

Creating Premium Returns for Forestry Investors through Ecosystem Markets

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About New Forests

- Forestry and eco products investment management company
- Headquartered in Sydney, with offices in Washington DC, San Francisco and a Southeast Asian office opening in 2008
- Currently manages \$150 million of sustainable forestry assets in the Asia-Pacific region.
- Additional commitments of over \$200 million for sustainable forestry
- Successfully raised \$100 million Eco Products Fund with Equator Environmental in 2007
- Staff have combined forestry, scientific, operations, environmental markets and investment management expertise

Forests – A Natural Infrastructure Asset Class?

- Forests are at the intersection of solutions to three major environmental and economic issues: climate change, biodiversity loss, and water management
- Weight of the global economy on the remaining ecosystems of the planet will lead to greater pricing of forest ecosystem services
- Investors seeking exposure to high-growth emerging markets and trends in sustainability should consider a new style of investment in forests, considering both timber and the new ecosystem-based assets (“eco products”)

New Forests' Business Models

- Timber plus
 - Timber as a core return with environmental and ecosystem revenue streams as upside
- Eco products
 - Investment returns derived solely from ecosystem services

Timber plus Case Study: Tarrangower, NSW, Australia

- 8500-hectare former cattle property in New South Wales
- Reforestation with Eucalypt for both timber market and conservation
- Will generate carbon credits for regulated NSW carbon scheme and likely for emerging Australian ETS
- AU\$1M payment from government for biodiversity enhancement
- 100M liters of water rights associated with property



*My colleague Keith Lamb out in the field
with a seedling.*

Eco products Case Study: Sabah Wildlife Conservation Bank, Malaysia, Borneo

- 34,000-hectar Malua forest reserve at the frontier between primary rainforest and oil palm
- Area has high biodiversity value – orangutans, rhinos, elephants, sun bear, birds, and other endemic species
- New Forests' clients will invest \$10M for forests rehabilitation and biodiversity enhancement of Malua
- Returns generated by sale of biodiversity credits to palm oil supply chain and biodiversity investors
- MOU signed with government of Sabah in November 2007 to create business and management plans



Source: www.solcomhouse.com

Eco products Case Study: The Eco Products Fund

- US\$100 million private equity fund co-managed between New Forests and Equator Environmental, launched in 2008
- Premised on long-term growth prospects for ecosystem services markets
- Fund will invest in suite of environmental credit positions associated with carbon, biodiversity, and water

Trends in Biodiversity Investment

- Forest and land assets have ecosystem-based option values
- Options are increasingly being exercised
 - Carbon offsets in both regulated and voluntary markets
 - Wetlands, stream, and conservation banking
 - Government and private sector payments for biodiversity enhancement
 - Water quantity, water quality, and nutrient trading
- Institutional investors with medium- to long-term investment horizon will increasingly seek exposure to this alternative asset class



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