

Some observations about natural capital, environmental markets and environmental finance

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A personal view

Feels a lot like (early) 2007...

Lots of talk, and active policy development but in most areas hard to actually do deals at scale.

- Having raised money, it has to be sensibly deployed

Issues around definitions, multiple competing standards, availability of data, transaction costs. Multiple groups running at all these problems, but still not clear

Issues of credibility

- ASIC and SEC both active in the “ESG Claims” space.

Issues of legitimacy

- Political pushback

Issues around how to “co-optimize” and how to “stack”.

Some parts of “ESG” markets more generally seem to be slowing as economic issues become more pressing

‘All ESG funds are not the same’

The focus by regulators on allegations of greenwashing on Wall Street is no surprise given that Gary Gensler, the SEC chairman, has made regulating ESG investing a top priority. He has pushed for a rule that would require Wall Street investment firms to give investors more information about how they are carrying out any ESG strategy. Another SEC proposal would require any fund that calls itself “socially responsible”, “sustainable”, or “green” to invest 80 per cent of its assets in ways that are consistent with that strategy.

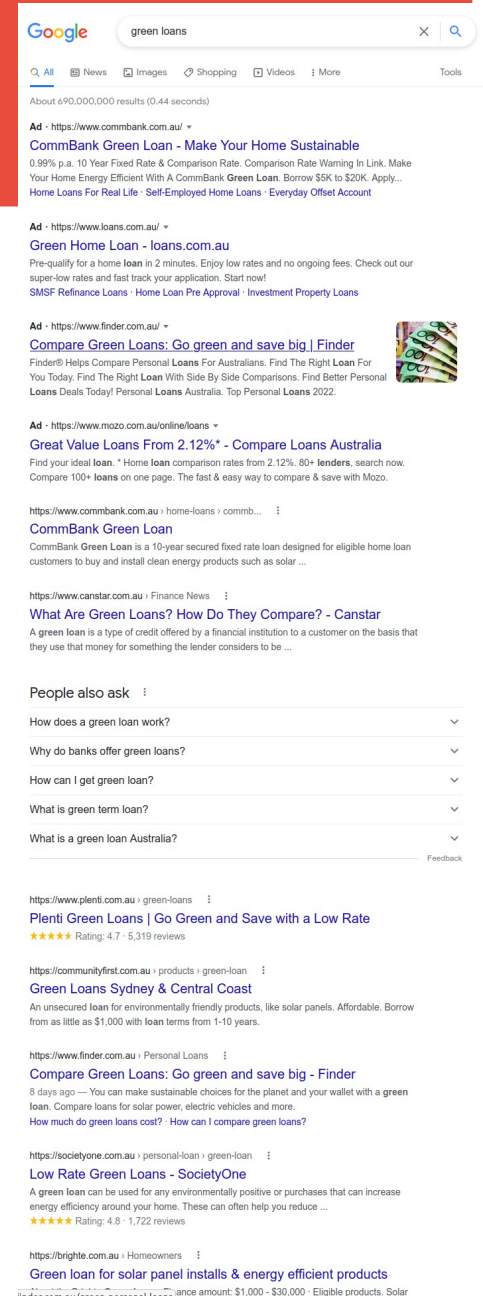
Some definitional questions....

What actually is “environmental finance” ?

- 2007 Macquarie Experience...

A couple of (local) examples:

- Specialist financiers: Bright, (Plenti,CBA, Soc1)
- Specialist platform providers: Xpansiv
- Various local “carbon” and “natural capital” funds



Google search results for "green loans". The search bar shows "green loans" and the results page displays several advertisements and organic search results. The ads include:

- CommBank Green Loan - Make Your Home Sustainable**: 0.99% p.a. 10 Year Fixed Rate & Comparison Rate. Comparison Rate Warning In Link. Make Your Home Energy Efficient With A CommBank Green Loan. Borrow \$5K to \$20K. Apply... Home Loans For Real Life · Self-Employed Home Loans · Everyday Offset Account
- Green Home Loan - loans.com.au**: Pre-qualify for a home loan in 2 minutes. Enjoy low rates and no ongoing fees. Check out our super-low rates and fast track your application. Start now! SMSF Refinance Loans · Home Loan Pre Approval · Investment Property Loans
- Compare Green Loans: Go green and save big | Finder**: Finder® Helps Compare Personal Loans For Australians. Find The Right Loan For You Today. Find The Right Loan With Side By Side Comparisons. Find Better Personal Loans Deals Today! Personal Loans Australia. Top Personal Loans 2022.
- Great Value Loans From 2.12%* - Compare Loans Australia**: Find your ideal loan. * Home loan comparison rates from 2.12%. 80+ lenders, search now. Compare 100+ loans on one page. The fast & easy way to compare & save with Mzoo.

The organic search results include:

- CommBank Green Loan**: CommBank Green Loan is a 10-year secured fixed rate loan designed for eligible home loan customers to buy and install clean energy products such as solar...
- What Are Green Loans? How Do They Compare? - Canstar**: A green loan is a type of credit offered by a financial institution to a customer on the basis that they use that money for something the lender considers to be ...

The "People also ask" section includes:

- How does a green loan work?
- Why do banks offer green loans?
- How can I get green loan?
- What is green term loan?
- What is a green loan Australia?

Additional search results include:

- Plenti Green Loans | Go Green and Save with a Low Rate**: ★★★★★ Rating: 4.7 - 5,319 reviews
- Green Loans Sydney & Central Coast**: An unsecured loan for environmentally friendly products, like solar panels. Affordable. Borrow from as little as \$1,000 with loan terms from 1-10 years.
- Compare Green Loans: Go green and save big - Finder**: 8 days ago — You can make sustainable choices for the planet and your wallet with a green loan. Compare loans for solar power, electric vehicles and more. How much do green loans cost? · How can I compare green loans?
- Low Rate Green Loans - SocietyOne**: A green loan can be used for any environmentally positive or purchases that can increase energy efficiency around your home. These can often help you reduce ... ★★★★★ Rating: 4.8 - 1,722 reviews
- Green loan for solar panel installs & energy efficient products**: Finance amount: \$1,000 - \$30,000 · Eligible products: Solar

Some approximate turnovers

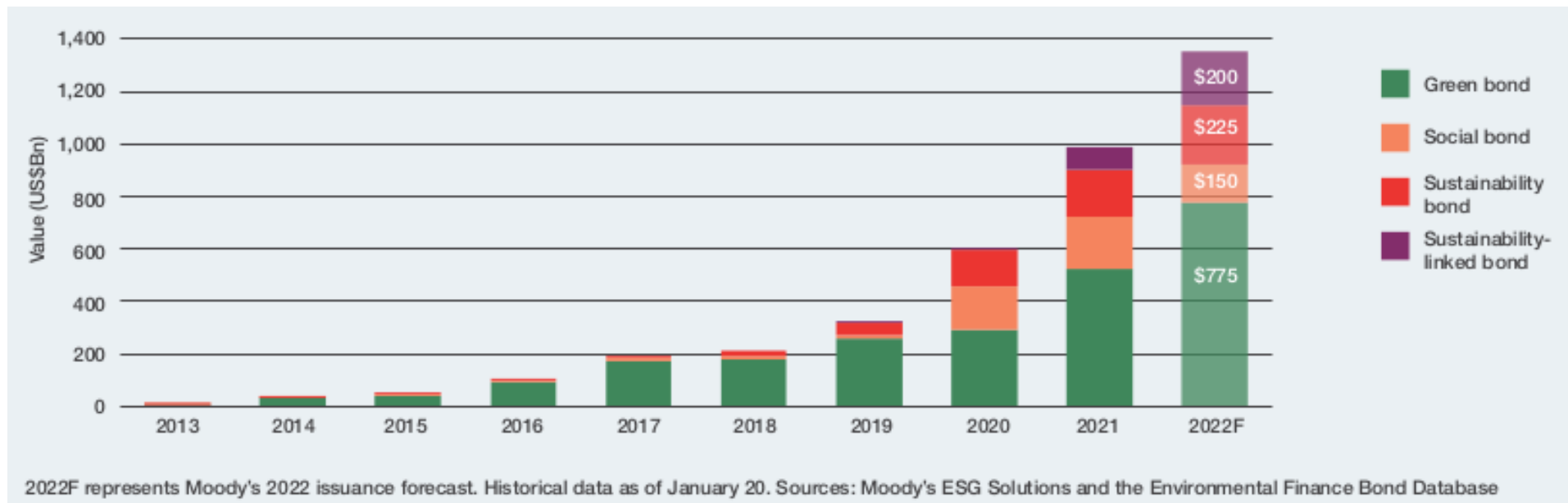
- **NSW BOS (21/22) - \$100M (almost entirely compliance)**
- **ACCU the total value of the secondary market (excluding ERF deliveries) - approximately \$150 million over 2021**
- **LGC Market (21/22 validated, at (say) \$50) – approx \$1.5B**
- **Australian Green Bond Issuance (22 YTD) – approx \$4.6B (\$6B full year) (*)**
 - The largest single use of funds being renewable energy infrastructure, along with funding of rail infrastructure.
- **Global Green Bond Issuance (22F) - \$850B**
 - (+500B Social/other bonds) (**)

(*) <https://www.bloomberg.com/news/articles/2022-08-20/climate-action-to-spur-australian-green-bonds-to-record-year>

(**) Environmental Finance Magazine, Biodiversity Insight 2021.

Green Bonds (and near variations)

This has been (volume wise) the most active area.
(However the definitions are stretched)



Environmental themes

Clean energy;

Green mobility;

Green buildings and industry;

Circular economy;

Sustainable water and oceans; and

Sustainable agriculture and land ecosystems.

Market this year proving harder to transact for ESG/Natural Capital themed funds...

2022 commenced with a number of new entrant funds (and established players) attempting to launch.

Several seemed to offer a “co-optimisation” model.

- Raises interesting questions about assumed valuations on the various possible revenue streams.
- Absent liquid markets, valuations are inherently subjective.
- Wide range of “product” in the markets, which can be blended in a wide range of ways....

Natural capital opportunities 'few and far between'

Channels: IMPACT, Investment, Natural Capital

Companies: Jupiter

People: Jon Wallace, Noelle Guo

03 October 2022



Unearthing nature-related investments in innovative areas is challenging but could boost Jupiter's Green Investment Trust, its managers tell **Genevieve Redgrave**

Unearthing investable opportunities in natural capital remains a challenge, according to the managers of an environment-themed investment trust, despite the strategy's changed focus to target smaller companies.

"It's still a challenge," Jon Wallace, portfolio manager of the London-listed Jupiter Green Investment Trust tells Environmental Finance. "If we think about meaningful positive and significant steps in terms of generating real change, it [natural capital investing] still feels very early stage compared to the significance of the challenge," he says.

The fund, which has £55 million (\$64 million) in assets, posted a negative return of 21.5%



'Aussie carbon credits heading for \$US100'



Larry Schlesinger
Reporter

May 1, 2022 - 4:00pm



Veteran fund manager Tim Samway has tipped Australian carbon credits to surge to US\$100 (\$14) a unit as his cattle station and carbon farming platform Packhorse Pastoral Company acquired its third property and kicked off a \$62 million equity-raising to fund further acquisitions.

"Everything that I have read, and in meetings I have held with institutional investors, tells me the carbon price will be \$US100 a unit in years to come, not \$US30." Mr Samway, chairman of \$10 billion fund manager Hyperion Asset Management, told *The Australian Financial Review*.



Hyperion Asset Management chairman Tim Samway sees cattle and carbon farming as a winning combination. Chris Effes

His comments follow the spot price of ACCUs, which nearly tripled last year to a high of \$57, **crashing 38 per cent in March to just \$29** after the federal government relaxed the rules governing its Emissions Reduction Fund, which allowed participants to flood the market with carbon offsets sought by corporate emitters.

But platform plays seem to be proceeding...

Xpansiv raises a further USD 400M (Aug 2022)

- Global carbon trading / environmental commodities platform (grew out of the H2Ox water trading platform)
- Busily making acquisitions of brokerages and other platform providers.

Aust Govt Carbon Exchange

- Ran RFP process which (according to public website) is now in evaluation stage. Public timeline anticipates contract finalisation in late 2022.

— Street Talk

Xpansiv investors green light Blackstone deal; BP in equity top-up

Anthony Macdonald, Sarah Thompson and Kanika Sood

Jul 28, 2022 - 1:00pm

Save Share

Xpansiv's investors have waved through its [US\\$400 million funding from Blackstone](#), which would allow the PE firm to become a sizeable shareholder down the line.

Equity investors and a few tranches of convertible note holders had until Wednesday to mail back approval forms on Blackstone's entry.

The carbon trading platform is understood to have rounded up the investor numbers to take the six-year term loan from Blackstone, to come good on its US\$300 million acquisition of commodity markets registry provider APX.



Xpansiv CEO Joe Madden's got its investors approval on the Blackstone deal. Peter DaSilva

Accounting and metric issues...

“You cannot control what you cannot measure”

Taskforce Nature Related Financial Disclosures

- **currently at v0.2 of framework for nature-related risk**
- <https://framework.tnfd.global/>

NSW Govt Statement of Intent on Natural Capital (and a slew of similar initiatives elsewhere)

- <https://www.environment.nsw.gov.au/research-and-publications/our-science-and-research/our-research/social-and-economic/natural-capital>