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FUNDRAISING

EIP hits \$454m hard-cap as mitigation strategy achieves scale

Managing partner Nick Dilks said the size of EIP's Fund IV meant larger LPs could make commitments, which helped the firm hit its hard-cap.

Ecosystem Investment Partners' managing director Nick Dilks has said it was able to hit the \$454.5 million hard-cap on its fourth fund because the firm's mitigation banking strategy has achieved greater scale.

"There are many investors that, when we were raising smaller funds, we just weren't relevant for them," EIP managing partner Nick Dilks told Agri Investor, in reference to two predecessor vehicles that closed on \$303 million and \$181 million.

Fund IV closed this month, eclipsing its \$350 million target. The vehicle secured commitments from 42 LPs, which included pensions, endowments, family offices and foundations.

Investment tickets included \$50 million from the \$13 billion New Mexico Educational Retirement Board, up to \$15 million from the \$25 billion Los Angeles Fire & Police Pension System and up to \$100 million from the \$141.8 billion Washington State Investment Board.

WSIB also committed \$100 million to a separately managed account that will invest alongside EIP funds on other mitigation banking projects.

"As we've gotten larger, it's become more relevant for the larger pension funds to be able to participate," said Dilks, "because we are at a scale now

where we can be relevant at the investing scale that they have." He declined to discuss investment returns and the WSIB separate account, beyond saying that EIP had not seen significant demand for such structures.

EIP delivers mitigation credits to public and private buyers that are required under US federal and state laws – largely the Clean Water Act and the Endangered Species Act – to offset the environmental impact of their business activities, such as from the construction of infrastructure.

The firm invests in land-based restoration projects in the US that generate mitigation credits at a large scale, such as through the rehabilitation of wetlands, streams and other environmental habitats. EIP's current portfolio includes a forested wetland habitat in Florida, a degraded stream in Montana and coastal marshes in Louisiana.

EIP owns 49 of approximately 1,500 mitigation projects currently active in the US, according to Dilks, who added that most are operated by a mixture of local and regional wetland and stream mitigation banks.

Mitigation banking has been practised in the US since the 1970s. Dilks said that since the mid-1990s it has become the preferred method for meeting offset

requirements.

"What's happened in the past decade is the recognition of how ubiquitous mitigation is," he said. "It's going on all over the place. It's gone from just pure discovery to 'tell us how you are differentiated', because there are many ways to do it."

Governments traditionally worked to restore sites for conservation and then sought to find buyers for the resulting credits, explained Dilks. However, he added that governments have now shown greater willingness to partner with private entities like EIP, which can tap demand from interested buyers.

"It's become very attractive for other buyers to buy the complete restoration project and not have to take the risk of delivering it themselves," he said. "That is the 'pay for success' or 'pay for performance' notion that is really starting to catch on."

"As both care for the environment and interest in economic development grow, the need for those two things to reconcile – oftentimes through mitigation – is growing. There is growing demand for a reliable, predictable and efficient way to provide that compromise and it's been a source of growth in our industry." ■