

Financing and investment support

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 need to be better linkages between CSFE actors and the commercial and philanthropic funders looking for viable opportunities for investment in the CSFE industry. Forest economy producers and processors often struggle to access sustainable sources of funding for their operations and to communicate their value proposition to commercial investors. While timber construction actors have few mechanisms to mitigate risk for investors in order for them to invest in wood-based construction projects.

Creating a firm that provides financing and investment support would connect forest economy and timber construction actors to potential sources of commercial and philanthropic investment. This would support the development and scaling of the global forest economy market. Overall, the firm would aim to:

- Connect forest economy and wood-based construction actors to new sources of finance to sustain and scale their operations
- Support forest economy and wood-based construction actors in becoming investment-ready and attractive to investors
- Demonstrate the range of investment opportunities in the forest economy and wood-based construction sectors

There are few, if any, establishments that offer technical assistance and grants specifically to the CSFE. Actors often don't know where to get funding because the traditional banks aren't ready to provide finance to the nascent industry. And there's no database or place where actors are able to submit their proposals for review from commercial investors wanting to participate in the industry. The due diligence that is conducted by financial institutions and organizations is not adequately geared to assess the viability of timber construction projects. CSFEP has identified a gap in accessing finance for the mass timber

construction industry, even within the parameters of green finance. There is a need for more enabling capital for entrepreneurs in the industry.

In order to meet its objectives, the firm would need to provide investment preparedness services and connect interested investors with potential forest economy actors. This would include:

- Provide investment preparedness support for forest economy producers and processors: business plan development, growth strategy development, investment pitch preparation, investor roadshows, term sheet development, etc.
- Provide investment preparedness support for timber construction actors: risk mitigation support through navigating policy barriers, investment pitch preparation, investor roadshows, etc.
- Connect interested investors with potential forest economy and construction opportunities: plan and coordinate investment roadshows to bring together interested investors and high-potential targets

If you would like to know more, you can reach out to [FundsUP](#) and [InvestID](#).