

Pay for Success Environmental Restoration and Conservation

November 10, 2023

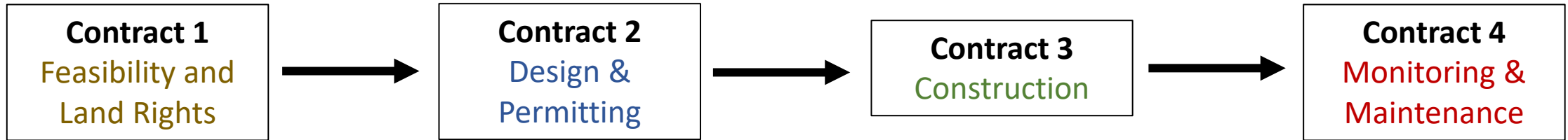


**Ecosystem
Investment
Partners**

Nick Dilks
Managing Partner

Traditional Delivery vs. Pay for Success Delivery

Traditional Design-bid-Build



Pay for Success Delivery

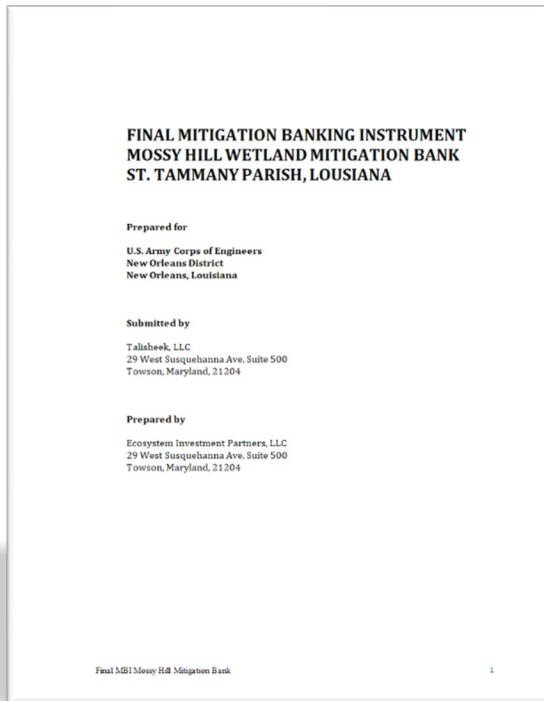


Table I - Credit Release Schedule for Riparian Buffer and Nutrient Offset Credits (excluding Stormwater BMPs)

Task	Project Milestone	% Credit Available for Sale
1	BPDP Approved by DWR, Conservation Easement Recorded* and Financial Assurance Posted	20
2	Mitigation Site Earthwork, Planting and Installation of Monitoring Devices Completed	20
3	Monitoring Financial Assurance Posted and Approval of As-Built Report	10
4	Monitoring Report #1: Approved by the DWR**	10
5	Monitoring Report #2: Approved by the DWR**	10
6	Monitoring Report #3: Approved by the DWR**	10
7	Item B (1) of Section IX in this Instrument has been completed and approved by DWR.	5
<i>No remaining credits will be released until Task 7 has been satisfied</i>		
8	Monitoring Report #4: Approved by the DWR**	5
9	Monitoring Report #5: Approved by the DWR** and final site visit by DWR has been conducted	10
Total		100%

* For specification, please see Section VIII in this Instrument

** DWR Approval provided upon a determination that the site is meeting success criteria contained within the approved BPDP

- One contract includes all aspects of project: land rights through monitoring
- Restoration Plan with Defined Success Criteria
- Meaningful portion of fee retained for post- construction success
- Robust Adaptive Management

Pay for Performance - Key Learnings

- Must have verifiable units of measure to be transacted
 - Focus on whether the cost of units delivered is “market”, not what the provider’s cost is
- Rigorous accountability
 - Clear set of definitions for success that everyone must live up to
- A desire for outcomes not just planning or effort
- Sometimes lowest cost isn't the main driver
 - Ex. If achieving a total *volume* of N reductions is the goal, sometimes the more expensive per pound project are the only way to get there.
- PFS is not a PPP
 - Pay for Success can (and usually does) drive cost down.
 - Public Private Partnerships (PPP) typically connote an additional cost for bringing in private capital



