



CSFE investment fund and investors club

Through timber construction, there is a future in which forests can support cities and, in return, cities can support forests. As the global population increases, particularly in cities, the construction sector is expected to exponentially grow in order to accommodate the demand for housing and other infrastructure. Current construction techniques are a significant contributor to the global climate crisis and urgently need to be transformed. By substituting the carbon-intensive materials commonly used in construction with forest economy biomaterials, such as wood and bamboo which sequester carbon, we can create buildings with reduced carbon emissions. However, this timber construction industry is still in its nascency and there is a need to address its market gaps and leverage opportunities to accelerate its development and increase its uptake.

These interventions for the mass timber construction industry can be segmented into seven main categories of solutions that affect the value chain and enablers of the ecosystem. Through various internal and external discussions, Climate Smart Forest Economy Program (CSFEP) has categorized potential solutions as relating to i) Finance and insurance; ii) Product and process certifications; iii) Communication and awareness building; iv) Timber knowledge ecosystem; v) Forest management and timber policies; vi) Value chain linkages; and vii) Timber-based real estate. The proposed solutions can be executed as for-profit, philanthropic, or blended ventures, with the services developed as individual offerings or paired with complementary services in a single offering. Additionally, while some solutions may be set up as a free-standing entity, other solutions may be similar to services provided by existing actors in or adjacent to the CSFE sector. In the case of the latter, it may make sense to approach these existing providers as potential partners to find a suitable and effective home for needed services.

FINANCE AND INSURANCE

There are difficulties in aligning CSFE organizations to financial sources that could supply them with the capital they need. On the demand side, there are few channels available to CSFE actors to attract commercial investors. On the supply side, investors have limited knowledge and resources on how to identify new CSFE opportunities and few trusted mechanisms for vetting these potential investment targets. Investors interested in entering the CSFE sector have limited visibility on the sorts of requirements these companies are seeking, such as ticket size, timelines, etc. While investors already in the CSFE sector often lack a track record and historical data of their activities, which increases risk and makes the sector more challenging for new investors to navigate.

A CSFE investment fund would create a portfolio of CSFE companies pre-vetted for investment by commercial funders. The fund will create a portfolio of CSFE companies with commercial potential, either through acquisition, roll-up, or development. And attract investors to the portfolio by pitching the commercial and environmental returns of the portfolio as a whole.

In conjunction or separately, an investors club could create a networking and convening entity for current and prospective investors supporting CSFE businesses. The club would aim to:

- Provide resources and peer-learning opportunities for investors interested in learning about opportunities in the space
- Present opportunities for investment to interested investors
- Organize convenings to provide networking opportunities and forums to exchange lessons learned, as well as to hear from other nature-based solutions investors

There are already a number of multilateral and philanthropic climate financiers, and pooling their resources to more efficiently fund CSFE actors. Investors are increasingly looking for opportunities to inset, where organizations decrease their carbon by influencing their own internal practices as opposed to externalizing it through carbon offsetting. However, these organizations are often uncertain of where to invest. Through the discussions held by the CSFEP, investors were asking: which forest should they invest in and why; what does it mean if they're investing in a forest; are they investing in the people and community; are they buying the land or trees; can they sell the trees. A CSFE investment fund would provide a degree of separation between interested parties and the projects that need to be managed, such that organizations do not need their own fund manager and can seed into the industry with other actors to decrease risk. While the investors club would create a peer-to-peer network for investors to compare opportunities and to aggregate their resources within or outside of the fund. We have recognized that nobody's convening a platform or a place where investors can come together and compare notes about how to best participate in a CSFE.

In order to create this environment that eases the flow of finance between investors and CSFE actors, the following functions would be required from the CSFE investment fund and investors club:

CSFE investment fund

- Partner with relevant venture capital or private equity firms with interest, knowledge, and a track record of natural solutions-focused investment funds
- Develop the narrative and projections necessary to attract investors
- Build a portfolio of CSFE companies, representing all aspects of the 3S value chain

Investors club

- Host regular virtual gatherings around specific topics of interest to investors, including showcases and pitch events/competitions
- Develop a resource portal for investors and potential investors
- Host region-specific convenings to bring relevant stakeholders together and push the dialogue and learning forward
- Provide training and other knowledge-sharing sessions for investors

If you would like to know more, you can reach out to the [Green Climate Fund](#) and [Global Environmental Facility](#), and [NatureVest](#) (The Nature Conservancy).