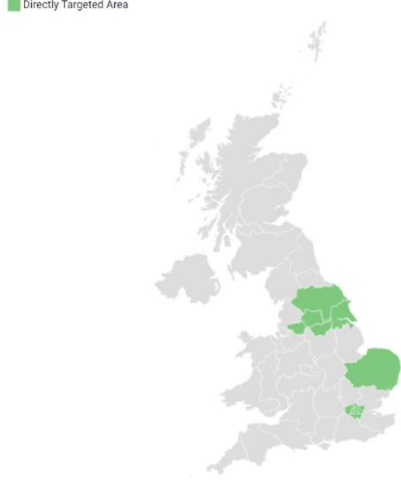


Gaia Sciences Innovation Fund deal: factsheet

Deal Information	
Deal closed	March 2024
Sector	Natural Capital
Location	York, London, Norwich, and wider UK
Counterparty	Greensphere Capital LLP (Fund Manager) ⁱ
Total fund size	£100m (with £150m hard-cap)
UKIB finance	£25m (up to £50m matched basis)
Product	Equity - fund

Gaia Sciences Innovation Technology Fund ("GSIT") Target Locations

■ Directly Targeted Area



Get the data • Created with Datavrapper

Summary

UKIB will invest between £25m – £50m to support the GSI fund which will contribute to the scale-up of the UK natural capital sector, through supporting its enabling technology and the wider supply-chain. The outcome of fund activity is likely to include improved natural capital credit markets, enhanced quantity and quality of natural capital assets, and increased efficiency of nature-based supply-chains. These outcomes will provide mitigation and adaptation from climate-change. Natural capital assets provide carbon sequestration services (absorbing CO2 from the atmosphere) and climate resilience through preserving and restoring ecosystems.

Sector context

The Government has an ambition to scale nature investment from £90m currently to £500m by 2025 and £1bn per year by 2030ⁱⁱ. The UK's nature markets are in the process of development.

However, significant investment barriers continue to impede private-sector investment. These can be summarised as:

- 1) limited sources of revenue from nature
- 2) disincentives to invest in nature
- 3) insufficient certainty to price long-term risk, and
- 4) limited project pipeline and scaleⁱⁱⁱ

In order to address these barriers, the sector requires improved nature-based supply-chains, which are the processes, technology, and knowledge which deliver natural-capital assets. Limited expertise and capacity within supply chains for nature-based assets increase costs and reduce certainty for most investors in nature over the long-term.

Impact and additionality

The Fund can support the Government's policy ambition to accelerate the development of high-integrity nature markets in the UK by supporting the scaling up of innovative companies and technologies, contributing to the goal of £500 million private investment flows by 2027. Doing so delivers against our mandate to support nature-based solutions and critical supply chains that can be of direct benefit to the Bank's objectives, both directly supporting tackling climate change (including through greenhouse-gas removals and ecosystem services), and by supporting high-integrity biodiversity markets that will be required by nationally significant infrastructure projects from 2025 to meet Biodiversity Net Gain legislation.

Through the GSI fund, UKIB will contribute to improving supply-chains and help address the investment barriers outlined above. The GSI fund will target solutions to challenges around: data; science; evidence; know-how; and capability building, which are fundamental to improving the natural capital supply-chain.

Our investment is required because natural capital markets are nascent and there is limited private sector appetite for financing due to perceived risks. UKIB's involvement will signal to the market about the development of the natural capital markets and their evolution. In doing so, investment will support crowding-in of private sector finance, including other large-scale co-investors in the fund.

ESRG considerations

Greensphere Capital has an ESG and metric policy which sets out how the fund will manage risk and its reporting protocol. We have confirmation that individual companies will adhere to all relevant policies that Gaia and Greensphere have signed up to. The fund will also not invest in companies that contravene certain red-line areas within Greensphere's own policies. Greensphere will expect annual impact reporting for individual companies, using frameworks such as UN Sustainable Development Goals (SDGs), The Science Based Target initiative (SBTi) and the Global Impact Investment Network (GIIN)'s IRIS+. The fund goes above what is required by Task Force on Climate Related Financial Disclosure (TCFD) on the diversity of environmental metrics.

Impact metrics

2	# deals in the natural capital sector
£62m	UKIB total investment in natural capital sector
913 ^{iv}	Jobs (created and supported)
£50m	Private finance mobilised

ⁱ Address of sponsor: Pavillion, 64 Knightsbridge, London, SW1X 7JF

ⁱⁱ Details of which are included within the searchable database ('the finance gap tool') produced for the Green Finance Institute (GFI): Finance gap for nature-related outcomes in the UK (2021) Report.

ⁱⁱⁱ Financing Nature Recovery UK, Barriers to Investment and The Role of Markets for Nature Access here: <https://irp.cdn-website.com/82b242bb/files/uploaded/Part%20A.pdf>

^{iv} At least c.300 attributed to UKIB finance.

Note: The calculated jobs figure is a self-reported ex-ante estimate provided by the underlying company/project sponsor. This figure is based on the projected pipeline of the fund at the time of UKIB investment, and therefore could be higher (or lower) depending on the final pipeline of the fund.