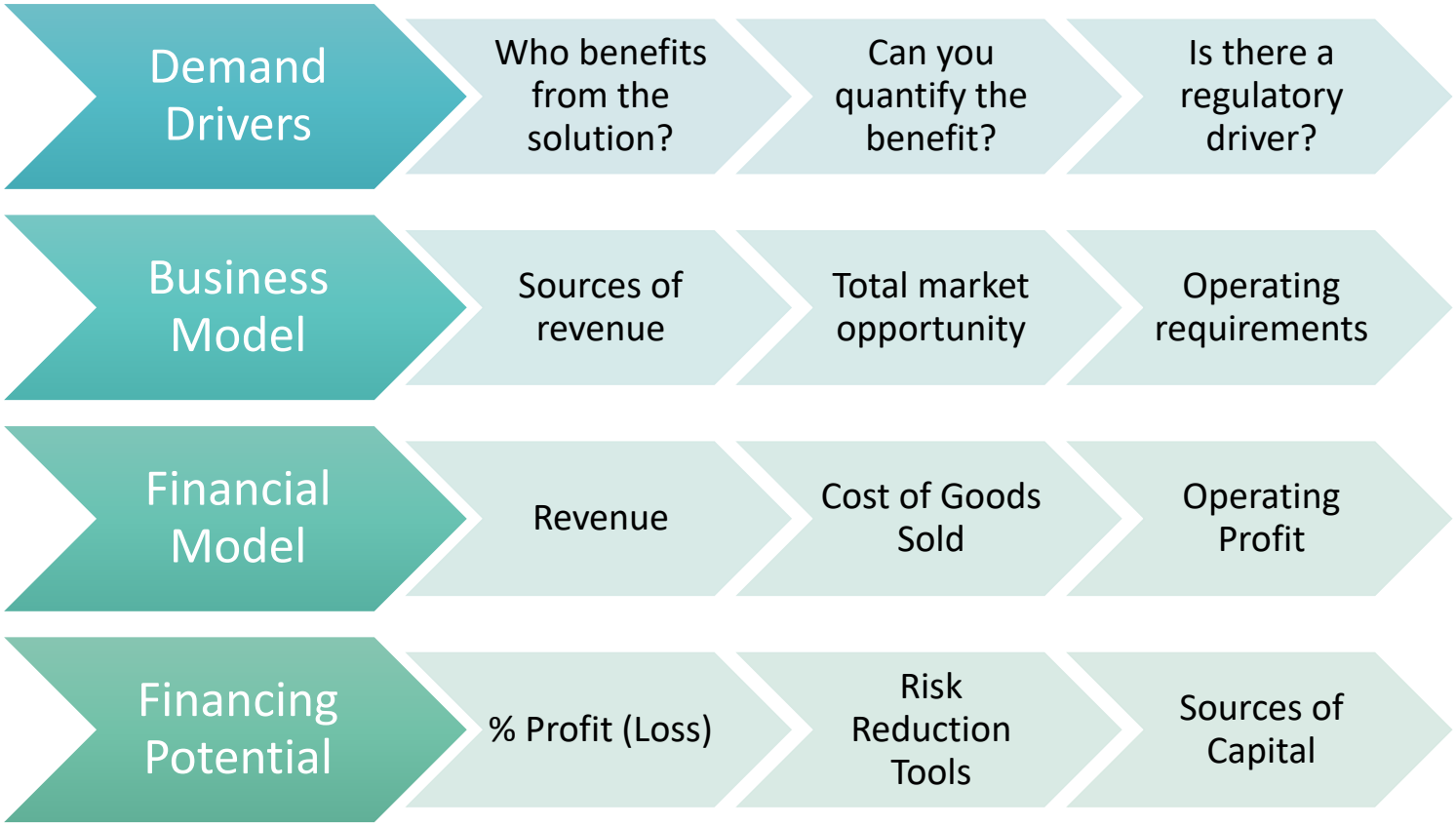
NEWARK DELAWARE

KENNETT SQUARE

Kennett TOWNSHIP

SEAL OF THE CITY OF WILMINGTON DELAWARE

Framework For Creating Financing Strategy



Chesapeake Bay Program
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