Environmental market cheat sheet (adapted from the Conservation Finance Network's *Marketable Development Report*)

The *Market Development Report* provides the following insight into market development:

1. Limitations exist with viewing market development as a linear framework.
2. Recognition of a non-viable approach is important.
3. Policy can be transformative.
4. Risk management plays a keystone function.
5. Funding from public and philanthropic sources is catalytic.
6. Market maturity is built incrementally and over time.
7. Scale and replicability are relative; some approaches will become mainstream and some will occupy a niche.
8. Experiential knowledge-sharing is fundamental to the growth of the field.

Table 1: Different Ways to Monetize Environmental Goods and Services
Outcome-based markets attempt to get people to pay for an ecosystem service based on its proven performance or the quantified value of the benefit once received. These approaches are a response to traditional public or philanthropic funding, which supports project actions rather than outcomes. These "pay-for-success" approaches use a contracting process to enable payment from project outcomes, and the project developer only gets paid if and when the desired outcome is achieved. Such an approach shifts the risk of a project's success or failure from the funder to the project implementer.
Avoided cost markets are investments into projects that mitigate expected future costs. For example, if a water utility knows that they face significant threats from wildfire in their operating area, they may be willing to invest in forest restoration measures that would reduce damages to water infrastructure for which they would otherwise have to pay.
Environmental credit trading (ECT) refers to different types of market-like transactions that enable payment for environmental assets, externalities and attributes. The specific amount of environmental benefit being created and traded is defined as a credit.[18] ECT programs currently in existence include wetlands, streams, carbon, and habitats—as well as water quality and quantity. All of these programs attempt to place monetary values on particular environmental benefits, and the credits themselves represent quantified outcomes.

Environmental market cheat sheet (adapted from the Conservation Finance Network's *Marketable Development Report*)

Table 4: Sources of Risk[28]

Delivery Risk (or Performance Risk): the risk that an investment will fail to deliver the environmental good or service as expected.
- Will the credits or services be created in the appropriate proportions?
- Will the ecosystem service function as projected and in the forecasted timeframe?
- Will the buyers of these attributes value them and pay for them in the forecasted manner?

Market Risk: the risk that the overall performance of a market will be negatively impacted.
- Will the market be impacted by a natural disaster or a new interest rate?
- Will regulatory changes affect the price for environmental credits or services?
- Will a buyer's or investor's participation be influenced by a recession?

Political Risk (or Regulatory Risk): the risk that policy changes will negatively impact the project or market.
- Will policies remain in force and will they be enforced?
- How significantly will a regulatory or legal change effect who must purchase the outcomes of the project, or how many they are required to buy?
- Are the underlying policies in the market stable?[29]

Table 5: The Rules of Engagement for Market Development: TLC

Transparency: Are the basic tools available and understood for project or asset pricing, risk assessment, and project underwriting? Are they similarly in place for legal frameworks and project structures?

Liquidity: Are there sufficient projects to create repeatable and scalable transactions? Are the legal structures and terms adequately understood that they are becoming standardized? Are pricing and risk modeling tools well-understood to establish asset prices?

Consistency: Are there well established and stable regulations, metrics, and protocols that define the environmental good or service as well as market rules?