Debt Conversions for Climate & Conservation

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THE NATURE CONSERVANCY TODAY
Our mission: to conserve the lands and waters on which all life depends

RESULTS

50M hectares of land and freshwater protected

113M hectares of ocean protected

GLOBAL REACH

72 countries and territories

OUR TEAM

400 scientists

4,000 conservationists

1,300 prominent volunteer leaders

A FAR REACHING ALUMNI NETWORK of leaders in the conservation community

OUR PARTNERS

Indigenous Peoples & Local Communities
Corporations
Policy Makers
Local Land Trusts
Non-Profits
Leading Universities
Health & Development Communities
TNC’s 2030 Goals for Oceans Are Ambitious yet Achievable

- **Climate/Sequestration:** 3Gt CO2e/yr
- **Climate/People:** 100M people
- **OCEANS:** 4B hectares
- **Freshwater/Rivers:** 1M km
- **Freshwater/Lakes & Wetlands:** 30M hectares
- **Land:** 650M hectares
- **People:** 45M people

**TNC GOALS**

- 390M ha of New Ocean Protection
- 4B ha of Improved Ocean Management
Blue Finance for Ocean Protection
Transforming Debt into Conservation Action

**Commitment**
Government commits ~30% of ocean area protection, TNC restructures debt

**Planning**
Stakeholder driven planning to design protecting ocean areas

**Conservation**
Conservation trust fund supports improved management, a healthier ocean, sustainable economic opportunities
1. A TNC vehicle (BIC) raises $364 million through a 20-year “Blue Bond” issuance with CS as placement agent

2. BIC purchases PRI from USDFC → Blue Bond obtains Aa2 rating from Moody’s

3. BIC loans $364 million to Belize for 20 years through Blue Loan to:
   - Retire $552 million of Superbond @ 55cents/dollar ($310 million)
   - Fund liquidity reserves to ensure resilience of the structure ($17 million)
   - Pre-fund a conservation endowment ($23.5 million)

4. Government signs a binding Conservation Funding Agreement with BIC:
   - Establishment of Conservation Fund in Belize → Broad representation in the Board
   - Belize commits to protecting 30% of its oceans following negotiated conservation roadmap
   - TNC leads a collaborative process to develop a comprehensive Marine Spatial Plan
   - $4 million per year to fund Conservation Fund grant projects over 20 years
   - $95 million endowment to be transferred after 20 years to fund the CF in perpetuity

5. TNC commits own resources:
   - $45 million between sub debt and investments for liquidity purposes in case of event of default
   - Support development of MSP, creation of Conservation Fund and a comprehensive monitoring program
Overall Structure

1. **The Nature Conservancy**
   - Full ownership, no recourse, sub debt to partially fund reserves
   - Conservation Payments

2. **BIC**
   - Equity Repayment, TNC Management Fee
   - CFA Payments, CFA
   - Blue Loan

3. **CS Securitization Vehicle**
   - Blue Bond Issued
   - Platinum Loan
   - Blue Loan Principal & Interest
   - Premiums, PRI Policy

4. **Blue Bond Holders**
   - Blue Bond Sold
   - Blue Bond Principal & Interest

5. **DFC (U.S. International Development Finance Corporation)**
   - Premiums
   - Tender Superbond

6. **Current Superbond Holders**
   - Agreements
   - Periodic Flows

7. **Conservation Fund**
   - Conservation Payments

8. **Belize**
   - CFA Payments
   - Blue Loan
   - Blue Loan Principal & Interest

9. **Belize Conservation Fund**
   - CFA
   - Blue Loan Principal & Interest

10. **Blue Loan**
    - Gold Loan

11. **Platinum Loan**
    - Platinum Loan Principal & Interest

12. **CFA Payments**
    - Gold Loan Principal & Interest

13. **TNC Management Fee**
    - Gold Loan Premiums

14. **Agreements**
    - Periodic Flows

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**Key Terms**
- **Blue Bond Sold**
- **Blue Bond Holders**
- **Blue Bond Principal & Interest**
- **Platinum Loan**
- **Platinum Loan Principal & Interest**
- **CFA Payments**
- **Current Superbond Holders**
- **Agreements**
- **Periodic Flows**
Conservation & Financial Outcomes

• $180 million towards marine conservation projects over the next 20 years
  • $4+ million per year ($85 million overall) of conservation payments → grants channelled through Conservation Fund
  • $95 million estimated endowment in 20 years to support conservation in perpetuity

• Restructuring of full external commercial debt
  • $190 million in commercial external face value debt written off ($552 million down to $364 million)
  • $450 million of debt service savings over the next 13 years ($200 million until 2040)
  • Reduction of debt to GDP ratio of more than 10 percentage points
  • Redirection of $85 million of hard currency external debt back into Belize’s Blue Economy through payments in BZD
  • Extension of final maturity from 2034 to 2040

• Parametric insurance (WTW/MunichRe) which promptly pays for one year of debt service if pre-defined weather events occur (no need of damage assessment, no mere deferral as per traditional hurricane clauses)

• Bottom line: significant conservation commitments & cash flows combined with net debt reductions
• S&P raised Belize’s credit rating from “selective default” to B- shortly after closing
Size of the Opportunity

PLACES WHERE BLUE FINANCE COULD WORK

- Argentina
- Brazil
- Peru
- Namibia
- Mauritius
- Mozambique
- Madagascar
- Ghana
- Senegal
- Chile
- Tuvalu
- Solomon Islands
- Micronesia
- Indonesia
- Cape Verde
- Senegal
- Ghana
- Gabon
- Angola
- Namibia
- Mozambique
- South Africa
- Kenya
- Maldives
- Sri Lanka
- Vietnam
- Fiji
- Maldives
- Kenya
- Tanzania
- Madagascar
- Indonesia
- Micronesia
- Solomon Islands
- Fiji

ACTIVE AND SCOPING

POTENTIAL