

SUMMARY

Financing for Natural Infrastructure Projects

Viable pathways to scale up natural infrastructure investments on the Canadian Prairies

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There is a growing water-related infrastructure funding gap across the Canadian Prairies as investments in this infrastructure have not kept pace with depreciation. The estimated depreciation of grey, water-related infrastructure in the Prairie provinces outpaced investments by nearly CAD 3 billion (21.9%) between 2017 and 2021.

Canada's water infrastructure is funded by a mix of sources, including municipal, provincial, and federal governments, with some limited support from the private sector. This report showcases how private capital can help finance natural infrastructure to meet our water needs, the factors that go into financing decisions, and the benefits of the investments.

Key Takeaways From This Report

- Investors are starting to view natural infrastructure as a less risky investment. Perspectives are changing after successful financing examples in the United States and other parts of the world.
- Outcome-based financing models hold promise for financing natural infrastructure since they encourage partnerships between diverse stakeholders, rightsholders, and beneficiaries and integrate clear performance-based metrics.
 - Intermediary organizations are needed to help facilitate these relationships. It is important to guide those new to natural infrastructure financing to ensure alignment with Indigenous values and perspectives and First Nations and Indigenous organization involvement.



- Government support and partnerships can incentivize and better facilitate private financing. This can be done by encouraging the monetization of ecosystem services through cap-and-trade regulations, requiring companies to disclose climate and nature-related risks and opportunities, providing low-interest loans and tax incentives to investors in natural infrastructure, and educating the public on the benefits of natural infrastructure.
- Ethical considerations are important when considering private financing in natural infrastructure. These include local land rights and access, affordability, the availability of projects for rural and underserved communities, and ensuring net improvements in environmental outcomes—especially when monetizing and trading ecosystem services like carbon credits.

The full IISD report *Financing for Natural Infrastructure Projects: Viable Pathways to Scale Up Natural Infrastructure Investments* can be found at <https://www.iisd.org/publications/report/financing-natural-infrastructure-projects>.

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