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Fighting Wildfire With Finance.

The western United States is fighting an increasingly high-stakes battle with wildfire. At this very moment, 10 wildfires are raging throughout the state of California. Ten firefighters have already died this year protecting our forests and thousands more are at risk every day as wildfire season becomes longer and more intense each year. Unfortunately, these severe wildfire seasons are not an anomaly, but rather a taste of the new normal. At the same time, 92 percent of California is experiencing “severe drought” conditions, with research suggesting that this is likely the worst drought in 1,200 years. As climate change continues to create a hotter and drier environment this challenge too is expected to continue. Perhaps no one is affected by the drought more than California farmers, who last year received only 15 percent of water requested from the state. As a result, many are losing not only their crops but their livelihoods as well.

As the wildfires and drought persist, there is no denying that the well-being of our communities is inextricably linked to the health of our forests. As humans settled and built communities in and around forests, fires that would naturally burn and maintain healthy forest ecosystems have been suppressed, leading to severely overgrown forests with up to 10 times more trees per acre than nature intended. This incredible density creates the opportunity for a small burn to turn into a catastrophic mega-fire. Compounding this problem, high tree density reduces the amount of water available to local utilities due to increased precipitation evaporation and excess vegetation soaking up precipitation before it reaches our reservoirs.

While the U.S. Forest Service (USFS) recognizes the tremendous economic and environmental benefits to be gained from forest restoration — a significant reduction in wildfire severity, as well as up to 16 percent higher water volumes to local utilities — the government agency simply doesn’t have the financial means to undertake the project. The costs of fighting increasingly intense forest fires has severely limited the resources available for prevention activities. Annual fire suppression costs in the U.S. have ballooned from \$450 million just 20 years ago to \$1.6 billion (and growing) today. With a budget designed for a reality that no longer exists, USFS is trapped in a vicious cycle of paying for today’s fires by borrowing funds intended to prevent tomorrow’s. As droughts get longer and fires larger, this funding deficit for prevention-oriented activities will only widen.

It is clear that we need cost-effective, innovative solutions to build the resilience of the communities in dealing with both mega-fires and the drought. Recognizing that it costs up to 40 times more to put out a fire than prevent it, the private finance community has seen an opportunity to shape a solution that raises the capital needed to fund prevention efforts — not by donating, but by investing through a Forest Resilience Impact Bond. Spearheaded by Blue Forest Conservation, Private Capital for Public Good, and Encourage Capital, the Forest Resilience Impact Bond is a proposed new form of pay-for-success funding that seeks to leverage financial innovation to fund environmental conservation. The effort is funded by The Rockefeller Foundation’s Zero Gap portfolio, which focuses on shaping and supporting the next generation of innovative financing solutions through a venture philanthropy model that leans heavily on collaboration with both private and public sector partners. The inaugural Forest Resilience Impact Bond is being intended to raise capital from private investors to fund forest restoration designed to decrease burn severity and increase water

availability for local utilities. Preliminary research suggests that investors are expected to earn market returns as real economic results — USFS cost savings from reduction in number and severity of fires, and increased revenue for water utilities as a result of increased water flow — are achieved.

As the USFS faces the impossible task of responding to more and more frequent mega-fires with a budget that cannot conceivably keep pace, financing mechanisms such as the proposed Forest Resilience Impact Bond can offer a solution that brings new capital and new thinking to the market. We need to focus our efforts on more than just fighting the wildfires and drought — we need to keep looking for creative financing solutions to tackle complex problems and build the resilience of our communities.

THE HUFFINGTON POST

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Posted: 10/12/2015 1:55 pm EDT Updated: 10/12/2015 1:59 pm EDT

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