The Concept of Investing in FLR

Investor perspective
Brian Sharp – University of the Sunshine Coast
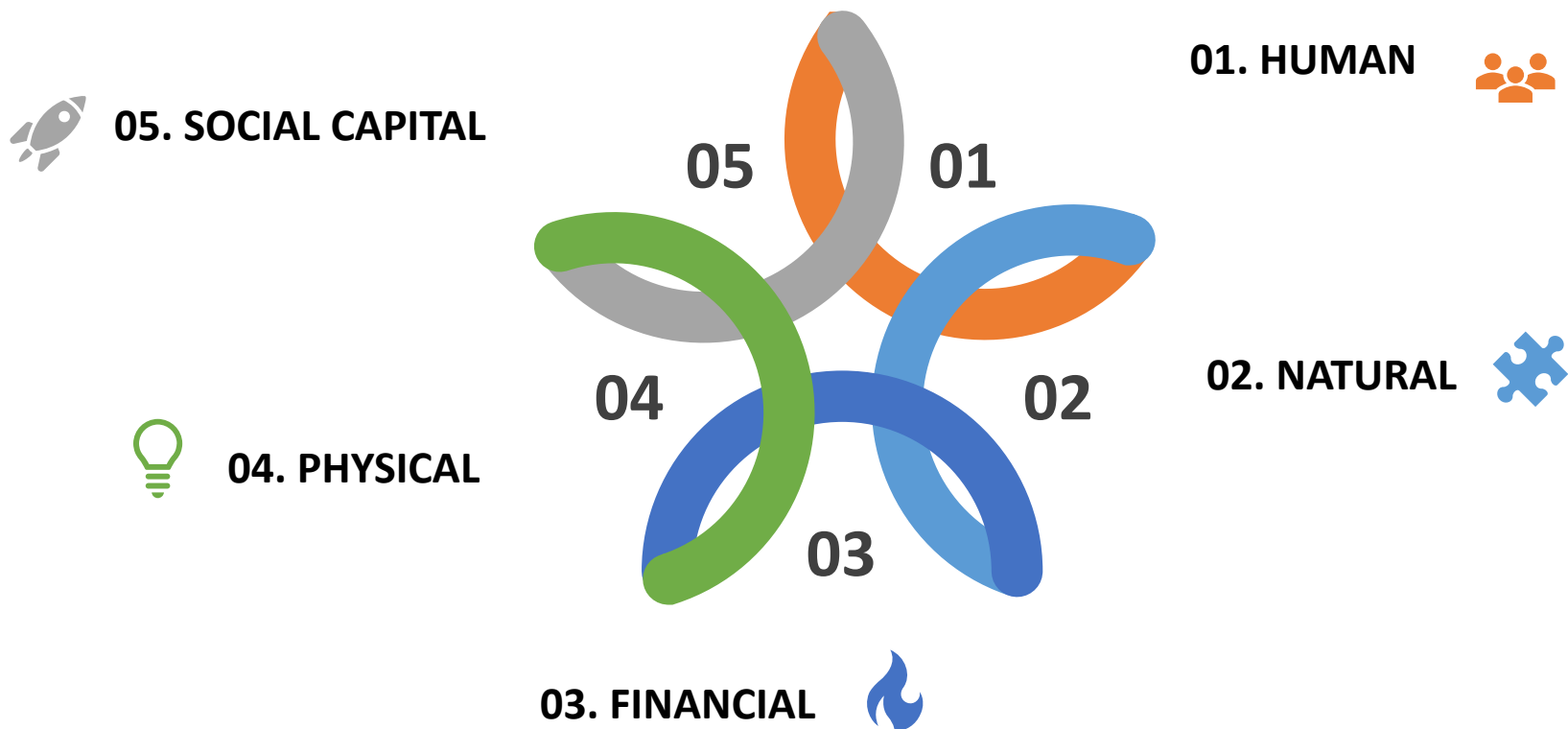FLR International Conference Manilla February 2019

usc.edu.au/tfap

Overview

- Capacity elements for FLR
- Plantation continuum
- The Balance of Benefits from a FLR Project
- Three Investment Making Decision factors
- Financing a FLR Project
- Funding Attraction Continuum (Concept)
- Summary

USC

Required Capacity for FLR
(or Factors of Production)

01. HUMAN

05. SOCIAL CAPITAL

05   01

04   02

02. NATURAL

04. PHYSICAL

03

03. FINANCIAL

So: Capacity concept from J. Herbohn SERA presentation Brisbane 2018

USC

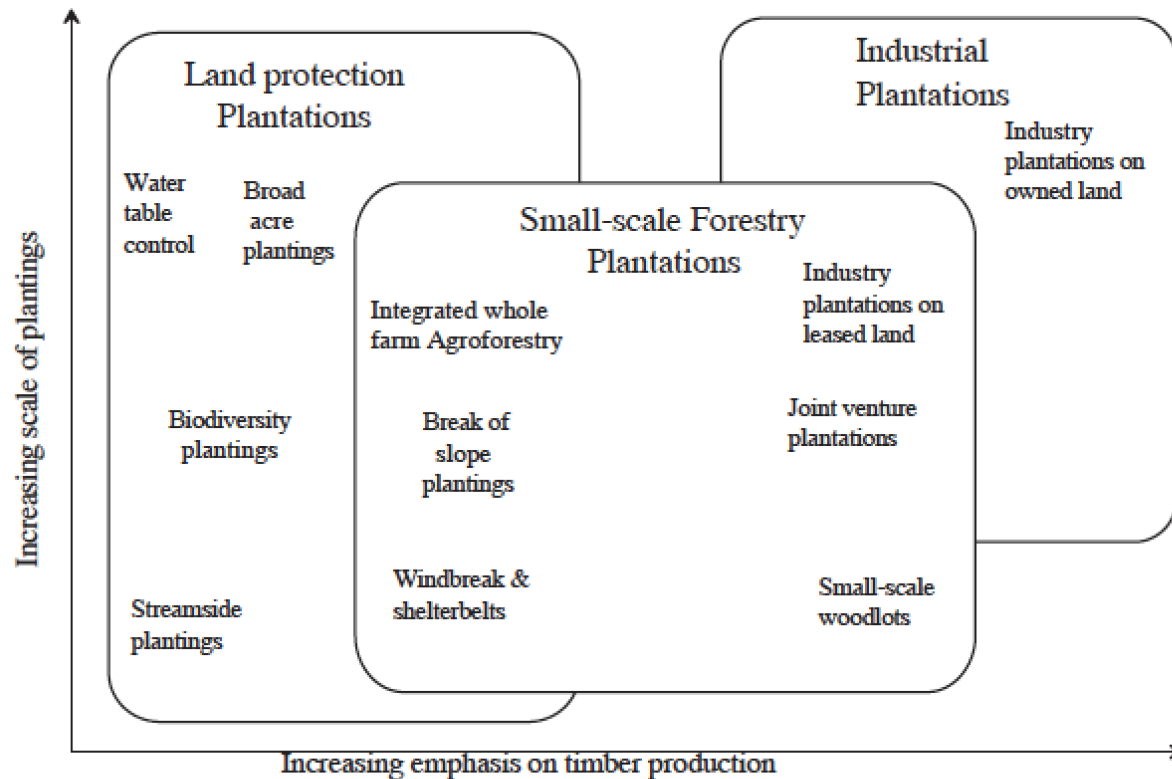# Plantings Scale vs Timber Production Emphasis

Figure 2.2 Plantation Continuum
Source: Adapted from Wood *et al.* 2001.

FLR Benefit Balance

Non-Timber Value (benefits)

Environmental and Social values

Ecosystem services, biodiversity improvement, water table control etc

FLR Project

Timber Value

A monetary value.

Sale of saw logs or traditional plantation forestry products etc

Qs. Where is the balance for the project? What does the investor value?

USC

Three Forestry Investment Decision Making Factors

- Irreversibility

- Uncertainty

- Timing

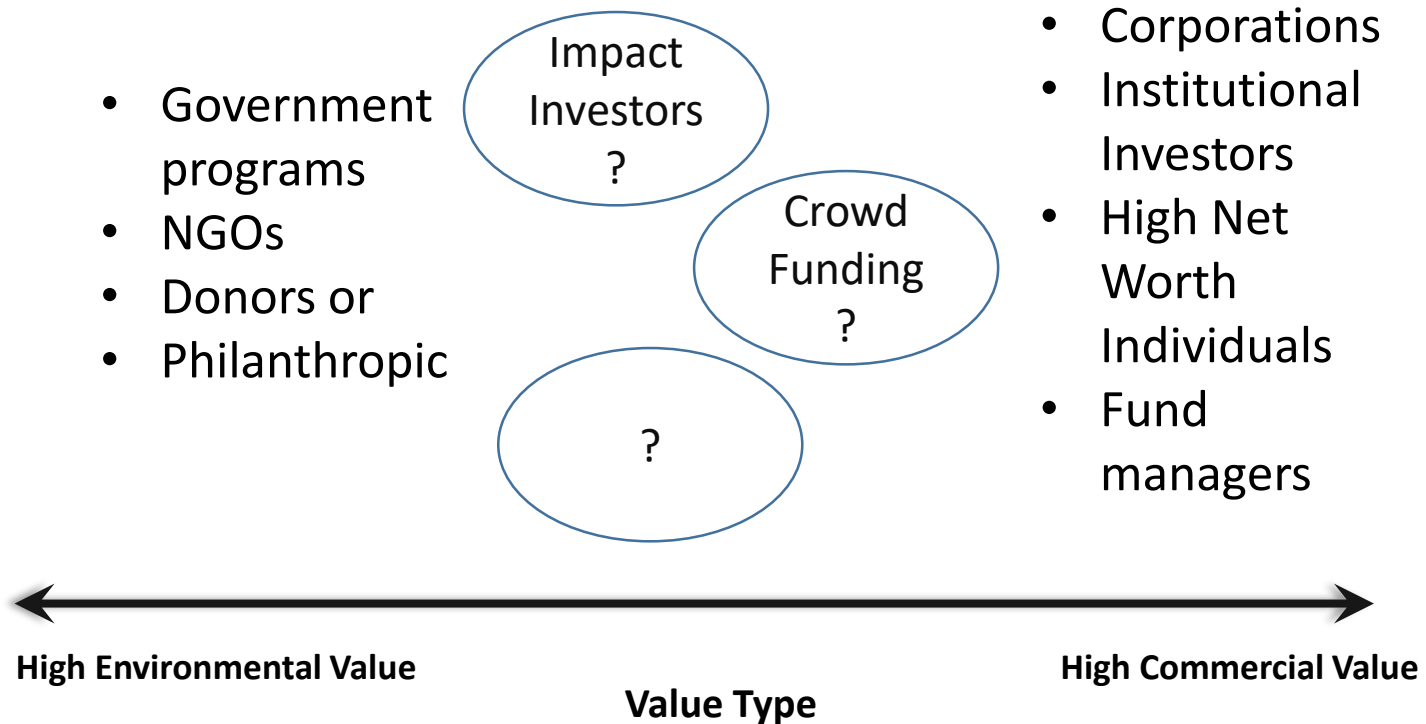- Effect: Investors increase their required rate of return

USC

Financing FLR

- Government funding allocation

- Grant funding or funds from an NGO or a donor

- Equity funding – listed or unlisted

- Venture Capital Investment

- Impact Investor – seeking 'bankable' projects

USC

Funding Attraction Continuum (Concept)

- Government programs
- NGOs
- Donors or
- Philanthropic

Impact Investors ?

Crowd Funding ?

?

- Corporations
- Institutional Investors
- High Net Worth Individuals
- Fund managers

High Environmental Value

Value Type

High Commercial Value

USC

Summary

- FLR requires capacity in a number of areas, including finance

- A FLR Project can generate a range of benefits – a balance

- Government, grant, NGO and donor funding are viable where available

- Impact Investors – will value benefits based on their mandate or ethos

- The challenge is to match project or stakeholder needs with 'investor' needs or requirements

USC