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Evropská investiční banka
Den Europæiske Investeringsbank
Europäische Investitionsbank
Euroopa Investeeringuspank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
Banca europea per gli investimenti
Eiropas Investīciju banka

Ref. Ares(2016)2765310 - 01/07/2015

Europos investicijų bankas
Evropská investiční banka
Bank Ewropew to' i-Investiment
Europese Investeringsbank
Europejski Bank Inwestycyjny
Banco Europeu de Investimento
Banca Europeană de Investiții
Európska Investičná banka
Evrópska Investicjiska banka
Euroopan Investointipankki
Europelska Investeringsbanken

STRICTLY CONFIDENTIAL

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Copied to
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Directorate C – Mainstreaming Adaptation & Low Carbon Technology
Unit C3 – Adaptation
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Luxembourg, 18 June 2015

Our ref. Ops/NPST-3/CCE/KM/fu

Dear [REDACTED]

Thank you for your reply to the eligibility checklist for the Irish Sustainable Forest Fund operation ("Fund") under the Natural Capital Finance Facility. Please find below our responses to your requests for clarification. As this is the first practical implementation of this part of the Delegation Agreement we would also like to clarify the context and principles underlying this consultation on eligibility as set out in article 6.5.

Please be assured that we share your aim of selecting solid projects with a strong contribution to the LIFE objectives.

Context and scope of the eligibility checklist

The eligibility checklist is undertaken at a very early stage of the project cycle prior to full appraisal. The purpose is to ascertain that there is an in principle agreement between the EIB and the EU Commission that the project, based on the information available and subject to completion of a full appraisal, would meet the eligibility criteria. The checklist is limited to a subsection of eligibility criteria as set out in Annex 1c.

Once a positive response is obtained on the eligibility checklist for a project, the EIB would launch the full appraisal process of all aspects of the project including but not limited to the full range of eligibility criteria and as part of this process EIB will complete the scoring in line with Article 5 of Annex 1.

The early screening in terms of the eligibility check prior to full appraisal is nonetheless important to have in order to be more efficient both in terms of time and resources as the EIB appraisal process typically takes 4-6 months. This also avoids promoters of potential projects spending too much time and raising expectations for projects that are unlikely to be eligible. Though clearly there is engagement with the promoters at this early stage, it is much less than the significant investment in time that they will make once the full due diligence process is launched.

A positive response to an eligibility checklist enables the full appraisal to go ahead. Should the EIB find, following a full appraisal, that the agreed eligibility criteria will not be met by the project, the project will not receive funding under the NCFF.



We value your guidance and comments as these will inform our due diligence process. For this project, we will particularly ensure that negative impacts on other policies to foster biodiversity in and around forests are excluded, that it is aligned with Action 12 of the Biodiversity Strategy 2020 and coherent with the provisions on forestry in relevant Regulations.

Items for which clarification is only possible after full appraisal – i.e. after the eligibility checklist

The demonstration value of the project we expect will be based on expanding CCF in Ireland beyond the small scale public funded projects to a wider area in privately managed forests. We note your requirement for further clarification. EIB will obtain clarification to substantiate the demonstration value during the due diligence process.

Actual contributions to the objectives in the LIFE Regulation as you correctly mention would only occur after the investments are made. The assessment of this and the business model of the fund will be undertaken by EIB during the appraisal process. Actual performance will form part of the monitoring and reporting requirements.

EIB notes the specific State Aid scheme for Ireland mentioned in your letter. The EIB will verify during the project's due diligence whether the Promoter has applied for or received any direct or indirect aid for the project.

Clarifications

Baseline indicators are typically set taking into account the current situation when full information is available, which means towards the end of the appraisal process. This is in line with your observation that precise indicators will be set at a later stage. These indicators will be set taking into account the guidance provided in your letter and to ensure that the operation could meet the relevant reporting requirements set out in Annex 6 of the Delegation Agreement.

At this early stage of the process what we do have is an estimate of the area of forest that would be put under more sustainable forest management of 2,400 hectares. This estimate is based on a total fund size of EUR [REDACTED]

The primary strategy of the Fund is to invest in existing forests that are 10-20 years old. It is however envisaged that there will be a certain amount of afforestation or reforestation, probably for 10% of the land portfolio.

EIB notes that NCFF support can be provided for investments in forests that apply CCF and introduce native broad leaf species. We further note that NCFF support should exclude investments in monoculture forests. Please note that in line with the Delegation Agreement, in the case of private equity funds, 60% of the Fund's investments must comply with the NCFF criteria.

Please find enclosed an updated eligibility checklist for the Irish Sustainable Forest Fund. We look forward to your response and a continued co-operation ensuring the successful roll out of the NCFF.

Yours faithfully,

EUROPEAN INVESTMENT BANK

[REDACTED]

[REDACTED]

Enclosed: Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Revised - 18 June 2015

Project name	Irish Sustainable Forestry Fund
Summary of the Indirect Operation	<p>This indirect operation consists of an equity participation in a new investment fund to be established with a target size of [REDACTED]. NCF is asked to participate for an amount of EUR [REDACTED] and in any case not exceeding 33% of the total fund.</p> <p>The strategy of the fund is to invest in circa 4,000 ha of mid-aged forest stands and improve their management either through implementing Continuous Coverage Forestry (target 60-75%) or through more sustainable methods than at present. In addition, there will be a certain amount of afforestation or reforestation, estimated to represent 10% of the land portfolio of the fund.</p> <p>Targeted forest stands are mainly non-native Sitka Spruce currently unmanaged and then clear felled after 30-40 years. These types of stands are typical for the privately owned Irish forests that have resulted from afforestation programmes since the 1980's.</p> <p>Conversion to Continuous Coverage Forestry (CCF) will involve the thinning out of existing stands allowing space for introducing other tree species, mainly native broad leaf, which over time could make up 25% of the forest.</p>
Summary of type and categories of projects to be supported	Green Infrastructure
Member state where the financial intermediary is located.	Ireland
Member state where the project is located.	Ireland
Measures to ensure conformity with the Life Regulation Objectives	<p>Forests host a huge share of biodiversity and play a crucial role in the regulation of climate change and the water cycle and provide many other ecosystems services and renewable products. The role of forest as key repository of biodiversity and the central role they play in the functioning of the biosphere have been recognised in the EU Biodiversity Strategy.</p> <p>Much of the project involves replacing existing full fell management of monoculture forests with Continuous Cover Forestry. This conversion will reduce fragmentation (and ensure larger forest areas to support viable populations of wildlife) and degradation for many sensitive loss of habitats and species. Periodic, lower intensity harvesting will avoid the damaging impacts of clear felling on soils and water. Mixed species and ages forest support higher biodiversity, have less compacted soils and are more resilient to disease thereby ensuring the sustainability of woodland habitats and resources. Uneven-aged stand as are more wind firm than even-aged stands, reducing vulnerability to storms. Continuous Cover Forestry management is relatively new in Ireland, covering 1% of the forests and has not been extensively used for conifer forests.</p> <p>Specific baseline indicators will be set at a later stage. The current available indicator is that approximately 2,400 hectares of forests will be managed under Continuous Cover Forestry. Investments of the fund eligible for NCF support will be determined during appraisal. Eligible investments are likely to include CCF managed forests as well as afforestation and reforestation projects. Forests that will continue to remain as monoculture forests without CCF will be not be eligible for NCF support.</p>

Measures to ensure additionality of NCFF	The proposed investment size is much smaller than the typical investment size that EIB would look at without the NCFF guarantee. It is a new fund management team with a new method for sustainable forest management for Ireland. This also means it is riskier than investments EIB typically would undertake without the NCFF guarantee.
Compliance with concentration rule	Maximum guarantee under the Investment Facility available for any Member State is EUR [REDACTED]. This is the first proposed project for Ireland. For an investment amount of EUR [REDACTED] the expected guarantee available for this project is [REDACTED] of the investment amount or EUR [REDACTED].
Measures and provisions to establish the innovative nature of projects that fall in the category "Innovative pro-biodiversity and adaptation business"	N/A
Sources of Funding	Co-investors in the fund are not yet known, but are likely to include domestic private and public institutional investors.

Annex: assessment under the relevant eligibility criteria

The present assessment follows the criteria set out in Annex 1c to the Delegation Agreement.

Measures and provisions to ensure conformity with the requirement to help achieving the LIFE Regulation objectives (point iv and v of subsection 1.3.2 of Annex 1a) including the relevant baseline indicators

Compliance with point iv of subsection 1.3.2

Thank you for the commitment in the reply that for this project, the EIB will particularly ensure that negative impacts on other policies to foster biodiversity in and around forests are excluded¹, that it is aligned with Action 12 of the Biodiversity Strategy 2020 and coherent with the provisions on forestry in relevant Regulations.

The reply takes note that investments in monoculture forests should be excluded and that NCFE support can be provided for investments in forests that apply CCF and introduce native broad leaf species. The wording of the revised eligibility checklist, however, is not entirely clear that, as a minimum, both measures have to apply to any eligible project.

I would like to remind you of the following request set out in the Commission's reply to the original eligibility checklist. For investments to fall under the category of green infrastructure, they should comply with (all elements of) the definition of green infrastructure as provided in section 1.3.2 of Annex 1a to the Delegation Agreement.² How will this be ensured?

The Commission's reply to the original eligibility checklist provided the following paragraph:

"The investment from the NCFE should not be used for investment projects that apply lower standards than those set out in the European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020³, also when projects do not benefit from State aid authorised pursuant to these Guidelines."

I would appreciate your confirmation and views on how to ensure this.

Compliance with point v of subsection 1.3.2

Nothing to add to the Commission's reply to the original eligibility checklist.

¹ Presumably, this also applies to the request that, when introducing other tree species, great care should be undertaken to ensure that no alien species with the potential to become invasive are introduced. Please let us know in case this presumption is incorrect.

² "GI is a strategically planned network of natural and semi-natural areas with other environmental features designed and managed to deliver a wide range of ecosystem services" (emphasis added).

³ OJ C 204, 1.7.2014, p. 1.

Relevant baseline indicators

Thank you for the commitment to set the indicators taking into account the guidance provided in the reply to the original checklist. We will come back to you as regards the precise definition of the indicators "use the number of forest data sets provided to the European Forest Data Centre (EFDAC)" and "areas put under sustainable forest management". Furthermore, as highlighted in the reply to the original checklist, I will contact you on the set of mandatory indicators for traditional LIFE projects as soon as they are finalised in order to discuss alignment between the different sets of indicators.

Measures and provisions to ensure compliance with the requirement of additionality (point c) of Section 2 of Annex 1a)

Nothing to add to the Commission's reply to the original eligibility checklist.

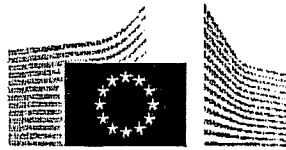
Source of financing: expected Contributions from the EIB, financial intermediary and other third parties

Nothing to add to the reply to the Commission's original eligibility checklist.

Further remarks

Thank you for clarifying that part of the project may concern afforestation and reforestation. The various references provided in the reply to the original checklist apply here as well.

As regards the demonstration value, the reply stipulates: "*the demonstration value of the project we expect will be based on expanding CCF in Ireland beyond the small scale public funded projects to a wider area in privately managed forests.*" This would address our concern only in part. State Aid schemes for the forestry sector typically set a threshold on the share of the costs that can be subsidised, with the remainder to be borne by the beneficiary. The latter may have a range of options for this, including loans or equity from banks or funds. Such financing seems, in principle, to be amply demonstrated, if not in Ireland, than elsewhere in the EU or globally. Also without the presence of State Aid, funds specialised in forestry may already have demonstrated the commercial attractiveness of investing in forestry, including in (some) measures to improve biodiversity in the forests concerned. Certification schemes may have contributed to this. In this context, how would the envisaged Operation differ from financing models that have already been demonstrated and what demonstration value would be expected? It seems important for the assessment in the further appraisal process to take into account the prevailing market conditions for forestry investment, notably the segment for certified forestry that applies measures to protect biodiversity.



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
ENVIRONMENT
Directorate B - Natural Capital
ENV.B.2 - Bio-diversity

Brussels,
ENV B2/ATS/fc Ares (2015)

[REDACTED]
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& Environment
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Ncf-instrument@eib.org

Subject: Reply to the Eligibility Checklist Irish Sustainable Forest Fund

Dear [REDACTED]

Thank you for your reply of 18 June and the attached revised eligibility checklist concerning the project Irish Sustainable Forest Fund. Please find below our further assessment in accordance with Article 6.5 of the Delegation Agreement.

Unfortunately, still a number of issues need to be clarified. These concern the minimum requirements for ensuring a contribution to the LIFE objectives (continuous cover forestry, exclusion of monocultures and the definition of green infrastructure) and the relevant indicators. Provided the issues mentioned in the annex are properly addressed, the project may be eligible as regards the above-mentioned criteria. Therefore, I invite you to submit a revised checklist for the Commission's approval.

The assessment also addresses the demonstration value, even though this may be resolved as part of the assessment under the selection criteria.

The present assessment is without prejudice to the potential subsequent assessment under the further eligibility criteria and the selection criteria laid down in Section 5 of Annex 1a to the Delegation Agreement.

[REDACTED]

Let me reiterate our openness to dedicating a section on forestry related projects in the guidance to be developed pursuant to Section 5 of Annex 1a to the Delegation Agreement.

I look forward to the further cooperation on the implementation of the NCFF.

Yours sincerely,

[Redacted signature]

[Redacted name]

Annex: assessment under the relevant eligibility criteria

c.c.: [Redacted list of recipients]

Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Revised - 18 June 2015

Project name	Irish Sustainable Forestry Fund
Summary of the Indirect Operation	<p>This Indirect operation consists of an equity participation in a new investment fund to be established with a target size of [REDACTED]. NCFE is asked to participate for an amount of [REDACTED], and in any case not exceeding 33% of the total fund.</p> <p>The strategy of the fund is to invest in circa 4,000 ha of mid-aged forest stands and improve their management either through implementing Continuous Coverage Forestry (target 60-75%) or through more sustainable methods than at present. In addition, there will be a certain amount of afforestation or reforestation, estimated to represent 10% of the land portfolio of the fund.</p> <p>Targeted forest stands are mainly non-native Sitka Spruce currently unmanaged and then clear felled after 30-40 years. These types of stands are typical for the privately owned Irish forests that have resulted from afforestation programmes since the 1980's.</p> <p>Conversion to Continuous Coverage Forestry (CCF) will involve the thinning out of existing stands allowing space for introducing other tree species, mainly native broad leaf, which over time could make up 25% of the forest.</p>
Summary of type and categories of projects to be supported	Green Infrastructure
Member state where the financial intermediary is located.	Ireland
Member state where the project is located.	Ireland
Measures to ensure conformity with the Life Regulation Objectives	<p>Forests host a huge share of biodiversity and play a crucial role in the regulation of climate change and the water cycle and provide many other ecosystem services and renewable products. The role of forest as key repository of biodiversity and the central role they play in the functioning of the biosphere have been recognised in the EU Biodiversity Strategy.</p> <p>Much of the project involves replacing existing full fell management of monoculture forests with Continuous Cover Forestry. This conversion will reduce fragmentation (and ensure larger forest areas to support viable populations of wildlife) and degradation for many sensitive loss of habitats and species. Periodic, lower intensity harvesting will avoid the damaging impacts of clear felling on soils and water. Mixed species and age forest support higher biodiversity, have less compacted soils and are more resilient to disease thereby ensuring the sustainability of woodland habitats and resources. Uneven-aged stand as are more wind firm than even-aged stands, reducing vulnerability to storms. Continuous Cover Forestry management is relatively new in Ireland, covering 1% of the forests and has not been extensively used for conifer forests.</p> <p>Specific baseline indicators will be set at a later stage. The current available indicator is that approximately 2,400 hectares of forests will be managed under Continuous Cover Forestry. Investments of the fund eligible for NCFE support will be determined during appraisal. Eligible investments are likely to include CCF managed forests as well as afforestation and reforestation projects. Forests that will continue to remain as monoculture forests without CCF will be not be eligible for NCFE support.</p>

Measures to ensure additionality of NCFF	The proposed investment size is much smaller than the typical investment size that EIB would look at without the NCFF guarantee. It is a new fund management team with a new method for sustainable forest management for Ireland. This also means it is riskier than investments EIB typically would undertake without the NCFF guarantee.
Compliance with concentration rule	Maximum guarantee under the Investment Facility available for any Member State is [REDACTED]. This is the first proposed project for Ireland. For an investment amount of EUR [REDACTED] the expected guarantee available for this project [REDACTED] of the investment amount or [REDACTED].
Measures and provisions to establish the innovative nature of projects that fall in the category "Innovative pro-biodiversity and adaptation business"	N/A
Sources of Funding	Co-investors in the fund are not yet known, but are likely to include domestic private and public institutional investors.

Ευρωπαϊκό επενδυτικό τραπεζικό ίδρυμα	Europejska inwestycyjna bank
Ευρωπαϊκή επενδυτική τράπεζα	Europäische Investitionsbank
Der Europäische Investitionsbank	Europejski Bank Inwestycyjny
Europäische Investitionsbank	Banca European de Investiții
Europejski Bank Inwestycyjny	Banca Europeană de Investiții
Ευρωπαϊκό Τραπεζικό Επενδυτικό Ίδρυμα	Europejska Inwestycyjna Bank
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Banca europea por gli investimenti	Europejska inwestycyjna bank
Europejska inwestycyjna bank	

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EXP BEI - EIB
003956 27. JUL 15

Subject: Eligibility Checklist "Irish Sustainable Forest Fund"

Luxembourg, 24 July 2015

Our ref. Ops/NPST-3/JR/mh

Dear [REDACTED]

Please find attached the revised Eligibility Check List for the Irish Sustainable Forest Fund and a response to the outstanding queries.

With regards to the first point regarding the operation meeting the minimum requirements for contribution to the LIFE Objectives, we would like to assure you that these (CCF, exclusion of monocultures and the definition of green infrastructure) will be part of the operational principles of the Fund.

This operation is expected to have an important *demonstration value* as it is intending to test the viability of an approach consisting of:

- developing small-size private equity funds as a vehicle to gather the interests of long-term investors in the forestry sector;
- optimising the management framework of fragmented and often poorly managed privately owned forests; and
- focusing on the provision of environmental benefits and enhancement of natural capital by applying a sustainable form of forest management - Continuous Cover Forestry (CCF).

To EIB knowledge, such an approach has not been demonstrated yet. The Bank will assess the demonstration effect and the potential for replication as part of the due diligence process. If successful, this operation has the potential to be repeated in several other EU Member States, as well as attracting private and institutional investors, given the importance of the forestry sector across the EU.

Please find our responses to your concerns raised in the **Annex** of your last letter dated 01/07/2015.



Measures and provisions to ensure conformity with the requirement to help achieving the LIFE Regulation objectives (point iv and v of subsection 1.3.2 of Annex 1a) including the relevant baseline indicators.

Compliance with point iv of subsection 1.3.2

As mentioned in your letter, we will require of the Fund Manager that, as part of the Fund's policies, negative impacts on other policies to foster biodiversity in and around forests will be excluded. This will include the exclusion of the introduction of invasive alien species.

The eligibility check list has been amended to clarify that the NCFF contribution will support CCF and introduce native broad leaf species.

The compliance with the definition of Green Infrastructure will be ensured during appraisal and by including the requisite conditions for the selection of investments by the Fund. Where applicable, the Fund will support greater connectivity (which will be conducive to natural regeneration) and increasing investments in CCF will contribute to improving ecosystem conditions through measures (such as naturalising measures), benefiting species or natural and semi-natural habitats. Given the focus on sustainable forestry management, the operation may also be included in the pro-biodiversity businesses category.

With regards to your further remark on the standards applied by the Fund, the EIB applies to its operations in the forestry sector investment guidelines that at least comply with the requirements of "sustainable forest management" standards³. As standard procedure, the EIB also verifies whether an investment does not contravene the State Aid rules.

Relevant Baseline indicators

Further to the relevant mandatory indicators set for traditional LIFE projects, indicators that may be applied to CCF will be the following. These will be firmed up at appraisal with the Fund Manager:

- Forest naturalness indicator (as defined by the EEA);
- Forest category, species distribution and age classification;
- Extent of hedgerows, scrubs and connecting corridors (area of natural and semi-natural terrestrial habits, aquatic zones and associated aquatic life and forest habitat, heathland or grassland associated with forest proportion of open space to total forest area);
- Biodiversity trends (evidence of biodiversity planning, areas of forest allocated for conservation, habitat maps).

Furthermore, the contribution of CCF to local direct and indirect employment will be a further indicator to monitor, as complex stand management will generally require more skilled personnel while CCF will generate economic value of secondary goods and services.

Further remarks

The operation is aiming to demonstrate that for countries where privately owned but fragmented forest estates are the centrepiece of their forestry sector, the choice of a fund structure managed by

Yours faithfully,

EUROPEAN INVESTMENT BANK

Enclosed: Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

³ i.e. the pan-European guidelines of FOREST EUROPE – see www.foreseurope.org/sfm_criteria

Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Project name	Irish Sustainable Forestry Fund
Summary of the Indirect Operation	<p>This indirect operation consists of an equity participation in a new Investment fund to be established with a target size of EUR [REDACTED] m. NCCF is asked to participate for an amount of up to EUR [REDACTED] and in any case not exceeding 33% of the total fund.</p> <p>The strategy of the Fund is to invest in circa 4,000 ha of mid-aged forest stands and improve their management either through implementing Continuous Coverage Forestry (CCF) with a target of 60-75% or through more sustainable methods than at present. In addition, there will be a certain amount of afforestation or reforestation, estimated to represent 10% of the land portfolio of the fund.</p> <p>Targeted forest stands are mainly non-native Sitka Spruce, currently unmanaged, and clear felled after 30-40 years. These types of stands are typical for the privately owned Irish forests that have resulted from afforestation programmes since the 1980's.</p> <p>Conversion to CCF will involve the thinning out of existing stands, allowing space for the introduction of other tree species, mainly native broad leaf, which over time could make up 25% of the forest.</p>
Summary of type and categories of projects to be supported	<p>The forests in which the Fund will invest pursuant to this operation, will be classified under Green Infrastructure. The NCCF-supported share of the investments will seek to improve habitat connectivity and CCF will be contributing to the improvement of ecosystem conditions through re-naturalising and CCF forest management measures, benefiting species and natural and semi-natural habitats. It may also be included in the pro-biodiversity businesses category, given the focus on sustainable forestry.</p>
Member state where the financial intermediary is located.	Ireland
Member state where the project is located.	Ireland
Measures to ensure conformity with the Life Regulation Objectives	<p>Forests host a huge share of biodiversity, play a crucial role in the regulation of climate change and the water cycle and provide many other ecosystems services and renewable products. The role of forests as key repository of biodiversity and the central role they play in the functioning of the biosphere have been recognised in the EU Biodiversity Strategy.</p> <p>Much of the project involves replacing existing full fell management of monoculture forests with CCF. This conversion will reduce fragmentation (and ensure larger forest areas to support viable populations of wildlife) and degradation for a large and sensitive loss of habitats and species. Periodic, lower intensity harvesting will avoid the damaging impacts of clear felling on soils and water. Forests of mixed species and ages support higher biodiversity, have less compacted soils and are more resilient to disease, thereby ensuring the sustainability of woodland habitats and resources. Unevenly aged stands are more wind firm than even-aged stands, reducing vulnerability to storms. CCF management is relatively new in Ireland, covering 1% of the forests and has not been extensively used for conifer forests.</p> <p>Though specific baseline indicators will be detailed at a later stage, some</p>

	<p>of the indicators, if applicable to the forest area that will be specifically looked at, are the following: forest category, species distribution and age classification; extent of hedgerows, scrubs and connecting corridors (area of natural and semi-natural terrestrial habits, aquatic zones and associated aquatic life and forest habitat, heathland or grassland associated with the proportion of open forest space to total forest area); biodiversity trends (evidence of biodiversity planning, areas of forest allocated for conservation, habitat maps). The current available indicator is that approximately 2,400 hectares of forests will be managed under CCF.</p> <p>Investments of the Fund eligible for NCFF support will be determined during appraisal. Eligible investments are likely to include CCF managed forests as well as afforestation and reforestation projects. Forests that will continue to remain as monoculture forests will not be eligible for NCFF support.</p>
Measures to ensure additionality of NCFF	<p>The proposed investment size is much smaller than the typical investment size that the EIB would look at without the NCFF guarantee. Although its individual members have the relevant years of experience in their respective specialties, it is a first time team undertaking a new sustainable forest management approach in Ireland. This also means it is riskier than investments the EIB would typically undertake without the NCFF guarantee.</p> <p>This operation is expected to have an important demonstration effect in testing the viability of small-size private equity funds focusing on sustainable forestry investments in the EU and applying an approach (CCF) which is expected to provide important environmental benefits and enhance natural capital. Thus, if successful, this operation has the potential to be replicated in several other EU Member States, also attracting private sector investors, given the importance of the forestry sector across the EU.</p>
Compliance with concentration rule	<p>Maximum guarantee under the Investment Facility available for any Member State is EUR [REDACTED]. This is the first proposed project for Ireland. For an investment amount of up to EUR [REDACTED] the expected guarantee available for this project, in line with the rules for fund investments, will be [REDACTED] of the investment amount or up to [REDACTED].</p>
Measures and provisions to establish the innovative nature of projects that fall in the category "innovative pro-biodiversity and adaptation business"	N/A
Sources of Funding	<p>For its operations in the forestry sector, the EIB applies investment guidelines that comply with the requirements of "sustainable forest management" standards. As standard procedure, the EIB also verifies that an investment does not contravene the State Aid rules. Based on that, while co-investors in the Fund are not yet known, they are likely to include domestic private and public institutional investors.</p>

Annex: assessment under the relevant eligibility criteria

The present assessment follows the criteria set out in Annex 1c to the Delegation Agreement.

Measures and provisions to ensure conformity with the requirement to help achieving the LIFE Regulation objectives (point iv and v of subsection 1.3.2 of Annex 1a) including the relevant baseline indicators

Compliance with point iv of subsection 1.3.2

Thank you for the commitment in the reply that for this project, the EIB will particularly ensure that negative impacts on other policies to foster biodiversity in and around forests are excluded¹, that it is aligned with Action 12 of the Biodiversity Strategy 2020 and coherent with the provisions on forestry in relevant Regulations.

The reply takes note that investments in monoculture forests should be excluded and that NCFE support can be provided for investments in forests that apply CCF and introduce native broad leaf species. The wording of the revised eligibility checklist, however, is not entirely clear that, as a minimum, both measures have to apply to any eligible project.

I would like to remind you of the following request set out in the Commission's reply to the original eligibility checklist. For investments to fall under the category of green infrastructure, they should comply with (all elements of) the definition of green infrastructure as provided in section 1.3.2 of Annex 1a to the Delegation Agreement.² How will this be ensured?

The Commission's reply to the original eligibility checklist provided the following paragraph:

"The investment from the NCFE should not be used for investment projects that apply lower standards than those set out in the European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020³, also when projects do not benefit from State aid authorised pursuant to these Guidelines."

I would appreciate your confirmation and views on how to ensure this.

Compliance with point v of subsection 1.3.2

Nothing to add to the Commission's reply to the original eligibility checklist.

¹ Presumably, this also applies to the request that, when introducing other tree species, great care should be undertaken to ensure that no alien species with the potential to become invasive are introduced. Please let us know in case this presumption is incorrect.

² "GI is a strategically planned network of natural and semi-natural areas with other environmental features designed and managed to deliver a wide range of ecosystem services" (emphasis added).

³ OJ C 204, 1.7.2014, p. 1.

Relevant baseline indicators

Thank you for the commitment to set the indicators taking into account the guidance provided in the reply to the original checklist. We will come back to you as regards the precise definition of the indicators "use the number of forest data sets provided to the European Forest Data Centre (EFDAC)" and "areas put under sustainable forest management". Furthermore, as highlighted in the reply to the original checklist, I will contact you on the set of mandatory indicators for traditional LIFE projects as soon as they are finalised in order to discuss alignment between the different sets of indicators.

Measures and provisions to ensure compliance with the requirement of additionality (point c) of Section 2 of Annex 1a)

Nothing to add to the Commission's reply to the original eligibility checklist.

Source of financing: expected Contributions from the EIB, financial intermediary and other third parties

Nothing to add to the reply to the Commission's original eligibility checklist.

Further remarks

Thank you for clarifying that part of the project may concern afforestation and reforestation. The various references provided in the reply to the original checklist apply here as well.

As regards the demonstration value, the reply stipulates: *"the demonstration value of the project we expect will be based on expanding CCF in Ireland beyond the small scale public funded projects to a wider area in privately managed forests."* This would address our concern only in part. State Aid schemes for the forestry sector typically set a threshold on the share of the costs that can be subsidised, with the remainder to be borne by the beneficiary. The latter may have a range of options for this, including loans or equity from banks or funds. Such financing seems, in principle, to be amply demonstrated, if not in Ireland, than elsewhere in the EU or globally. Also without the presence of State Aid, funds specialised in forestry may already have demonstrated the commercial attractiveness of investing in forestry, including in (some) measures to improve biodiversity in the forests concerned. Certification schemes may have contributed to this. In this context, how would the envisaged Operation differ from financing models that have already been demonstrated and what demonstration value would be expected? It seems important for the assessment in the further appraisal process to take into account the prevailing market conditions for forestry investment, notably the segment for certified forestry that applies measures to protect biodiversity.

Ευρωπαϊκή Ανάπτυξη και Ανάπτυξη
Ευρωπαϊκή Ανάπτυξη και Ανάπτυξη
Den Europæiske Investeringssk
Europäische Investitionsbank
Európai Investíciószerkeztetési
European Investment Bank
Banca Europeo de Investimentos
Banque européenne d'investissement
Banca europea per gli investimenti
Eiropas Investīciju banka
Eiropas investīciju banka
Európai Beruházási Bank
Bank Europeen tal Investment
Europese Investeringsbank
Europejski Bank Inwestycyjny
Banca Europeu de Investiminte
Banca Europeu de Investiții
Európska Investičná banka
Eiropaska Investīcijas banka
European investmentbank
Europejska investicingbank

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Directorate-General Environment
Directorate B-Natural Capital
Unit B2 – Biodiversity
European Commission
200 Rue de la Loi
B- 1049 Brussels
Belgium

ENV-CLIMA-NCFF@ec.europa.eu

Copied to
Directorate-General Climate action
Directorate C – Mainstreaming Adaptation & Low Carbon Technology
Unit C3 – Adaptation
Rue de la Loi 200 – B-1049 Brussels/Belgium

Subject: Eligibility Checklist "Rewilding Europe"

EXP BEI - EIB
003957 27.JUL 15

Luxembourg, 24 July 2015

Our ref. Ops

Dear

Please find attached the revised Eligibility Check List for the Rewilding Europe operation and a response to the outstanding queries.

We confirm that the Operation will be contributing to Target 2 of the EU Biodiversity Strategy.

The details and the types of restoration activities to be carried out cannot be ascertained at this point in time. However during appraisal, the EIB will confirm that the Intermediary has understood the EU priorities for the restoration of ecosystems (as included In your annex) and will be applying these principles and requirements in their assessment of any restoration activity.

Furthermore, in line with the EIB's requirement for intermediated operations, the Intermediary will be sending, prior to any allocation of funds, an allocation fiche with relevant information on each of the final beneficiaries for a non-objection from the EIB. In terms of the information provided, we will require data on restoration activities including relevant baseline indicators. On the basis of this information, the EIB will verify the compliance with the requirements and definitions of the NCFF.

Measures and provisions to ensure conformity with the requirement to help achieving the LIFE Regulation objectives (point iv and v of subsection 1.3.2 of Annex Ia) including the relevant baseline indicators.



Compliance with point iv of subsection 1.3.2

The Operation will have the restoration, conservation, management and enhancement of ecosystems and landscapes as main objectives particularly by (but not limited to) undertaking a number of compelling new opportunities offered by revitalising abandoned rural land. In our appraisal of the overall operation, we will take due consideration of the policy requirements with regards to restoration.

At this point in time the contribution to climate change adaptation is most likely indirect. The proper management of these ecosystems will increase their resilience to climate change and reduce soil degradation and erosion, certainly in the mountain areas.

Compliance with point v of subsection 1.3.2

See above.

Relevant Baseline Indicators

This type of operation will be using most of the mandatory baseline LIFE indicators. The Intermediary is aware of the indicators. These will be contractual obligations for the final beneficiary to report on. Furthermore as mentioned above, the Intermediary will be sending the allocation fiches to the EIB where the indicators will be included and reviewed by the EIB prior to its non-objection.

For project in the category “innovative pro-biodiversity and adaptation business”, measures and provisions to establish the innovative nature of the project

While the extent of the negative socio-economic and environmental impacts of rural abandonment is widely known, and while the 2020 EU Policy for restoration is very ambitious, specific development finance from institutional financiers (i.e. commercial and cooperative banks) is inexistent for this type of operation. The innovation in projects in the category "innovative pro-biodiversity and adaptation business" under this operation comes from the innovative financing model with a specialised central intermediary filling this financing gap for the businesses in the targeted areas.

Binding contractual arrangements will be signed between the Intermediary and the final loan recipients. These arrangements must comply with the EIB requirements and indicators. As mentioned the EIB will be providing its non-objection prior to the allocation of funds to the final beneficiary, based on pertinent information provided by the Intermediary.

Source of financing: expected contributions from the EIB, financial intermediary and other third parties

11

The Intermediary is fully aware that the maximum NCFF contribution to total project costs is 75%. It is ensuring that each new operation should be conducted such that, for the entire project, the cumulative contributions from the beneficiaries, the Intermediary and other third parties will comply with this condition. The Intermediary is already intending to firmly commit a minimum amount of EUR [REDACTED]

Yours faithfully,

EUROPEAN INVESTMENT BANK

[REDACTED]

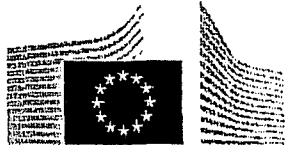
[REDACTED]

Enclosed: Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Project name	Rewilding Europe
Summary of the Indirect Operation	The proposal is for a loan of EUR [REDACTED] to a special purpose financial intermediary providing loans to pro-biodiversity businesses. The intermediary will be set up by a team with experience in lending to commercial conservation projects in Africa and more recently in Europe. The projects in Europe have been implemented with Rewilding Europe, a partnership initiated in 2011 by four renowned European conservation organisations.
Summary of type and categories of projects to be supported	Projects to be supported are likely to be pro-biodiversity businesses in ecotourism, natural product production and other areas generating revenues. Project categories likely are "Pro-biodiversity Businesses" and "Payment for Ecosystem Services" schemes.
Member state where the financial intermediary is located.	The financial intermediary is located in the Netherlands
Member state where the project is located.	The projects will be undertaken in several member states including Italy, Romania and Spain.
Measures to ensure conformity with the Life Regulation Objectives	<p>Long-term deforestation and overgrazing have eroded many landscapes. In addition rural abandonment has been contributing to a loss of grassland landscapes including a loss of its specific grassland biodiversity. The operation will seek to restore, maintain, manage and enhance this mosaic grassland landscape with its diverse vegetation and where this has already been degraded or lost, return those ecosystems to a state of ecological health and dynamic balance making them self-sustaining. With the restoration of healthy vegetation communities, further elements of ecosystem recovery can then take place and leading to an increased population of birds and small mammals. These operations may take place in Natura 2000 sites.</p> <p>This operation will be supporting Target 2 of the Biodiversity Strategy. The relevant baseline biodiversity/ecosystem LIFE indicators will be included in the contractual framework with the financial intermediary and the final recipients and will be reported on.</p>
Measures to ensure additionality of NCF	<p>The small loan size and high risk profile are beyond what the EIB would normally finance. The envisaged operation and each individual intermediated loan will require a longer payback period than the tenors commercially available to small businesses.</p> <p>This operation is expected to test the viability of applying financing instruments (i.e. loans for this operation) to pro-biodiversity business cases having positive effects on the restoration, management, preservation and enhancement of natural capital and for which there is a lack of specific finance from institutional financiers (i.e. commercial and cooperative banks). The operation could take place across the EU.</p>

Compliance with concentration rule	Maximum guarantee under the Investment Facility available for any Member State is E [REDACTED]. The guarantee for this transaction will be smaller than the loan amount of EUR [REDACTED] which is well within the geographical concentration limit.
Measures and provisions to establish the innovative nature of projects that fall in the category "innovative pro-biodiversity and adaptation business"	<p>Specific development finance from institutional financiers is in-existent for this type of operation. The innovation in projects in the category "innovative pro-biodiversity and adaptation business" under this operation comes from the innovative financing model with a specialised central financial intermediary filling the financing gap for these businesses in the targeted areas. These businesses are particularly identifying new sustainable models – based on conservation-driven contractual arrangements between the intermediary and the final loan recipients – by combining risky revenue-generating activities with the cycle of natural capital restoration in abandoned rural areas.</p> <p>What is innovative is the case being made to shift from a marginal subsidised-based agriculture to a local nature-based economy stimulated by this niche product developed in a sustainable way in recognition of sites and species.</p>
Sources of Funding	The intermediary is fully aware that the maximum NCF contribution to total project costs is 75%. It is ensuring that each new operation should be conducted such that, for the entire project, the cumulative contributions from the beneficiaries, the intermediary and other third parties will comply with this condition. The intermediary is already intending to firmly commit a minimum amount of EUR [REDACTED].



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
ENVIRONMENT
Directorate B - Natural Capital
ENV B.2 Biodiversity

Brussels,
ENV B2/ATS/fc Ares (2015)

[REDACTED]
Head of Division, Climate Change
& Environment
European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg

Ncf-instrument@eib.org

Subject: Reply to the Eligibility Checklist Irish Sustainable Forest Fund

Dear [REDACTED]

Thank you for your reply of 24 July and the attached revised eligibility checklist concerning the project Irish Sustainable Forest Fund. I am happy to confirm the eligibility of the potential operation under the criteria set out in the checklist.

The present assessment is without prejudice to the potential subsequent assessment under the further eligibility criteria and the selection criteria laid down in Section 5 of Annex 1a to the Delegation Agreement and we may wish to come back to you on some of the issues addressed in the exchanges on this potential operation, e.g. in the context of the guidance to be developed pursuant to Section 5 of Annex 1a to the Delegation Agreement.

I look forward to the further cooperation on the implementation of the NCFF.

Yours sincerely,

[REDACTED]

c.c.: [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Please find our responses to your concerns raised in the Annex of your last letter dated 01/07/2015.

Measures and provisions to ensure conformity with the requirement to help achieving the LIFE Regulation objectives (point iv and v of subsection 1.3.2 of Annex 1a) including the relevant baseline indicators.

Compliance with point iv of subsection 1.3.2

As mentioned in your letter, we will require of the Fund Manager that, as part of the Fund's policies, negative impacts on other policies to foster biodiversity in and around forests will be excluded. This will include the exclusion of the introduction of invasive alien species.

The eligibility check list has been amended to clarify that the NCFF contribution will support CCF and introduce native broad leaf species.

The compliance with the definition of Green Infrastructure will be ensured during appraisal and by including the requisite conditions for the selection of investments by the Fund. Where applicable, the Fund will support greater connectivity (which will be conducive to natural regeneration) and increasing investments in CCF will contribute to improving ecosystem conditions through measures (such as naturalising measures), benefiting species or natural and semi-natural habitats. Given the focus on sustainable forestry management, the operation may also be included in the pro-biodiversity businesses category.

With regards to your further remark on the standards applied by the Fund, the EIB applies to its operations in the forestry sector investment guidelines that at least comply with the requirements of "sustainable forest management" standards³. As standard procedure, the EIB also verifies whether an investment does not contravene the State Aid rules.

Relevant Baseline Indicators

Further to the relevant mandatory indicators set for traditional LIFE projects, indicators that may be applied to CCF will be the following. These will be firm up at appraisal with the Fund Manager:

- Forest naturalness indicator (as defined by the EEA);
- Forest category, species distribution and age classification;
- Extent of hedgerows, scrubs and connecting corridors (area of natural and semi-natural terrestrial habits, aquatic zones and associated aquatic life and forest habitat, heathland or grassland associated with forest proportion of open space to total forest area);
- Biodiversity trends (evidence of biodiversity planning, areas of forest allocated for conservation, habitat maps).

Furthermore, the contribution of CCF to local direct and indirect employment will be a further indicator to monitor, as complex stand management will generally require more skilled personnel while CCF will generate economic value of secondary goods and services.

Further remarks

The operation is aiming to demonstrate that for countries where privately owned but fragmented forest estates are the centrepiece of their forestry sector, the choice of a fund structure managed by

Yours faithfully,

EUROPEAN INVESTMENT BANK

Enclosed: Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

³ i.e. the pan-European guidelines of FOREST EUROPE – see www.foreseurope.org/sfm_criteria

Natural Capital Finance Facility - Eligibility Check List - Indirect Operation

Project name	Irish Sustainable Forestry Fund
Summary of the Indirect Operation	<p>This indirect operation consists of an equity participation in a new investment fund to be established with a target size of [REDACTED] m. NCCF is asked to participate for an amount of up to [REDACTED] and in any case not exceeding 33% of the total fund.</p> <p>The strategy of the Fund is to invest in circa 4,000 ha of mid-aged forest stands and improve their management either through implementing Continuous Coverage Forestry (CCF) with a target of 60-75% or through more sustainable methods than at present, in addition, there will be a certain amount of afforestation or reforestation, estimated to represent 10% of the land portfolio of the fund.</p> <p>Targeted forest stands are mainly non-native Sitka Spruce, currently unmanaged, and clear felled after 30-40 years. These types of stands are typical for the privately owned Irish forests that have resulted from afforestation programmes since the 1980's.</p> <p>Conversion to CCF will involve the thinning out of existing stands, allowing space for the introduction of other tree species, mainly native broad leaf, which over time could make up 25% of the forest.</p>
Summary of type and categories of projects to be supported	<p>The forests in which the Fund will invest pursuant to this operation, will be classified under Green Infrastructure. The NCCF-supported share of the investments will seek to improve habitat connectivity and CCF will be contributing to the improvement of ecosystem conditions through re-naturalising and CCF forest management measures, benefiting species and natural and semi-natural habitats. It may also be included in the pro-biodiversity businesses category, given the focus on sustainable forestry.</p>
Member state where the financial intermediary is located.	Ireland
Member state where the project is located.	Ireland
Measures to ensure conformity with the Life Regulation Objectives	<p>Forests host a huge share of biodiversity, play a crucial role in the regulation of climate change and the water cycle and provide many other ecosystems services and renewable products. The role of forests as key repository of biodiversity and the central role they play in the functioning of the biosphere have been recognised in the EU Biodiversity Strategy.</p> <p>Much of the project involves replacing existing full fell management of monoculture forests with CCF. This conversion will reduce fragmentation (and ensure larger forest areas to support viable populations of wildlife) and degradation for a large and sensitive loss of habitats and species. Periodic, lower intensity harvesting will avoid the damaging impacts of clear felling on soils and water. Forests of mixed species and ages support higher biodiversity, have less compacted soils and are more resilient to disease, thereby ensuring the sustainability of woodland habitats and resources. Unevenly aged stands are more wind firm than even-aged stands, reducing vulnerability to storms. CCF management is relatively new in Ireland, covering 1% of the forests and has not been extensively used for conifer forests.</p> <p>Though specific baseline indicators will be detailed at a later stage, some</p>

	<p>of the indicators, if applicable to the forest area that will be specifically looked at, are the following: forest category, species distribution and age classification; extent of hedgerows, scrubs and connecting corridors (area of natural and semi-natural terrestrial habits, aquatic zones and associated aquatic life and forest habitat, heathland or grassland associated with the proportion of open forest space to total forest area); biodiversity trends (evidence of biodiversity planning, areas of forest allocated for conservation, habitat maps). The current available indicator is that approximately 2,400 hectares of forests will be managed under CCF.</p> <p>Investments of the Fund eligible for NCFE support will be determined during appraisal. Eligible investments are likely to include CCF managed forests as well as afforestation and reforestation projects. Forests that will continue to remain as monoculture forests will not be eligible for NCFE support.</p>
Measures to ensure additionality of NCFE	<p>The proposed investment size is much smaller than the typical investment size that the EIB would look at without the NCFE guarantee. Although its individual members have the relevant years of experience in their respective specialties, it is a first time team undertaking a new sustainable forest management approach in Ireland. This also means it is riskier than investments the EIB would typically undertake without the NCFE guarantee.</p> <p>This operation is expected to have an important demonstration effect in testing the viability of small-size private equity funds focusing on sustainable forestry investments in the EU and applying an approach (CCF) which is expected to provide important environmental benefits and enhance natural capital. Thus, if successful, this operation has the potential to be replicated in several other EU Member States, also attracting private sector investors, given the importance of the forestry sector across the EU.</p>
Compliance with concentration rule	<p>Maximum guarantee under the Investment Facility available for any Member State is [REDACTED] n. This is the first proposed project for Ireland. For an investment amount of up to EU [REDACTED] the expected guarantee available for this project, in line with the rules for fund investments, will [REDACTED] of the investment amount or up to EUR 5.2 million.</p>
Measures and provisions to establish the innovative nature of projects that fall in the category "innovative pro-biodiversity and adaptation business"	N/A
Sources of Funding	<p>For its operations in the forestry sector, the EIB applies investment guidelines that comply with the requirements of "sustainable forest management" standards. As standard procedure, the EIB also verifies that an investment does not contravene the State Aid rules. Based on that, while co-investors in the Fund are not yet known, they are likely to include domestic private and public institutional investors.</p>



Natural Capital Finance Facility - Revised Eligibility Check List -26 August 2015 - Direct Operation

Project name	Naturalisation of the Orbigo River
Project category	Green Infrastructure contributing to ecosystem-based climate adaptation
Summary of the project	<p>The project aims to naturalise the river channel along a 26km long section in the middle of the [REDACTED]. This is the second stretch of the river which will be naturalised. It is foreseen that the third and final stretch will also be naturalised shortly after the successful completion of the second stretch.</p> <p>The project proposed for NCCF funding will lead to the restoration of the river connectivity with the floodplains and therefore the hydraulic capacity of the river in the event of flooding will be improved and the fluvial biotype will be expanded and improved. This will involve the complete removal of levees, the setting back of levees and the reconnection of 10km of secondary channels. Longitudinal connectivity will also be improved through fish ladders.</p> <p>From a socio-economic perspective there is a double justification for this project. On the one hand, the abandonment of land that has been occurring in the area favours a progressive substitution of herbaceous crops by forest crops, which in the case of riparian areas are fundamentally poplar plantations, perfectly compatible with flooding since they improve the input of silt and land irrigation. On the other hand, the authorities save on the construction and maintenance of costly water works to provide protection from floods, which almost have a higher cost than the economic value of what they protect. As a result of the project, it is expected that the natural riparian vegetation will be re-established. The impact of the project on existing poplar monoculture plantations will be assessed during the detailed appraisal.</p>
Member state where the project is located.	Spain
Amount of NCCF Funding	<p>Expected loan size of EUR [REDACTED] under the Investment Facility</p> <p>Support facility may be required. The amounts required will be determined during the project appraisal.</p>
Conformity with the Life Regulation Objectives	<p>The main objective of the renaturalisation process is to recover the stream space and therefore the capacity to attenuate floods of the floodplain, which have been systematically encroached upon and disconnected hydrologically from the stream. By achieving a greater infiltration rate and rate of recharge of the alluvial aquifer as well as achieving higher habitat diversity by recovering a series of areas adjacent to the stream such as secondary channels, side bars, oxbow wetlands will not only contribute to an increase in resilience to climate change, but will also contribute to improving the biodiversity associated to stream ecosystems as well as related ecosystems.</p>

	<p>A small section of the project covers a Natura 2000 site (1.5 km out of 26 km) and as a result of the project two riparian SCIs will be connected.</p> <p>Improvements are expected for all native species. Four of the species of greater importance potentially present the project area are the common otter (<i>Lutra lutra</i>), the desman (<i>Galemys pyrenaicus</i>), and two species of fish; <i>Achandrostoma arcasii</i>, and <i>Pseudochondrostoma duriense</i>.</p> <p>The project is therefore expected to contribute to target 2 and 5 of the Biodiversity Strategy.</p> <p><u>Baseline indicators</u> will include indicators for biodiversity, climate adaptation, societal and economic indicators and flood related indicators. At this stage have the following baseline indicators as regards the water/flood aspects of the project, which will be refined during the appraisal process:</p> <ul style="list-style-type: none"> ❖ Total area potentially affected: 220 ha of flood prone areas ❖ Water retention or reduction of water loss: 7hm³/year ❖ Hydro morphological pressure: <ul style="list-style-type: none"> ➢ Number of barriers - to be determined at appraisal ➢ km of levees removed or set back - 8.43 km of levee elimination and 2.67 km of levee setting back ➢ km where hydrological alterations are present - to be determined at appraisal ➢ Pressure directly expressed in cubic meters per second – to be determined at appraisal
Additionality of NCFE	Without the NCFE EIB would not finance a direct loan of this size. The cost savings generated by the project will repay the EIB loan. The savings are not estimated to be substantial enough yet to be able to support a commercial bank loan.
Compliance with concentration rule	Maximum guarantee under the Investment Facility available for any Member State is [REDACTED]. The expected guarantee available for this project will be smaller than the loan amount of EU [REDACTED] which is well within the geographical concentration limit.
Evidence of innovative nature of the project if in the category "Innovative pro-biodiversity and adaptation business"	N/A
Sources of Funding	EIB loan under NCFE of [REDACTED] with the balance of funds likely to come from the own resources [REDACTED] [REDACTED] the proposed borrower under the loan and the promoter of the project.



Европейска инвестиционна банка (2015-08-08)
Evropská investiční banka
Den Europæiske Investeringsbank
Europäische Investitionsbank
Euroopa Investeeringuspank
Eupwainkij Tpanca Enwduzw
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
An Banc Eorpach Infheistíochta
Evropská investiční banka
Banca europea per gli investimenti
Evropos investicijų bankas
Európai Beruházási Bank
Bank Europew tal-Investment
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Banco Europeu de Investiment
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Directorate B-Natural Capital
Unit B2 – Biodiversity
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B-1049 Brussels
Belgium

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Copied to
Directorate-General Climate action
Directorate C – Mainstreaming Adaptation & Low Carbon Technology
Unit C3 – Adaptation
Rue de la Loi 200 – B-1049 Brussels/Belgium

Luxembourg, 26 August 2015

Our ref. Ops/N

Dear

Thank you for your reply to the eligibility checklist for
under the Natural Capital Finance Facility. Please find below our responses to your requests for clarification.

Baseline indicators will, as you pointed out, include indicators for biodiversity, climate adaptation, societal and economic indicators and flood related indicators. We have the following baseline indicators as regards the water/flood aspects of the project, which will be refined during the appraisal process:

- ❖ Total area potentially affected: 220 ha of flood prone areas;
- ❖ Water retention or reduction of water loss: 7hm3/year;
- ❖ Hydro morphological pressure:
 - Number of barriers – to be determined at appraisal;
 - km of levees removed or set back - 8.43 km of levee elimination and 2.67 km of levee set back;
 - km where hydrological alterations are present - to be determined at appraisal;
 - Pressure directly expressed in cubic meters per second – to be determined at appraisal.

Further, we note additional indicators will be considered during appraisal, taking into account the table of indicators to be provided by the EU Commission. We note that this will include, but is not limited to, the cost in EUR of a reference flood event affecting the area identified.

Sources of financing are likely to come from NCFF for and the remaining EUR will come from The proposed borrower

Commercial financing has not yet been available for this type of project. Third party contributions are expected in terms of voluntary work done by NGOs in the monitoring of the project and help in finalising and updating studies relating to biodiversity. The aim is to attract commercial funding for the next project, the third and final stretch of the river.

As you noted, the project for the ecological and hydrological improvement of [REDACTED] is one of the projects foreseen in the Spanish Strategy for River restoration. The first stretch of the whole project of circa 24 km has already been implemented. This project proposal under NCFF concerns the second stretch. We take note of your concern with respect to the contribution of the LIFE objectives when considering the second stretch of river, without a clear perspective as to the completion of the third and final stretch. This will be carefully reviewed and evaluated during the appraisal process.

We note your conditions for the project to qualify as green infrastructure. Further, as you mention, we will also review the demonstration effect during appraisal.

Please find enclosed an updated eligibility checklist for the Naturalisation of the [REDACTED]

Rest assured that we share your aim of selecting solid projects with a strong contribution to the LIFE objectives. We look forward to your response and a continued co-operation ensuring the successful roll out of the NCFF.

Yours faithfully,

EUROPEAN INVESTMENT BANK

[REDACTED]

[REDACTED]

Enclosed: Natural Capital Finance Facility – Revised Eligibility Check List -26 August 2015 - Indirect Operation



Европейска инвестиционна банка
Evropská Investiční banka
Den Europæiske Investeringssbank
Europäische Investitionsbank
Euroopa Investeeringuspank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
An Banc Eorpach Infheistíochta
Europska investicijska banka
Banca europea per gli investimenti

Rel. Ares(2015)3250944-124/08/2015
Euroopa Investitjju banka
Europos investicijų bankas
Európai Beruházási Bank
Bank Ewropew tal-Investment
Europese Investeringsbank
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Banco Europeu de Investimento
Banca Europeană de Investiții
Európska Investičná banka
Evropska Investicijska banka
Euroopan Investintipankki
Europeiska Investeringsbanken

To:
European Commission
Directorate-General Environment
Directorate B – Natural Capital
Unit B2 - Biodiversity
Rue de la Loi 200 – B-1049 Brussels/Belgium
ENV-CLIMA-NCFF@ec.europa.eu

EXP BEI-EIB
B 003258 31 JUL 15

Luxembourg, 31 July 2015

OPS/NPST-3/2015-NCFF- [REDACTED]

Subject: Notification of Payment Estimates and Submission of Pipeline Report

Dear Sir, Madam,

We refer to **Article 9.6** of the Delegation Agreement dated 17 and 18 December 2014 signed between the EIB and the European Union, represented by the European Commission, for the NCFF.

Articles refer to the Delegation Agreement. Words and expressions defined in the Delegation Agreement and the FAFA shall have the same meaning when used in this notification.

Please find enclosed the pipeline reports for the current year referred to in **Article 14.3** of the Delegation Agreement as well as the disbursement forecasts for the current substantiated by the attached disbursement forecasts.

Yours sincerely,

EUROPEAN INVESTMENT BANK

[REDACTED]

[REDACTED]

Encl.

- Disbursement Forecasts – 31 July 2015
- Pipeline Reports – 31 July 2015

Cc: Directorate-General Climate Action, Directorate C – Mainstreaming Adaptation & Low Carbon Technology, Unit C-3 Adaptation, Rue de la Loi 200 – B-1049 Brussels, Belgium



**NCFF disbursement forecast for the Financial Instrument Account
(All amounts in EUR)**

Forecasts : Year 2015 updated 31 st July 2015				
	From 1 st of January to 30 th of June 2015	From 1 st of July to 31 st December 2015	2014	Total previous years
NCFF Investment Facility (IF)				
A. Forecast allocation as EU Contributions to the PFLP, of which:	0		N/R	N/R
a. Cash paid into the Financial Instrument Account in accordance with point [a, b, c] of Art. 9.7 allocated to IF			N/R	N/R
b. Amount guaranteed (A- a) ²	0		N/R	N/R
B. Forecast/actual losses	N/R	N/R	N/R	N/R
NCFF Support Facility (SF)				
Forecast allocations (signature of service contracts) ³	0		N/R	N/R
Cash paid into the Financial Instrument Account in accordance with point allocated to SF				
Forecast payments (to third party consultants)	N/R	N/R	N/R	N/R
Fees				
Administrative fee	0	0		N/R
Incentive fee	0	0	0	N/R
Exceptional unforeseen expenses	0		0	N/R
Minimum Reserve	0	0		N/R
Estimated Balance on the Financial Instrument Account				
Amount				N/R
Estimated amounts to be requested for payment				
Amount			0	N/R

¹ This amount has been paid to the account in 2015 H1.

² As no operation was signed in 2015 H1, the overall 2015 amount guaranteed figures are regrouped in the column "From 1st July to 31st December 2015".

³ As no operation was signed in 2015 H1, the overall 2015 forecasted figures for support facility are regrouped in the column "From 1st July to 31st December 2015".

⁴ An amount of EUR [redacted] has been paid to the account in 2015 H1.

⁵ EUR [redacted] for the Investment Facility and EUR [redacted] for the Support Facility.

Pipeline Report updated as of 31st July 2015
(all amounts in EUR)

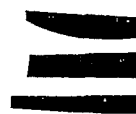
This Pipeline Report shall be provided to the Designated Services twice a year as provided for in **Article 14.3** of the Delegation Agreement. In the following list, two (2) projects have received so far a positive opinion from the EC Services in term of "Eligibility" and are disclosed. The rest of the pipeline has not been discussed formally between the EC Services and the EIB.

Indirect Loan Operations

Financial Intermediary	Total EIB Financing	-Total PFLP 2015 -Total Support Facility 2015	Total 3 rd Party Contribution (if relevant)	Project Category	Country of Establishment Of the Financial Intermediary	Geographical Focus of The Final Recipients	Stage of EIB's Deal Flow	Expected Date of Submission to EIB's Board
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	PBB, PES	The Netherlands	Several EU MS inc. Italy, Spain, Romania	Due Diligence	Nov. 2014
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	PBB	Poland	Poland	Long list	Dec. 2014

Direct Loan Operations

Final Recipient	Total EIB Financing	-Total PFLP 2015 -Total Support Facility 2015	Total 3 rd Party Contribution (if relevant)	Project Category	Country of Establishment Of the Final Recipient	Geographical Focus of The Final Recipient	Stage of EIB's Deal Flow	Expected Date of Submission to EIB's Board
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	GI, CC Adaptation	Spain	Spain	Long list	Nov. 2014
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	PBB, GI, PES, CC Adaptation	Spain	Spain	Long list	Nov. 2014
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	PES, GI	Finland	Finland	Long list	Dec. 2014



Investment in Equity Funds

Fund Manager	Total EIB Financing	-Total PFLP 2015 -Total Support Facility 2015	Total 3rd Party Contribution (if relevant)	Project Category	Country of Establishment Of the Financial Manager/Fund	Geographical Focus of The Final Recipients	Stage of EIB's Deal Flow	Expected Date of Submission to EIB's Board
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	GI, PBB	Ireland	Ireland	Due Diligence	Nov. 2014
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	PBB, GI	Luxembourg	Several EU MS	Long list	Dec. 2014

Conclusions:

Total PFLP for 2015 is foreseen at: EUR [REDACTED]

Total cash for Support Facility is foreseen at: EUR [REDACTED]



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
ENVIRONMENT
Directorate B - Natural Capital
ENV B.2 Biodiversity

Brussels, 28-08-2015
ENV B2/ATS/fb Ares (2015)

[REDACTED]
Head of Division,
Climate Change & Environment
European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg

Ncf-instrument@eib.org

Subject: Reply to the Eligibility Checklist [REDACTED]

Dear [REDACTED]

Thank you for your reply of 28 August and the attached revised eligibility checklist concerning the project [REDACTED]. I am happy to confirm the eligibility of the potential operation under the criteria set out in the checklist.

The present assessment is without prejudice to the potential subsequent assessment under the further eligibility criteria and the selection criteria laid down in Section 5 of Annex 1a to the Delegation Agreement and we may wish to come back to you on some of the issues addressed in the exchanges on this potential operation, e.g. in the context of the guidance to be developed pursuant to Section 5 of Annex 1a to the Delegation Agreement.

I look forward to further cooperation on the implementation of the NCFF.

[REDACTED]
Yours sincerely,

C.C.: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]



Evropská investiční banka	Evropska investicijų bankas
Den Europæiske Investeringsbank	Europal Beruházási Bank
Europäische Investitionsbank	Bank Europew tal-Investment
Euroopa Investeeringispank	Eurosepe Investeringssbank
Ευρωπαϊκή Τράπεζα Επενδύσεων	Europejski Bank Inwestycyjny
European Investment Bank	Banca Europeu de Investimento
Banco Europeo de Inversiones	Banca Europeână de Investiții
Banque européenne d'Investissement	Europska investičná banka
An Banc Eorpach Infheistíochta	Evropska investicijska banka
Europska Investicijska banka	Europaan Investoitoltpankki
Banca europea per gli investimenti	Europska Investeringssbanken

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Directorate C – Mainstreaming Adaptation & Low Carbon Technology
Unit C3 – Adaptation
Rue de la Loi 200 – B-1049 Brussels/Belgium

EXP BEI - EIB
004348 28.AUG 15

Luxembourg, 26 August 2015

Our ref. Ops/M

Deaf

Thank you for your reply to the eligibility checklist for [REDACTED] application under the Natural Capital Finance Facility. Please find below our responses to your requests for clarification.

Baseline indicators will, as you pointed out, include indicators for biodiversity, climate adaptation, societal and economic indicators and flood related indicators. We have the following baseline indicators as regards the water/flood aspects of the project, which will be refined during the appraisal process:

- ❖ Total area potentially affected: 220 ha of flood prone areas;
- ❖ Water retention or reduction of water loss: 7hm³/year;
- ❖ Hydro morphological pressure:
 - Number of barriers – to be determined at appraisal;
 - km of levees removed or set back - 8.43 km of levee elimination and 2.67 km of levee set back;
 - km where hydrological alterations are present - to be determined at appraisal;
 - Pressure directly expressed in cubic meters per second – to be determined at appraisal.

Further, we note additional indicators will be considered during appraisal, taking into account the table of indicators to be provided by the EU Commission. We note that this will include, but is not limited to, the cost in EUR of a reference flood event affecting the area identified.

Sources of financing are likely to come from NCFE for [REDACTED] and the remaining EUR [REDACTED] will come from [REDACTED]. The proposed borrower is [REDACTED].

Commercial financing has not yet been available for this type of project. Third party contributions are expected in terms of voluntary work done by NGOs in the monitoring of the project and help in finalising and updating studies relating to biodiversity. The aim is to attract commercial funding for the next project, the third and final stretch of the river.

As you noted, the project for the ecological and hydrological improvement of [REDACTED] is one of the projects foreseen in the Spanish Strategy for River restoration. The first stretch of the whole project of circa 24 km has already been implemented. This project proposal under NCFF concerns the second stretch. We take note of your concern with respect to the contribution of the LIFE objectives when considering the second stretch of river, without a clear perspective as to the completion of the third and final stretch. This will be carefully reviewed and evaluated during the appraisal process.

We note your conditions for the project to qualify as green infrastructure. Further, as you mention, we will also review the demonstration effect during appraisal.

Please find enclosed an updated eligibility checklist for [REDACTED]

Rest assured that we share your aim of selecting solid projects with a strong contribution to the LIFE objectives. We look forward to your response and a continued co-operation ensuring the successful roll out of the NCFF.

Yours faithfully,

EUROPEAN INVESTMENT BANK

[REDACTED]

[REDACTED]

Enclosed: Natural Capital Finance Facility – Revised Eligibility Check List -26 August 2015 - Indirect Operation



Natural Capital Finance Facility - Revised Eligibility Check List -26 August 2015 - Direct Operation

Project name	[REDACTED]
Project category	Green Infrastructure contributing to ecosystem-based climate adaptation
Summary of the project	<p>The project aims to naturalise the river channel along a 26km long section in the middle of [REDACTED]. This is the second stretch of the river which will be naturalised. It is foreseen that the third and final stretch will also be naturalised shortly after the successful completion of the second stretch.</p> <p>The project proposed for NCCF funding will lead to the restoration of the river connectivity with the floodplains and therefore the hydraulic capacity of the river in the event of flooding will be improved and the fluvial biotype will be expanded and improved. This will involve the complete removal of levees, the setting back of levees and the reconnection of 10km of secondary channels. Longitudinal connectivity will also be improved through fish ladders.</p> <p>From a socio-economic perspective there is a double justification for this project. On the one hand, the abandonment of land that has been occurring in the area favours a progressive substitution of herbaceous crops by forest crops, which in the case of riparian areas are fundamentally poplar plantations, perfectly compatible with flooding since they improve the input of silt and land irrigation. On the other hand, the authorities save on the construction and maintenance of costly water works to provide protection from floods, which almost have a higher cost than the economic value of what they protect. As a result of the project, it is expected that the natural riparian vegetation will be re-established. The impact of the project on existing poplar monoculture plantations will be assessed during the detailed appraisal.</p>
Member state where the project is located.	Spain
Amount of NCCF Funding	<p>Expected loan size of EUR [REDACTED] under the Investment Facility</p> <p>Support facility may be required. The amounts required will be determined during the project appraisal.</p>
Conformity with the Life Regulation Objectives	<p>The main objective of the renaturalisation process is to recover the stream space and therefore the capacity to attenuate floods of the floodplain, which have been systematically encroached upon and disconnected hydrologically from the stream. By achieving a greater infiltration rate and rate of recharge of the alluvial aquifer as well as achieving higher habitat diversity by recovering a series of areas adjacent to the stream such as secondary channels, side bars, oxbow wetlands will not only contribute to an increase in resilience to climate change, but will also contribute to improving the biodiversity associated to stream ecosystems as well as related ecosystems.</p>

	<p>A small section of the project covers a Natura 2000 site (1.5 km out of 26 km) and as a result of the project two riparian SCIs will be connected.</p> <p>Improvements are expected for all native species. Four of the species of greater importance potentially present the project area are the common otter (<i>Lutra lutra</i>), the desman (<i>Galemys pyrenaicus</i>), and two species of fish; <i>Achondrostoma arcasii</i>, and <i>Pseudochondrostoma duriense</i>.</p> <p>The project is therefore expected to contribute to target 2 and 5 of the Biodiversity Strategy.</p> <p><u>Baseline Indicators</u> will include indicators for biodiversity, climate adaptation, societal and economic indicators and flood related indicators. At this stage have the following baseline indicators as regards the water/flood aspects of the project, which will be refined during the appraisal process:</p> <ul style="list-style-type: none"> ❖ Total area potentially affected: 220 ha of flood prone areas ❖ Water retention or reduction of water loss: 7hm³/year ❖ Hydro morphological pressure: <ul style="list-style-type: none"> ➤ Number of barriers - to be determined at appraisal ➤ km of levees removed or set back - 8.43 km of levee elimination and 2.67 km of levee setting back ➤ km where hydrological alterations are present - to be determined at appraisal ➤ Pressure directly expressed in cubic meters per second - to be determined at appraisal
Additionality of NCFE	Without the NCFE EIB would not finance a direct loan of this size. The cost savings generated by the project will repay the EIB loan. The savings are not estimated to be substantial enough yet to be able to support a commercial bank loan.
Compliance with concentration rule	Maximum guarantee under the Investment Facility available for any Member State is [REDACTED] n. The expected guarantee available for this project will be smaller than the loan amount of [REDACTED], which is well within the geographical concentration limit.
Evidence of innovative nature of the project if in the category "innovative pro-biodiversity and adaptation business"	N/A
Sources of Funding	EIB loan under NCFE of [REDACTED] with the balance of funds likely to come from the own resources of [REDACTED] borrower under the loan and the promoter of the project.