

PROJECT SUMMARY

REGIONAL

Improving the lives of vulnerable populations through value generated from Natural Assets and Ecosystem Services

(RG-T4129, RG-G1043)

The magnitude of financing required to address environmental and climate change challenges today is overwhelming, with required investments in trillions of dollars. Given these numbers, traditional public-led approaches to these challenges, such as those based on mandated regulation and tax policy, need to be complemented with market-based solutions which can mobilize private capital and crowd-in innovation. Most existing solutions still rely on a transfer of wealth (such as the case of “artificial” markets created through regulation). They have been limited by the amount of capital available, by private investors’ reluctance to rely on artificial markets, and have been subject to changes in political and regulatory will.

The Intrinsic Exchange Group (IEG) is pioneering an innovative new asset class based on Natural Asset Companies (NACs) – a new type of corporation that will hold the rights to the ecosystem services in a designated area. Ecosystem services are the valuable benefits nature provides, which include carbon sequestration, soil fertility, water purification, habitats for wildlife, and many others. IEG has partnered with the New York Stock Exchange (NYSE) to list NACs shares in the stock exchange. By accessing the scale of the capital markets, IEG NACs will be able to address the magnitude of the problem while creating financial value for asset owners and investors, as well as environmental and social benefits for local communities.

The capital generated from the public offerings will be used to invest in the underlying ecosystems with the purpose of conserving or restoring the land and supporting local communities (participative regeneration of ecosystems).

IEG with IDBG support is directly advising governments and companies in the structuring of projects that transition to Natural Asset Companies, to bring them to the public capital markets. Projects can be characterized as natural areas, protecting, and expanding existing conservation areas and intact land or sea scapes (including restoration of degraded areas), working areas, converting conventional agricultural production practices towards regenerative or hybrid areas integrating natural and working areas and built infrastructure in a single project to produce the most value within a proposed and diverse landscape.

The objective of this project is to structure Natural Asset Companies (NACs), which manage fixed and current natural assets, and enable their IPOs at the NYSE, mobilizing resources to benefit the local communities of the conservation areas under management and improve their environmental results.

The project’s direct beneficiaries are the communities neighboring or inhabiting the areas being managed by a NAC. The NAC structure is designed to compensate natural asset owners for protecting, preserving, and restoring healthy ecosystems. Once a NAC goes public, its direct beneficiaries can include governments, Indigenous Groups, and local communities including vulnerable populations. There is a requirement for all NACs to ensure the fair and equitable sharing of the benefits from the resources generated, with local communities. These will be shared in a manner consistent with the principles of good governance, including transparency, meaningful participation, and inclusion.

The preservation of natural capital is closely linked to action against climate change, one of the five critical pillars of the IDB Vision 2025.