



The Future of Appalachia

Cumberland Forest Limited Partnership
Creating a world where people and nature thrive

Carl McGuinness
Director of Conservation

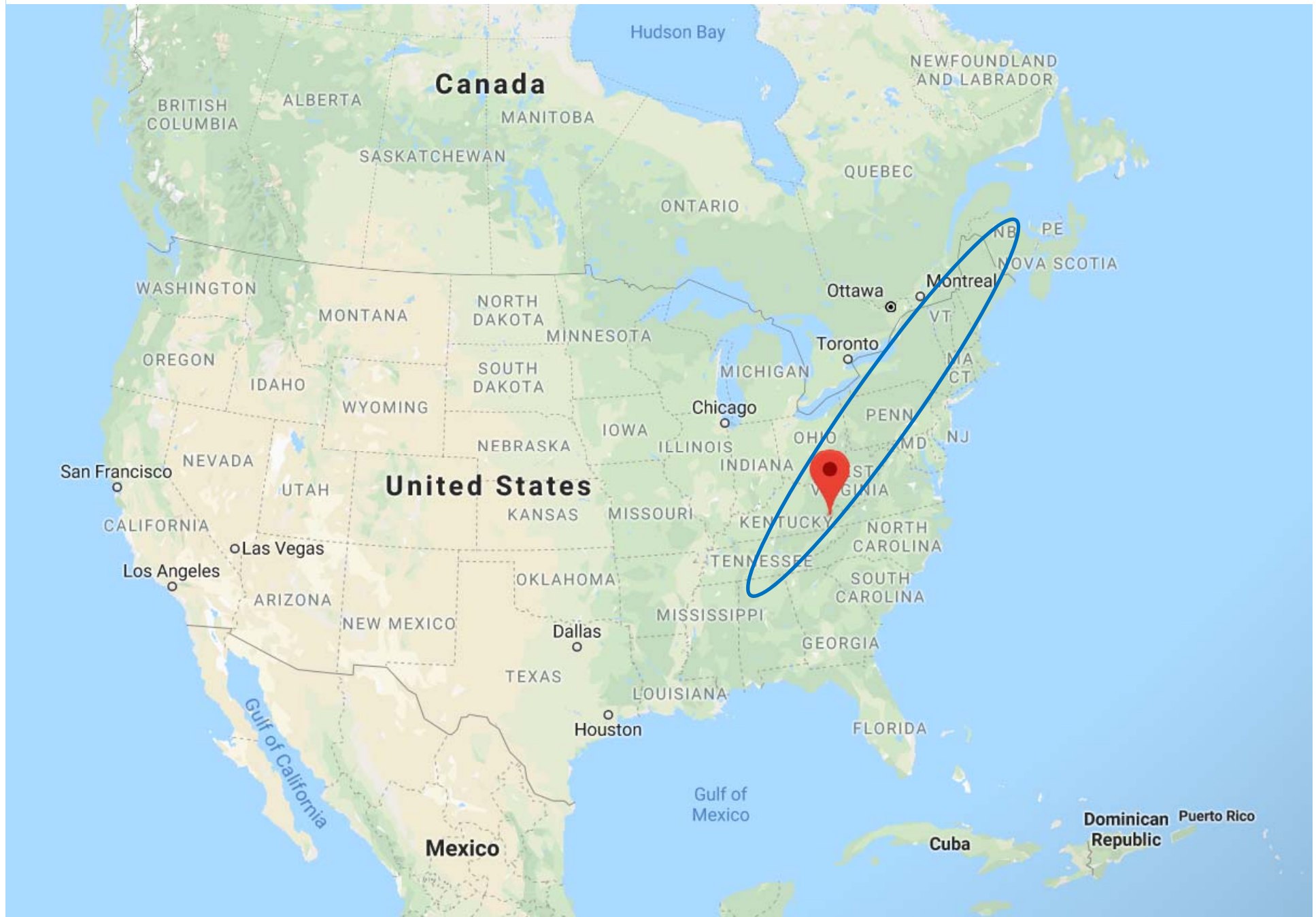
September 2019

© Kent Mason

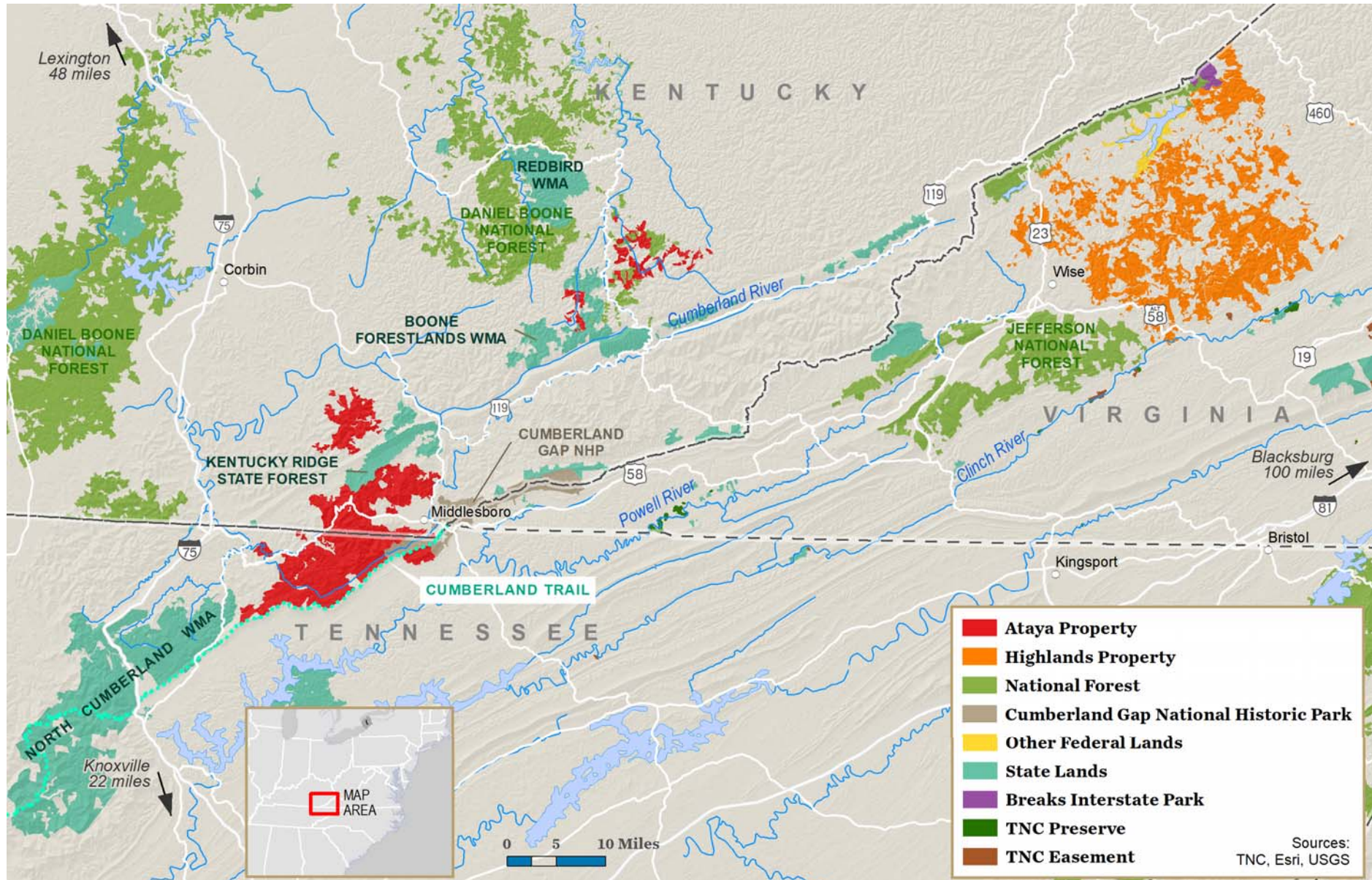
natureVest™

The Nature
Conservancy 

Where?



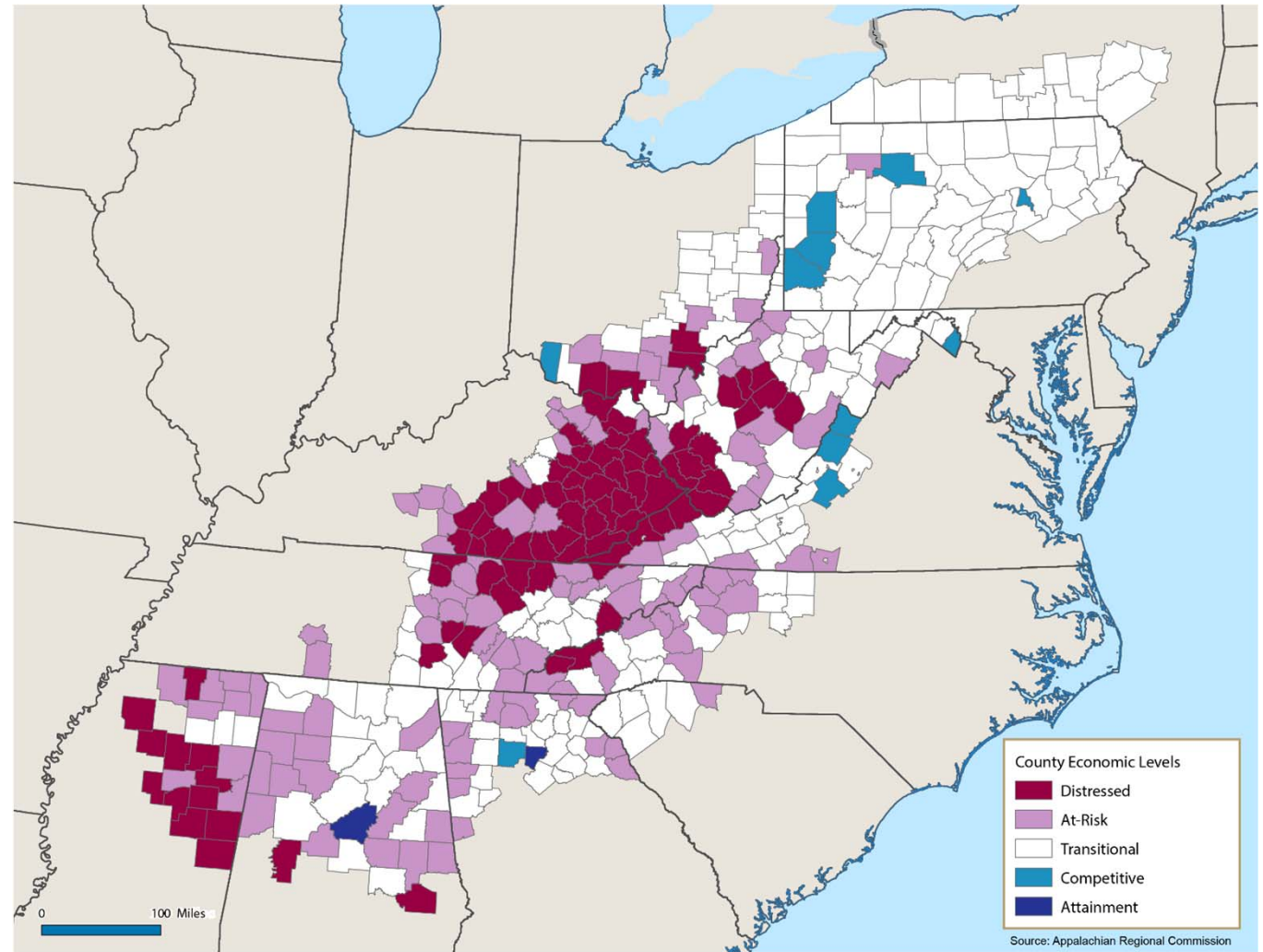
Ataya & Highlands Properties



The Problem

Appalachia is at a crossroads: its economy has been driven by coal, mining and extractive timbering for decades, making it a national symbol of environmental degradation.

Central Appalachia's economy has been dominated by extractive industries for a century, including many absentee owners who have taken wealth out of the region, contributing to the region's current economic distress.



The Opportunity

© Kent Mason



In the face of climate change and other threats to our natural resources, it's critical that we invest in resilient forests to protect our lands, water and air—and create a world where both people and nature can thrive.”

*Mark Tercek,
Immediate Past CEO of The Nature Conservancy*

Target Diversified Sources of Revenue and Returns



© Byron Jorjorian

Carbon

- » Enroll properties in California cap-and-trade carbon offset market.
- » Projected to yield 5M tCO₂e of offsets over 10 years. This represents \$70M+ in potential revenue.
- » Allows the Fund to pursue long-term forest management while still generating current income.

Timber

- » FSC-certified forestry in demand by timber markets and corporates.
- » Take long-term view to improve forest structure over time to yield large, high-value sawtimber.
- » Continued management aims to support local jobs and forest products economy.

Recreation

- » Existing relationships with state wildlife agencies could generate average of \$370K/yr in revenue.
- » Potential for community groups interested in new trails for hiking & off-road vehicles.
- » Elk re-introduction programs in the region have potential to drive eco-tourism economy.

Restoration

- » Supports new economic opportunities in restoration economy.
- » Stream and wetland mitigation potential on over 12,000 acres.
- » Solar farm potential on former surface mines.
- » Existing relationship with waste coal mining/stream restoration firm

Promote Positive Social Change and Economic Transition



Recreation

- » Travel related spending in southwest Virginia has grown by \$337 million since 2004¹.
- » TNC has existing recreational partnerships with local communities, allowing for public access to properties for recreational hunting, fishing, mountain biking, hiking, ATVs, etc.

Land Reuse

- » Target properties have more than 30,000 acres of former mined lands that can be restored.
- » Re-use of these lands may support new job opportunities in restoration economy.
- » Proposed RECLAIM Act could provide up to \$2 billion for restoration activities.

Clean Energy

- » Decline of coal production is fostering innovation and increasing interest in the development of renewable energy.
- » TNC has existing relationships with utilities and renewable energy developers, and is poised to pursue clean energy projects in suitable areas on the target properties.

Community Development

- » The Fund's intends to seed a community development fund, with a target of \$3-5 million contributed from mineral royalties.
- » Community fund aims to support projects and partners focused on economic diversification and human well-being, and leverage public economic development funds.

Cumberland Forest LP Targets Financial Returns & Positive Impact

Structure

- › Limited partnership fund
- › 10 year term
- › Acquired 103,000 hectares in the Central Appalachians for \$130 M USD
- › Targeting equity commitments of \$71.85 M from 28 investors and total debt of \$40 M, remainder (\$18.15M) coming from the first year of carbon credits
- › Debt included low-interest sources, including a programme-related investment from a foundation, and capital from the state of Virginia
- › Minimum investment amount of \$2M

Base Case Financials

- › Targeting 8-10% base case nominal IRR, net of all fees
- › Generating revenue through the sale of carbon credits, sustainable forestry, recreational leases and restoration projects
- › Ultimate disposition of the property will leverage The Nature Conservancy's network and experience working with state agencies and private conservation buyers

Impact

In addition to generating financial returns for investors, the Fund aims to

- › Mitigate climate change by sequestering 5.1 million metric tonnes of carbon dioxide over 10 years
- › Protect highly climate resilient habitat and critical migratory corridors through easement and fee sales of portions of the properties to public agencies
- › Encourage local economic diversification and growth through a Community Development Fund that would support nature-based businesses such as mine land restoration firms, renewable energy developers and eco-tourism companies
- › Restore streams impacted by historical mining activities and protect more than 500 miles of headwater streams as well as watersheds that provide drinking water for local communities
- › Demonstrate a new model of land management targeting long-term sustainability, restoration of land and water, and greater distribution of social benefits

Current state

- Capital raised to establish Fund (USD\$130m).
- Closed on both properties.
- First tranche of carbon credits sold at a price higher than original projections.



NZ Opportunities

- Potential opportunity in NZ for mixed model impact investments targeting carbon, honey, high value products (berries, nuts, organics), regenerative agriculture.
- Potential role for any financial investor who wants a return on their investment.
- Role for land managers who want to move to a new business model

Impact Investment – Considerations

Enabling conditions:

Demand pull – understand the drivers of this e.g. Existing or new regulation or market conditions or industry risk management

Utilise operating or supply chain partners with experience and resources

Ensure supportive government policy exists

Role of impact capital

Take early risk to prove the concept (philanthropy also plays this role)

Leverage philanthropy

Enable scaling of impact

Business Model

Must be economically feasible

Have a plausible exit strategy

Meet the quality/quantity needs of supply chain

Offer acceptable risk adjusted returns to investors



The Future of Appalachia

Cumberland Forest Limited Partnership
Creating a world where people and nature thrive

Thank You!

Carl McGuinness
Director of Conservation

September 2019

© Kent Mason

natureVest™

The Nature
Conservancy 