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# Conowingo WIP Financing: Phase 1 Implementation Plan

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# Project Summary

- Four-year cooperative agreement with EPA
  - Currently in year 2
- Project objective: Develop and implement a Conowingo Watershed Implementation Plan financing system
- Project Tasks:
  - Assess current system and the capacity to implement the Conowingo WIP
  - Create structure for successfully financing the Conowingo WIP
  - **Draft and execute implementation strategy (Phase 1)**
  - Scale implementation: Phase 2

# CWIP Phase 1

## *Born out of necessity:*

- Interstate restoration system within a broader state-based implementation system
- The CWIP is addressing 6 million **new** pounds of nitrogen emissions
- Fiscal resources remain scarce

# CWIP Phase 1

## ***From necessity comes opportunity:***

- Expanded impact of existing financing components
- Reduced costs through innovative procurement systems and transparent project accounting, tracking, and administration
- Regionwide economic benefit and impact

# CWIP Phase 1

## *Summary:*

- Revenue: Phase 1 predicated on \$50 million state investment commitment
- Institutional capacity: the Susquehanna River Basin Commission (SRBC) will serve as Phase 1 financing authority
- Procurement processes: investing the right amount of money to the right projects
- Rules and regulations: transparent project monitoring, tracking, and reporting

# Establishing the CWIP Financing Authority

## *Purpose and function:*

- Secure restoration revenues and investment guarantees from the participating Bay states
- Ensure capitalization for projects
- Manage program cash flows
- Track and monitor projects and report progress to the Bay States and EPA

# Establishing the CWIP Financing Authority

## *Memorandum of Understanding:*

- Establishment: the parties to the MOU will agreed that the SRBC will serve as the financing authority for initial implementation of the CWIP
- Contract Authority: SRBC may enter into contracts to receive and distribute funds to implement the CWIP, including associated administrative costs
- Use of Funds: SRBC's use of funds will be subject to the terms and conditions of contracts, which the SRBC enters its role as the financing authority.
- Governance: The work to be performed by the SRBC will be guided by the CWIP in close consultation with the CBP partnership and the PSC.

# SRBC-CWIP Project Portfolio

***SRBC will guide investments within the following three categories:***

- Conowingo Ecosystem Investment Fund: focus on restoring the critical ecosystem functions including streams, wetlands, and forests
- Agriculture Sustainability Fund: this fund will focus on identifying innovative approaches for including annual practices in a long-term financing process
- Restoration Innovation Fund: will invest in those practices that have demonstrated potential to be effective at mitigating nutrient emissions yet are not being implemented at scale



# SRBC-CWIP Project Portfolio

## *Benefits of the portfolio approach:*

- Minimize and balance cashflows: cashflow analysis is an essential step towards understanding what is actually possible rather than theoretically possible
- Minimizing restoration costs: the portfolio financing approach provides the process and template for understanding how to best reduce total project costs over time.
- Understanding and adjusting for risk: provides an effective process for understanding the inherent risks associated with each and how they impact the overall portfolio risk.

# Revenue Sources

## ***Primary sources:***

- It is the guarantee of public revenue that drives the entire restoration financing system, and the Conowingo WIP process is no exception
- Phase 1 predicated on \$50 million state investment commitment

## ***Supplementary sources:***

- Federal investment, through existing programs, or new appropriations
- Private investment
- Philanthropic investments
- Program revenues

# Procurement Processes

- Purchasing ecosystem services: SRBC must be able to purchase ecosystem services (PES) as they are delivered
- Capacity not to invest: SRBC must have the capacity NOT to invest or fund practices that do not meet funding and financing goals and priorities
- Pay-for-performance: SRBC will have the capacity to pay for project outcomes rather than outputs

# Project Capitalization and Cash Flow

## ***Revenue guarantees:***

- State revolving loan funds will guarantee state revenue commitments
- Two critical benefits:
  - Sends a powerful market signal
  - Allows implementation while “buying time” for revenue generation

## ***Transferring implementation risk:***

- PES procurement processes
- Pool of private capital

# Project Monitoring and Verification

- Third project objective being led by the Chesapeake Conservancy

# Implementation Timeline

- ***Execute SRBC MOU: 10/2021***
- ***Execute SRBC/state contracts: 7/21-12/21***
- ***Develop and release project RFPs: 2/22-6/22***
- ***Bid Selection: Process begins 9/22***
- ***Project verification and credit development: 10/22-12/25***
- ***Credit transactions: 10/22-12/32***
  
- ***Phase 2 begins: 1/26***



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# Questions and Discussion