

KEYNOTE INTERVIEW

Putting natural capital on the podium



James Bullen, Stephen Addicott and Bettina von Hagen explain how natural capital strategies can deliver value in practice

The logic of natural capital investing is clear to anyone with an interest in promoting the health of ecosystems. But how can investors combine environmental benefits with value creation?

To find out, we sat down with James Bullen, head of asset management at Climate Asset Management, Stephen Addicott, co-managing partner at Stafford Capital Partners, and Bettina von Hagen, CEO and board chair at EFM. The three firms received *Agri Investor's* Deal of the Year award for their Project Olympic Rainforest collaboration, which provides a case study in how managers can combine timber and carbon revenues as they seek to deliver better ecosystem outcomes.

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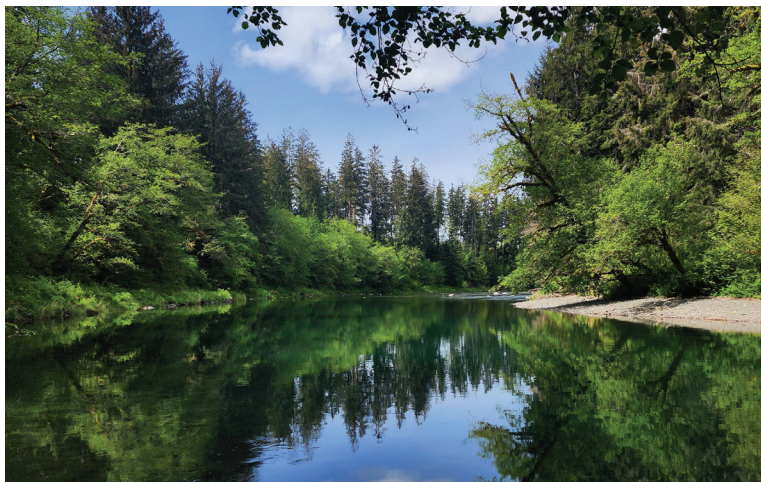
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Q How is LP sentiment towards natural capital investing evolving?

James Bullen: There's been a clear shift. Institutional investors once treated natural capital as a niche sustainability allocation, but now they increasingly recognize it as a core real assets strategy. LPs value natural capital for its ability to deliver long-term returns, diversification and resilience across economic cycles.

Investors are realizing that biodiversity loss, water scarcity and land degradation are not abstract environmental concerns. They are material financial risks for long-dated portfolios. Managing natural capital is increasingly viewed not simply as a way to deliver returns with impact, but as a way to mitigate long-term risk and unlock durable value.

Many investors understand the strategic case but are getting to grips with how these strategies scale, how risks are managed and how returns are delivered in practice. As understanding of the asset class grows, LPs are becoming more selective. They are focusing on the capabilities of managers, asset-level



Case study – Olympic Rainforest

EFM's Bettina von Hagen explains the challenges to attracting more allocations to natural capital strategies, and how the Olympic Rainforest deal addressed them

Institutional interest in natural capital is growing, yet several barriers remain. Natural capital strategies often seek to incorporate improved forest management strategies with longer rotations, reduced harvest intensity and wider buffers, alongside broader objectives such as restoring habitats. To make that work, you must integrate new revenue streams, like carbon finance and mitigation banking, into an investment model historically underpinned by timber revenues.

For many LPs, the challenge lies in underwriting these evolving markets. Carbon and conservation cashflows are still less familiar than conventional timber revenues. This leads to wider perceived risk premiums. Investors often compare natural capital strategies to more established real asset categories, where return drivers, liquidity and benchmarks are better understood. As a result, uncertainties around valuations, policy frameworks and market transparency constrain the scale and pace of institutional allocations.

We designed the Olympic Rainforest strategy around improving the health and productivity of the forest, and we looked for diversified revenue drivers. The goal is to increase timber inventories over the next 15 years, conserve biodiversity and enhance carbon sequestration.

To secure additional revenues we looked to generate high-integrity carbon credits and secured long-term offtake agreements with Meta and Microsoft. These kinds of deals don't eliminate all risks, but they provide price visibility and demand certainty for a portion of the revenues at the time of underwriting.

We also sought to create rural employment and build strong partnerships with local tribes and communities. We've engaged extensively to support conservation funding, expanded public access for recreation and collaboration with restoration organizations. These partnerships help strengthen social license to operate, which is critical for executing natural capital strategies.

execution and governance, and they are looking for platforms with proven track records of operating complex assets at scale.

Q To what extent has interest in natural capital investing been affected by the ESG backlash?

JB: The backlash hasn't had much impact on LPs' underlying conviction in natural capital investing. But it has influenced how the opportunity is discussed.

Rather than framing natural capital primarily through an ESG lens, LPs increasingly appreciate natural capital as an attractive real asset or 'nature-based infrastructure'. They see that natural capital investing is underpinned by tangible fundamentals such as land ownership, inflation correlation and diversified revenue streams.

Across investor conversations, the emphasis has shifted from the environmental logic for investing in nature to how returns are generated and risks are managed. What resonates with investors is not the label, but the asset. When you can point to land, timber growth and long-term carbon contracts, the conversation naturally centers on fundamentals rather than politics. Increasingly, investors also recognize that nature underpins economic value across food systems, timber supply, water security and climate resilience.

Because these strategies are grounded in physical assets and cashflow generation, they appeal to investors that want diversification, inflation protection and exposure to growing environmental markets. It's true that ESG-labeled public-market products have faced greater scrutiny. But the core drivers behind nature-related investments – climate risk, resource constraints and regulatory change – remain firmly in place.

Q How dependent are natural capital investments on revenues

from carbon credits or other environmental or conservation markets?

Stephen Addicott: Most traditional core timberland is managed according to strict sustainability criteria and sits comfortably within a natural capital allocation for institutional investors. A natural capital approach to investing treats nature as an asset that provides essential ecosystem services, such as sequestering carbon and supplying freshwater. It involves investing to protect and restore these assets while seeking financial returns.

But carbon credits have not been a key revenue driver for most core timberland. In 2024, almost four million hectares of timberland in the US had carbon projects on them, which is only around 8 percent of the investible timberland in the US.

Monetizing broader ecosystem services remains a challenge. Market frameworks for valuation and revenue capture are still emerging. Carbon credits, however, represent the most developed pathway. Investors are showing growing comfort in incorporating these cashflows into their underwriting.

Q Is it viable for forestry investments to depend fully on carbon credit revenues?

SA: Yes, it is possible for forestry investments to be wholly dependent on carbon revenues. But that could introduce meaningful risk as it assumes that carbon markets, which are still nascent and subject to uncertainty, will mature in line with one's underwriting assumptions.

Long-term offtake agreements help to significantly mitigate the risks around carbon cashflows. The fact these long-term agreements are starting to emerge demonstrates how carbon finance is maturing within forestry investments.

But in most cases, revenues from carbon credits or other environmental

"LPs value natural capital for its ability to deliver long-term returns, diversification and resilience across economic cycles"

JAMES BULLEN

or conservation markets provide opportunities for upside or diversification. It's less common to see projects where they are the principal return driver.

Q Which regions show the most potential for growth in natural capital investing?

JB: Growth potential is shaped by differences in land quality, market maturity and policy direction. In practice, developed markets continue to attract the bulk of institutional capital. That's down to clearer property rights, established operating partners and more predictable regulatory environments.

North America remains particularly active across timberland, agriculture and carbon strategies. Europe isn't a primary source of underlying land assets, but European policy and regulatory frameworks are helping to advance climate and biodiversity disclosure and support the development of nature-related markets.

Beyond these core markets, there is emerging interest in regions such as Latin America, which reflects the scale of natural assets there. And rising demand for sustainable food systems and growing domestic institutional capital in Asia are beginning to shape

opportunities, although Asian LPs still tend to be more cautious and selective.

Q How does a natural capital approach to managing timberland or farmland assets affect exit multiples?

SA: We might not expect exit multiples to change too significantly for most core timberland assets, at least not until attaching monetary value to ecosystem services becomes more established.

But, for timberland assets with carbon projects, the uplift could be substantial. For example, at the end of our expected hold in the Olympic Rainforest project, we expect a materially higher exit multiple than under a business-as-usual scenario. This is due in large part to the increase in timber stocks. The total volume of standing timber will grow by over 40 percent during the holding period and will contain a higher percentage of larger, more valuable logs.

Q How does a manager create an optimal mix of timber, carbon and conservation revenues in natural capital strategies?

Bettina von Hagen: In the context of Olympic Rainforest, carbon finance serves as a transition mechanism. It provides compensation for reduced harvest activity while the forest grows into a more valuable, better-stocked, climate-resilient asset that will produce higher-quality, larger logs over time.

Getting the right mix depends on several fundamentals – the initial condition of the forest, the strength of the regional log market and the degree to which carbon markets can support durable pricing. As the forest matures, we expect the balance of revenues to shift. Timber volumes and log quality will increase over time, while carbon and conservation markets continue to strengthen. In our view, the most competitive strategies are flexible so that the manager can diversify revenues while focusing on the long-term health of the forest. ■

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