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# Forestry

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# Insight

## Big picture Five global trends driving institutional forestry investment and sustainable returns

**F**or natural capital-focused investors, ESG remains top of the agenda as they look to target forestry assets, writes **Natalie Novakova**.

Since the 1980s, patient managers have focused on opportunities in forestry assets, drawn by their long-term gains and unique characteristics. And after a near tripling of capital raised between H1 2019 and H1 2023, according to *Agri Investor* data, investors seem optimistic for continued growth in 2025, despite the \$1.3 billion dip in fundraising in 2024 from the \$9.7 billion raised in 2023.

Meanwhile, agrifood and forestry stabilized in 2024, with timberland accounting for most of the capital raised last year. To explore the sector

further, here are five key trends shaping forestry investments today.

**1 Natural capital as a strategic asset class**  
Until recently, forestry has been viewed purely through the lens of timber production delivering regular cash yields, uncorrelated returns and lower volatility. Today, it has transformed into a cornerstone of natural capital portfolios appealing to a broader group of investors driven by both environmental and financial outcomes.

“There’s been a shift to a wider group of investors looking at forestry for its carbon attributes... and a growing focus on the whole asset class around natural capital,” says David Shelton, managing director,

Australia and New Zealand, and global head of investments at New Forests.

“Timberland is becoming recognized as part of a new strategic asset class in natural capital,” adds Stephen Addicott, a managing partner at Stafford Timberland, while noting a continued expansion of alternative revenue sources including carbon, renewable energy, biodiversity, conservation, freshwater and recreational use.

This reflects a wider shift in investor priorities from purely timber-based returns to environmental co-benefits of forestry. As Dale Lattanzio, investment manager at Savills Investment Management, puts it: “What we are seeing is the emergence of a dual-track market: one driven by measured, long-term,

real asset and timber production-based returns; the other focused on delivering climate impact.”

Aleksi Ehtee, a timberland team lead at the Church Commissioners for England, agrees that while core returns still come from sustainable timber harvesting, “institutional investors are increasingly exploring the integration of value-add, complementary land uses within their forestry assets,” such as renewable energy development, biodiversity improvements and carbon sequestration.

Forestry is also gaining ground among institutional investors seeking alignment with biodiversity and climate targets. “The trend toward addressing, reporting and tracking nature impact is supporting increased institutional interest in timberland investing,” says Mark Wishnie, chief sustainability officer at BTG Pactual Timberland Investment Group. “It allows investors to meet sustainability objectives while maintaining the return profile and low correlation they expect from this asset class.” Similarly, New Forests’ Shelton sees natural capital as transformative in reshaping forestry investing in the future.

He notes that investors are relying on natural capital at a global level to help achieve corporate net-zero goals, such as meeting carbon and environmental targets, as well as for exposure in different regions. For example, in Africa, investors are prioritizing long-term environmental impacts, while in Southeast Asia, blended finance is channeling capital toward social and ecological returns, says Shelton.

**2 Deepening supply-demand imbalance**  
The Food and Agriculture Organization of the United Nations (FAO) projects that

global demand for primary forest products will increase by 37 percent by 2050, a figure that could grow further with a shift toward bio-based economies.

“We see continued demand driven by a growing population and growing middle class – growth which a global shift to renewable materials may accelerate,” says Wishnie.

Ehtee also sees this deepening supply-demand imbalance driving investor interest in timberland, citing not only population growth as a factor for rising demand, but also “its role as a sustainable alternative to more carbon-intensive materials, such as in construction or packaging.”

According to Shelton, there are several well-documented characteristics that make timberland attractive: inflation hedging; the fact there is a reduced or negative correlation with many other asset classes; and low-risk, long-dated, stable cashflows.

Jeff Zweig, partner and head of natural capital at Fiera Comox, further reinforces this view, pointing to timber’s resilience.

“There’s a prevailing and favorable supply-demand thesis that continues to drive interest, particularly given timber’s role as a renewable material and a natural carbon sink,” he says.

Yet, timber supply, particularly softwood, is constrained by long biological cycles, land-use competition and limited availability of high-quality, investable forest assets.

This imbalance creates a capital gap that institutional investors are eager to fill.

Defensive portfolio construction is only half the picture. “In reality, timberland is a difficult asset class to access at institutional scale, requiring specialized knowledge in identifying, actively managing and optimizing

investments based on distinct markets and trends,” Zweig says.

He further notes that demand for sustainable wood products is expected to continue to expand over time as wood-based products become substituted for less sustainable construction material alternatives like concrete and steel. This imbalance may make timberland a compelling long-term investment opportunity.

### **3 Rise of agroforestry and hybrid land-use models**

Another trend gaining momentum is agroforestry – a diversified land strategy that combines trees, crops and nature outcomes – merging forestry with agriculture.

“The line between forestry and agriculture is becoming increasingly blurred,” says Savills IM’s Lattanzio.

According to Lattanzio, the rise of agroforestry, silvopasture and regenerative land management is creating hybrid models that offer resilience, biodiversity and food security benefits on the same land.

New Forests’ Shelton adds that a more contemporary view of agroforestry is to think about it at the landscape scale designated by environmental boundaries such as rivers, soils and rainfall, and to optimize land by recognizing what’s optimal for use of that land.

“It’s how we integrate both agricultural systems and forestry systems at that institutional scale, rather than within the paddock,” he explains.

These observations indicate that some investors are starting to recognize the long-term value of optimizing land use based on its natural characteristics and evolving market signals to merge agriculture and forestry.

# 37%

## Expected overall consumption growth of primary forest products by 2050

Source: FAO, Global Forest Sector Outlook 2050

# 4

### Technology and innovation

In every global industry right now there is an increasing focus on technology,

and forestry is no exception. Technology is becoming a key driver in forestry investing by creating operational efficiencies, enhancing asset performance and opening new pathways to value creation across the forest value chain.

Historically, some timberland assets were managed passively, leading to underperformance, but investors are now recognizing the benefits of active, tech-enabled management. "The development and availability of new technology and data management in the forest sector has grown meaningfully in the past decade and will continue to grow as new technology players enter the market," says Zweig.

Speaking on Fiera Comox, he adds: "We know firsthand when and where to implement technology to inform strategic and day-to-day decisions."

This reflects a broader trend of using technology - from real-time data platforms to supply chain optimization - to enhance financial outcomes. Shelton highlights practical applications, such as AI-powered monitoring systems that

replace manual fire-spotting and visual-scanning tools in sawmills that are moving toward more automated processing.

"There are a lot of powerful examples of the use of technology," he says, particularly in monitoring, optimization and planning, though he cautions that full automation in forestry is still evolving.

Innovation is also reshaping investment models. BTG's Wishnie points out how growing interest among carbon buyers in nature-based solutions is driving innovations, such as TIG's reforestation approach that integrates large-scale reforestation with traditional forestry to deliver both carbon and timber returns.

# 5

### Increased policy uncertainty

Policy and ESG considerations are also central to forestry investment decisions, with shifting carbon regulations, evolving ESG frameworks and trade barriers such as tariffs shaping today's landscape.

Some of these developments are driving innovation and opening up new revenue streams. Wishnie notes that "markets for environmental attributes, while still developing, have allowed for innovations in forestry management that open up new opportunities."

This is reflected in construction, where "policymakers worldwide are seeking to incentivize the use of wood products - particularly compared to more carbon-intensive materials like plastic, steel and concrete - further strengthening the supply-demand imbalance," explains Zweig. In the UK, Lattanzio highlights how grant availability and policy shifts are reshaping the investment case as well.

Yet, despite this momentum,

regulatory uncertainty, particularly around carbon, remains a key barrier. "Carbon rules around the world are evolving... the sooner we move to consistent, science-based frameworks, the sooner business can respond," says Shelton.

ESG credibility is also under scrutiny. "End consumers are looking for evidence that harvested timber has been managed sustainably," says Ehtee.

Meanwhile, Stafford's Addicott stresses that investors must partner with managers to navigate rising ESG expectations.

Concerns are rising over the long-term impact of carbon-only strategies. "Lack of a clear, relevant and scientifically credible way to account for carbon sequestration in forests and timber products will hamper the sector's ability to deliver on its climate mitigation potential," warns Wishnie.

"Strategies that rely solely on carbon may harm communities by displacing the timber jobs they traditionally relied on."

Amrita Vatsal, a managing director at EFM, sees a shift in how forest investments are structured in response to these constraints. "We believe that increased demand and financial sophistication from voluntary carbon buyers, and the lack of supply of high-quality carbon credits, will create more multi-year offtake agreements between forestland owners and net-zero entities," she says.

Vatsal cites EFM's Olympic Rainforest transaction, which shows how long-term offtake agreements can raise capital and de-risk strategies that diversify value drivers.

Despite the uncertainty, Lattanzio says "investors who anticipate where policy is heading rather than reacting to where it currently stands are better positioned to capture value." ■



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## Editor's letter

# Branching out: How forestry is evolving



**Evie Rusman**

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Forestry has long been admired for its slow-and-steady appeal – an asset class rooted in patience and resilience. But in recent years, the sector has experienced a noticeable shift.

What was once seen as a niche, sometimes overlooked investment is now gaining significant traction among institutional investors, driven by climate imperatives, long-term returns and the growing appetite for tangible ESG impact.

*Agri Investor* data shows that in H1 2025, the capital raised by food and forestry-focused funds hit \$7.9 billion – just \$2.9 billion less than capital raised for the whole of 2024.

This hints at the potential of forestry vehicles in the second half of the year and points to a shifting landscape with investors prioritizing these funds.

The role of forestry in global portfolios is evolving. From the rise of carbon credit markets to innovations in sustainable forest management, investors are navigating a complex landscape shaped by climate policy, biodiversity targets and geopolitical risk

Increasingly, forestry investments are seen not only as financial vehicles but also as critical tools in global efforts to mitigate climate change and promote environmental stewardship.

Forests are no longer just sources of timber – they are climate assets, biodiversity reservoirs and natural capital linchpins. Yet, alongside the opportunities come challenges that require innovation and collaboration to overcome.

**“ Forestry investments are seen not only as financial vehicles but also as critical tools ”**

Evie Rusman

# A year in review

*Forestry becomes a priority for investors looking to diversify their portfolio and tackle climate change*

## July 2024

### Fiera Comox takes majority stake in New Zealand forestry JV

Canadian fund manager Fiera Comox took an 85 percent interest in a joint venture with Ngai Tahu Holdings for a 45,500ha forestry portfolio. The deal was the first acquisition from Fiera Comox's Global Sustainable Timberland Strategy.

## September

### Climate Asset Management closes flagship funds with \$1bn raised

Climate Asset Management held final closes on its two flagship funds, totaling more than \$1 billion. One of the funds, the Natural Capital fund, launched in January 2023, is seeking financial returns alongside improved environmental outcomes from real asset investments in regenerative agriculture, sustainable forestry and environmental assets across developed markets.



## November

### BTG Pactual hits \$500m mark on \$1bn forestry vehicle

BTG Pactual raised \$500 million for its Latin American Reforestation Fund. The vehicle has a \$1 billion target and was launched in 2021 with the aim of restoring 133,000ha of natural forest and establishing sustainable commercial tree farms.

## January 2025

### Agri-food and forestry fundraising drops in 2024

Fundraising for agri-food and forestry vehicles dropped to \$8.4 billion in 2024, down from \$9.7 billion in 2023, according to *Agri Investor* data. However, the figure sits comfortably within the average \$8 billion annual take registered by the market in the preceding five-year period.

### Manulife closes Forest Climate Fund on \$480m

Manulife Investment Management closed its Forest Climate Fund on \$480.1 million and deployed about half of its capital in support of its forestland strategy that drives value primarily from carbon sequestration.

## March

### Rohatyn Group acquires NZ timberland assets

Timberland REIT Rayonier exited New Zealand through the sale of its 77 percent stake in a joint venture in the country to the Rohatyn Group for \$710 million.



## May

### MEAG leads €900m forestry acquisition from Stora Enso

Munich Re Group's asset management business MEAG led a consortium that will acquire 175,000ha of Swedish timberland for €900 million. The asset was acquired from wood products company Stora Enso and the sale constitutes 12.4 percent of the company's total forestry holdings.

### Gresham House holds £375m close on Forest Fund VI

Gresham House held a £375 million close (\$506 million; €447 million) on its Forest Fund VI. The vehicle was backed by London CIV, South Yorkshire Pensions Authority, Wales Pension Partnership member funds and an unnamed Japanese investor among high-net-worth individuals.



## April

### Campbell Global closes forest and climate fund on \$1.5bn

JPMorgan subsidiary Campbell Global closed its Forest & Climate Solutions Fund II on \$1.5 billion, exceeding its \$1 billion fundraising target. The vehicle will invest in developed timberland markets such as the US and Australia.

## June

### New Forests sells 20,500ha forestry asset to OneFortyOne

New Forests continued the divestment of its Australia and New Zealand Forestry Fund 2 with the sale of a 20,500ha timberland asset to OneFortyOne.



## June

### France Valley's evergreen forestry fund hits €600m milestone

French natural capital asset manager France Valley took more than €600 million in capital commitments for its evergreen forestry fund. The fund is fully invested in French timberland.



# Timberland breaks new ground

*Campbell Global's \$1.5bn effort becomes the largest forestry vehicle in the Agri Investor database, writes **Binyamin Ali***

The largest timberland fund in the *Agri Investor* database for the past decade has been Twin Creeks Timber's Fund I, which closed on \$1.28 billion in 2015.

As of April 2025, that record now belongs to JPMorgan Asset Management subsidiary Campbell Global, which hit an impressive \$1.5 billion final close on its Forest & Climate Solutions Fund II.

Campbell Global took an additional \$800 million in separate account mandates to bring the strategy's full take to \$2.3 billion. It's worth putting these numbers into context.

In the Agri-Food and Forestry 20 – *Agri Investor's* ranking of the world's biggest food, forestry and natural capital fund managers by capital raised – Butterfly Equity came in fifth with \$2.01 billion raised between January 1, 2019 and December 31, 2023.

Campbell Global eclipsed that figure with a single strategy, meaning the ceiling for natural assets is rising.

With regard to timberland specifically, the firm helped the asset class reach three \$1 billion-plus fund closes in the past 15 months, following a nine-year wait since Twin Creeks Timber hit its \$1.28 billion milestone in 2015.

BTG Pactual Timberland Investment Group's \$1.24 billion close in April 2024 finally saw the \$1 billion barrier breached after the long wait, which was followed up in March 2025



*“LPs want to add natural capital assets to their portfolios and they’re doing so in a big way”*

by Stafford Capital Partners with a \$1.04 billion take for its 10th fund.

This all confirms what we've been seeing and hearing over the past five years – LPs want to add natural capital assets to their portfolios and they're doing so in a big way.

### **Uncharted territory**

Here's another valuable number to chew on. Since 2023, dedicated

closed-end timberland funds have raised \$6.1 billion – the asset class has never raised that much in a three-year period before (we also have to bear in mind that we're just over halfway into 2025).

If we were to include the capital coming into the asset class through climate funds, open-end funds, co-investments and separately managed accounts, the fundraising figure for the three-year period comfortably eclipses \$8 billion. That Campbell Global is the latest firm to have pushed the asset class's figures further into uncharted territory is of little surprise.

Forest & Climate Solutions Fund II is the first vehicle the veteran forestry fund manager launched following its acquisition by JPMorgan in 2021.

No doubt the latter's substantial client base was helpful in bringing LPs into the vehicle, while the combined pull of the duo has helped organic origination, with new investors in the asset class choosing Campbell Global for their debut commitments through a range of structures.

There are two more \$1 billion timberland vehicles currently in market, with Stafford Capital at least a third of the way to its target with the Carbon Offset Opportunity Fund, while BTG Pactual has raised \$500 million to date for its Reforestation Fund.

Bearing all this in mind, expect further new ground to be broken in the next year or so. ■

## KEYNOTE INTERVIEW

# The growing opportunity in sustainable timber



*Part of the reason for forestry's bright future is its expansion into new construction and product opportunities, with demand expected to remain high for the long term, explains Gresham House's **Olly Hughes***

Investing in timber was once associated with negative environmental impacts. Providing capital for growing forests may have been seen favorably, but chopping down those same forests to manufacture products from timber went against sustainability initiatives. Increasingly, however, this is a relic of the past, with investors deriving both positive impact and financial returns from their forestry assets.

Olly Hughes, managing director of forestry at Gresham House, considers the changing face of forestry, some of the main drivers of demand and what investors should look for when choosing their assets. Even with challenges

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on the horizon, including climate change, the evolution of the mass timber sector means there are far more opportunities to be had.

**Q What continues to drive demand for forestry in the UK?**

As the largest forestry manager in the UK, the seventh largest globally by value, and with over 40 years of market activity, we have a unique vantage point regarding the forces driving demand

for forestry assets. While traditional timber demand remains a core component, several unique factors contribute to the robust and growing interest in the UK market.

A primary driver is the UK's significant reliance on imported timber. We import over 80 percent of our timber and wood fiber, making us the world's third-largest timber importer. This creates a strong, inherent demand for domestically grown timber, which we observe is not only sustained, but increasing.

This rise in demand is further amplified by a substantial increase in the UK's timber processing capacity, with

### **Q What are some of the challenges forestry investors should be aware of?**

Climate change is obviously having a major impact on forestry and is also the focus of our latest *Global Timber Outlook* paper, but it's important to remember that this impact is multifaceted. Globally, while some regions are already experiencing negative effects due to reduced rainfall or higher temperatures, our modeling suggests that high northern and southern latitudes may become warmer and wetter, potentially becoming more conducive to tree growth.

Additionally, higher atmospheric carbon concentrations can enhance tree and plant growth generally, albeit with other associated risks. As such, we are dedicating significant resources to understanding how species will adapt over the coming decades, as adapting to climate change is crucial.

Beyond climate change, the primary risk facing forestry as an asset class is perception and social acceptance. Sustainable, productive forestry accounts for only 2 to 3 percent of the global forest asset base, but supplies between 30 and 40 percent of global timber. We need to expand this sustainable forestry to increase timber production, thereby reducing pressure on wild and natural forests.

Communicating this message is complex. The sector must work diligently to explain to communities, countries and investors the positive impacts of well-managed forests, how negative impacts can be mitigated and how communities benefit from increased forestry resources. Securing this "buy-in" is increasingly challenging, especially when it involves land-use change.



over £2 billion (\$2.7 billion; €2.3 billion) invested in sawmills and board manufacturers over the last decade. This combination of high import dependency, rising domestic demand and enhanced processing capabilities provides fundamental support for the forestry sector in the UK.

Beyond these market dynamics, the UK simply offers exceptional conditions for growing trees. We boast high levels of rainfall and good-quality forest land, coupled with a strong silvicultural

history that reflects a deep expertise in forest management. This makes the UK an excellent location for sustainable timber production, supporting a vibrant industry with a promising outlook for growth.

### **Q Beyond financial returns from forestry, what added value can the asset class provide?**

Forestry's value is multifaceted. Beyond financial returns, it provides significant

additional value. In terms of its climatic benefits, forestry is a powerful tool in combating climate change. As trees grow, they sequester carbon dioxide, offering a direct climatic benefit and the potential for additional financial returns through carbon markets. We are already seeing significant demand for carbon credits among investors. However, it must be said that while they are exciting, they are still relatively nascent.

Timber is a sustainable, carbon-negative material that provides a viable alternative to highly carbon-intensive ones like concrete and steel, further contributing to decarbonization efforts in the construction sector.

Modern forest management practices in the UK have evolved significantly since the 1960s and 1970s, and today we manage forests not only for timber production, but also with a strong focus on environmental stewardship. This includes safeguarding and enhancing biodiversity wherever possible.

The social benefits of forestry investment are equally important. Our forest management practices prioritize public access, making these valuable social assets available for people to enjoy. Forests provide vital spaces for recreation, wellbeing and connection with nature. This public utility is a significant, often underestimated, social benefit that forestry offers.

Collectively, these four pillars – climatic, environmental, economic and social benefits – define what we consider natural capital. The challenge for the industry now is to quantify and create economic value from the natural capital that forestry provides.

### **Q How important is it to have a clear set of metrics to certify the environmental impact of any forestry investment?**

Historically, it was enough to simply grow timber. Today, we need to demonstrate the added value and opportunities forestry provides, which

requires clear and consistent measurement. We need to be transparent with stakeholders about the environmental impact of our forests. Without robust measurement, effective monitoring, management and optimization are impossible.

This is admittedly a complex undertaking. We have spearheaded this effort through our Forest Charter, which outlines our philosophy and aspirations for forestry management across core factors like climate change, sustainable material production, environment, and social and community interaction. To this end, we've created 23 KPIs that we aim to measure and publish regularly. While these may not be accepted universally across the industry, they serve as a crucial starting point.

Some of the metrics we measure, like the volume of carbon stored within our forestry assets, are straightforward, while others, such as job creation or biodiversity levels, are more complex. We are continually evolving our capacity to baseline and measure specific environmental impacts.

It's vital to understand that we don't work in a vacuum. We actively engage with external counterparties, including our role as a core member of the International Sustainable Forestry Coalition, to drive industry-wide consensus on carbon and natural capital accounting.

This collaborative approach ensures that our metrics are robust, standardized and transparent, providing valuable data for all stakeholders.

### **Q Why do you see Europe as a core constituent for any forestry portfolio? Which regions do you steer clear of and why?**

When formulating our investment strategy, we focus on several key factors. Primarily, we invest in forestry for timber production, which typically excludes hardwood areas unsuitable for pulp and paper. We also prioritize regions with the longest growth

opportunity based on our climate modeling. These are generally found in high northern and southern latitudes. Finally, we look for strong, stable economic outlooks, robust regulatory compliance and opportunities for long-term asset management.

Within this framework, Europe is a crucial constituent for any forestry portfolio, particularly Northern Europe. The continent possesses an enormous forest resource that, historically, has been fragmented in terms of ownership and management compared with larger institutional markets. However, this is now shifting.

Currently, many large-scale global forestry allocations lack a European

*“The UK simply offers exceptional conditions for growing trees”*

component, which we believe needs to change. A portfolio without European allocation is suboptimal from a diversification perspective. We are convinced that highly active management, aggregation strategies and the fundamental global demand for timber will lead to superior returns in certain European markets, with a similar risk profile to other established markets.

In terms of less attractive markets, we generally avoid regions that do not align with our core investment

principles. Regions where our climate modeling is predicting negative impacts in the future or where economic and regulatory stability is weak require caution.

### **Q Looking to the future, are you broadly optimistic regarding the forestry asset class?**

Looking ahead, several emerging trends excite us. The first is the wider valuation of a forest's natural capital, extending beyond the pure timber value. While we're not fully there yet, people are beginning to understand the economic and broader value of natural capital, which far exceeds the fundamental value of the timber itself.

Another is the growing understanding of the concept of large-scale, landscape-level development and management. This involves an aggregation and duality of land management to encompass the full spectrum of natural capital – not just timber, agriculture, biodiversity or carbon in isolation. By looking at these opportunities at a landscape scale, we can drive real-world change and add significant value, moving beyond small, isolated blocks of activity.

The evolution of the mass timber sector expanding to include things like cross-laminated timber and glulam is another exciting trend. These developments enable timber to be utilized in a much wider range of construction opportunities. We're already seeing multistory buildings constructed entirely from wood, offering significant alternatives to traditional, high-carbon-intensity materials like concrete and steel.

Overall, we are highly optimistic about the forestry asset class. While challenges exist, the opportunities and value upsides far outweigh them. Forestry is a long-term asset class. The best time to plant a tree was decades ago; the next best time is today. We need to prioritize getting more trees in the ground now to capitalize on these future benefits and upsides. ■

# Carbon revenues bring afforestation into focus

**A**s global temperatures continue to rise, the need for more trees to remove carbon from the atmosphere has never been more urgent or obvious. Today, afforestation, reforestation and revegetation (ARR) carbon credits form a small subclass within the voluntary carbon market. These ARR credits made up 5 percent of credits ‘retired’ in 2024, according to carbon credit ratings agency Sylvera.

But the market for ARR looks poised for significant growth, driven in particular by demand from major tech firms. In one of the largest deals to date, Microsoft agreed in May to purchase 18 million ARR credits through Rubicon Carbon, a carbon credit management firm backed by TPG Rise Climate.

Deals of this nature reflect a growing corporate preference for removals credits – projects that remove carbon from the atmosphere as opposed to projects, including traditional forestry conservation projects, that aim to prevent emissions in the first place.

“There has been a shift of the average buyer from avoidance credits

*Ben Payton explores how opportunities to generate revenues from ARR credits are changing how managers think about forestry*

to removal credits,” says JP Gibbons, senior investment director at Cambridge Associates. “People feel more comfortable with the carbon actually being sequestered than trying to figure out the counterfactuals of what would have happened if this project was not implemented.”

## **Location, location, location**

For investment managers hoping to generate ARR credits, finding the right project in the right location is crucial.

Tropical climates, where trees can grow on potentially much shorter rotations and therefore sequester more carbon, present clear advantages for ARR projects – and this is reflected in their location. Out of 321 verified ARR projects listed on the database of carbon market intelligence platform Abatable,

some 52 are located in Colombia. Brazil, Uruguay, Kenya and Uganda are among the other countries with the most verified ARR projects to date.

“Carbon can be an export into the Global North,” says Geoffrey Seeto, head of emerging markets at New Forests. Given that emerging market economies in tropical regions are “basically carbon sinks,” he sees a major opportunity to use ARR and other carbon avoidance and removals schemes to “drive climate finance into these developing markets.”

Parts of South America, sub-Saharan Africa and Southeast Asia may also be more economically viable locations for ARR. “Land is generally more accessible in the emerging markets and land is also less expensive,” says Seeto.

On the other hand, there are advantages to operating in jurisdictions where a compliance market for carbon is in place.

“I think the rest of the world could learn a lot from Australia,” says Paul McMahon, managing partner at SLM Partners. The country first introduced a safeguard mechanism in 2016 that requires industrial companies to offset

## Harvesting dilemmas

### There is a spectrum of options for how ARR investors can earn revenues

There is a spectrum of options for how ARR investors can earn revenues. While relying purely on carbon credits sales is one option, many investment managers prefer to look for ways to combine carbon removal with timber harvesting. New Forests, for example, announced in April that it was acquiring a timber plantation forestry company in Laos that issues ARR credits from part of the land it manages. “Instead of just managing for forestry, now we’re managing for holistic landscapes,” says Seeto.

“We can do things that maybe a pure carbon developer couldn’t do because we are able to diversify that income stream and manage that landscape in totality, as opposed to for each single use.”

He adds that corporate purchasers increasingly look to partner with natural capital investment firms

for large-scale, long-term carbon credit purchases, meaning that the corporate purchaser can make use of the manager’s expertise in carrying out diligence on projects rather than having to diligence a large number of projects itself.

Seeto acknowledges that volatility in the voluntary carbon market is a risk that managers need to be focused on. “It’s our job to manage this,” he says, noting the importance of finding a mix between long-term off-take agreements and some exposure to the spot market for credit sales, which can give upside. The balance between timber and carbon revenues is another consideration. “At a portfolio level, we’re constantly optimizing for carbon, timber and other types of positive impact outcomes,” he says.



emissions that exceed baselines via the purchase of carbon credits from local projects. One of the options for credit buyers is to purchase credits from ‘environmental plantings’ projects, which restore native vegetation on land that has been unforested for at least five years.

McMahon says the “strong premiums” available for environmental plantings projects are making afforestation schemes more viable. “It’s starting to change economics, such that more marginal areas of farmland might produce

a better return under environmental plantings for carbon than for grazing or for other agriculture activities.”

Other managers agree that afforestation projects in regulated markets offer a lower-risk approach compared with projects that seek to sell ARR credits to buyers in the voluntary carbon market.

“I do think that compliance eligibility really does provide investors with greater comfort,” says Andrew Dreaneen, global head of natural capital at Savills. “There’s a big difference

between a compliance market – which has a lot of actors, you get daily information and there’s instruments to hedge pricing volatility – than in a voluntary market.”

#### Offtakers

For investors that do seek to earn revenues through the voluntary carbon market, one of the key steps to success is securing credit sales upfront.

“I think what’s important from an investor’s perspective is that a large portion of that project’s price uncertainty

is mitigated very early on by a long-term off-take contract,” says Gibbons. “You want someone that has deep experience in buying credits to come in and take at least a portion of those credits, to give that project some validity, some certainty on pricing.”

US-based tech giants are the most important purchasers of ARR credits. As well as Microsoft, the likes of Google, Meta and Salesforce have committed to major long-term offtake deals for ARR over the past two years. Credit purchasers are typically willing to pay higher prices for ARR credits. Microsoft has paid up to \$70 per ton for ARR credits compared with an average of around \$3-\$30 in the wider voluntary market, according to carbon project developer DGB Group.

In return for this premium, buyers expect high-quality projects and will commission extensive research to ensure they are buying from the right project.

“Buyers have become much more attuned to what is happening,” says Gibbons, noting that a series of reputation disasters around carbon credit schemes that have flawed methodologies have made buyers more cautious. “In the earlier days of the carbon market, people were buying carbon credits with a pamphlet that showed a couple of pictures of what was happening on the project.”

A complicating factor is that forestry investors are under growing scrutiny over their impact not only on carbon, but also on nature. Verra, a carbon credits standards-setting body, updated its rules last year to limit the eligibility of non-native monocultures in ARR projects that seek validation under its Verified Carbon Standard. These monoculture plantations can be efficient at sequestering carbon, but are

*“There has been a shift of the average buyer from avoidance credits to removal credits”*

JP GIBBONS  
Cambridge Associates



less beneficial, or even harmful, to native biodiversity.

“If you are planting monoculture, non-native species, they may grow quickly and on paper look very attractive in terms of tons sequestered per hectare,” warns Dreaneen. “But if there was to be a move away from that from a nature and biodiversity perspective, then you could see a significant

reduction in demand for those types of projects.”

### **An unconventional approach**

McMahon sees advantages to managing forestry investments to allow for a combination of timber and carbon revenues. “Real asset plus carbon is definitely a lower risk strategy,” he says. “If you’re investing purely in carbon projects without real assets and with only exposure to carbon prices, you’re taking more risk and you need a higher return to compensate for that.”

SLM is looking to focus on continuous cover forestry. Rather than the conventional approach of clear felling an area of forest, this involves harvesting only a portion of trees, so forest cover is maintained. McMahon says this approach can boost carbon sequestration by up to 20 percent. “We can get credits from the delta,” he adds. “We think there’s opportunity for both afforestation and improved forest management. We do think it can be a return enhancer.”

While ARR certainly comes with complexities and risks, McMahon believes it should be seen as an opportunity by managers. “I do think it has changed the paradigm of forestry investing,” he says, noting that afforestation has traditionally been less favored due to the amount of time needed before an investment can yield a return.

The “exciting” feature of ARR is that it allows investors to profit much more quickly from establishing the new areas of woodland and vegetation that the Earth desperately needs, says McMahon. “You can potentially generate and sell credits, maybe from year five after forest establishment, whereas you might not get your first commercial harvest until year 20 or 30 or even longer.” ■

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# EXPERT COMMENTARY

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*As climate change and biodiversity loss reshape the global economy, sustainable forestry is emerging as a powerful tool, says Manulife's Tom Sarno*



## Investing in nature and climate transition

There is a growing consensus that the inexorable nature and climate transition taking place across the globe will have profound implications for the world economy. From where we sit as a global asset manager, this transition implies a broad range of emerging possibilities for asset allocators.

With that in mind, we've identified five investment themes that we think encompass the various challenges and opportunities arising from climate change and nature loss. We believe the investable universe associated with these five themes is enormous, cuts across the global capital markets, and offers a long-term runway that all investors should explore (see table on next page).

As the world's largest timberland investment manager, we are honored to

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celebrate our 40th year of business as we continue to conduct our business in a way that improves our environment, nourishes our communities, empowers our people and delivers performance for our clients. We believe sustainable forestry plays a key role in addressing these challenges without sacrificing performance.

Beyond traditional financial benefits, investment in sustainable forestry can support global ecosystems, positively impact climate, nature and communities, and align with evolving investor objectives – bolstering today's compelling case for investing in timberland.

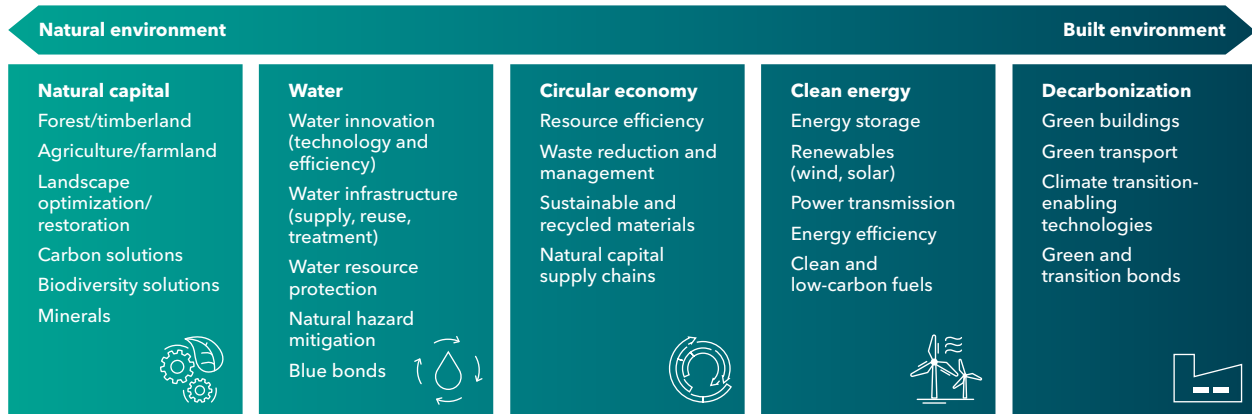
### **Value beyond forest products**

Timberland's traditional investment fundamentals are increasingly augmented by the value created through sustainable forest management. We believe that good stewardship is good business, and that effective stewardship of both people and the environment is critical for long-term timberland productivity.

In addition to the sustainable production of timber for use in forest products, this approach also supports global ecosystems through its positive impact on climate, nature and people. These benefits, long associated with sustainable timberland, are now being assigned tangible value, strengthening returns, adding optionality to timberland management and bolstering the compelling case for investing in timberland today.

# Analysis

## Investment themes



This optionality is not new but is becoming more fully realized given rising recognition of the economic and societal value intrinsic to natural capital. In our view, this not only offers an opportunity to diversify and strengthen revenue streams and expand capabilities to create individualized timberland portfolios for meeting varied investor objectives, but could also attract a wider and more diverse set of investors and investment strategies that may broaden demand and enhance performance.

Recognizing the value timberland produces beyond wood products, we established a value-add services (VAS) team to actively identify investment opportunities from these additional environmental and ecosystem benefits for our clients and stakeholders. Consequently, we've expanded our sustainable timberland management practices to explicitly include investments in carbon sequestration, wetland mitigation and other ecosystem services.

As a result, the VAS team has enabled us to unlock additional value for our timberland clients. The following case studies were selected as the VAS projects that are furthest along their respective regulatory pathway and closest to being implemented as part of the timberland operational management plan for each property. These examples showcase the potential positive financial and environmental impacts of

the projects identified and implemented by our VAS team on the timberland properties we manage for our investors.

### Gopher tortoise conservation

On a client investment property in Florida, Manulife Forest Management (MFM) identified an area with unique attributes. This area offered an opportunity to create a long-term recipient site for gopher tortoises, providing a permanent home for tortoises in need of relocation due to real estate development, and was designated as a VAS project named Camp Azalea in 2022.

The Camp Azalea project represents roughly 2 percent of the larger timberland property and presents a unique opportunity to support a threatened keystone species, realize strong returns for our clients, and continue to operate the remaining property under traditional sustainable timberland management practices. The VAS team developed a management plan to permit the project in two phases: Camp Azalea North and South. This initiative requires permitting from the Florida Fish and Wildlife Conservation Commission (FWC).

The gopher tortoise, native to eastern North America, dates back 60 million years. Its traditional habitat has been encroached upon as real estate development has expanded in Florida.

As a keystone species, this also

impacts many other animals that depend on the gopher tortoise for their survival. More than 350 species of invertebrates, birds, reptiles, amphibians and mammals have evolved to rely on the tortoises' multichambered, sandy burrows.

These 15-foot burrows offer temperature regulation, storm protection, and ecosystem benefits. Residents include the endangered eastern indigo snake, the gopher frog and even a species of burrowing owl.

The Camp Azalea footprint comprises approximately 1,052 acres, primarily dominated by pine plantation with minor components of mesic flatwoods, mixed hardwoods/conifers and wetlands. The parcels are adjacent to land under conservation easement managed by the Suwannee River Water Management District.

Based on an assessment of the two parcels, MFM estimates the optimal tortoise density to be up to 1,800 tortoises, which requires aggressive thinning, fire management and supplemental planting of native groundcover. These management actions would convert existing mesic plantation to more open canopy upland flatwoods, meeting the FWC's desirable vegetative criteria throughout both parcels. Based on these estimates, the implementation of the Camp Azalea conservation project could generate an estimated gross revenue of between \$6 million and \$8.5

## Virginia stream mitigation bank conservation project

**In Pittsylvania County, Virginia, the Manulife value-add services team has identified approximately 285 acres of streams, wetlands and other aquatic resources within a 1,958-acre area of client-owned timberlands as suitable for developing a stream mitigation bank.**

Following the development and approval of its design by mitigation authorities, we will facilitate the sale of a conservation easement from our client across these 285 acres for the implementation of the restoration plan.

The plan includes restoring the watercourse and riparian areas for pre-determined credits and is expected to take several years to complete, with mitigation credits available to developers on an ongoing basis. The plan also includes a perpetual monitoring program to ensure long-term success. The conservation easement is being sold for approximately \$2.4 million, monetizing an area of the timberlands that otherwise contributes minimally to the property's revenues.

The primary objective of a stream mitigation bank is to restore, enhance and/or preserve streams and their surrounding environment, thereby creating a reserve of ecological credits. Entities with an impact on streams can purchase these credits to offset their effects, ensuring no net loss of aquatic resources. This system promotes more efficient and effective environmental restoration and conservation by concentrating mitigation efforts on larger, more ecologically meaningful projects.

We have established a strategic partnership with Resource Environmental Solutions (RES), the nation's leading provider of nature-based solutions. RES focuses on transforming impaired lands and waters into fully functioning ecosystems. Through this partnership, we leveraged our acreage under management to identify project areas with the potential to significantly enhance the ecology and health of stream ecosystems through the development of stream mitigation banks.

The closing date for the conservation easement sale was end of May 2025, and we believe that this project, which dedicates less than 1 percent of the property to ecological enhancement, has the potential to enhance near-term financial performance of the overall property while having a positive impact on the environment.



million, based on the mitigation bank parameters.

Despite Camp Azalea representing only about 2.3 percent of the broader investment property's total acres, we believe the project could have a meaningful positive financial impact on the overall property.

Camp Azalea North is currently undergoing authorization review by the FWC, with anticipated permitting in Q2 2025. Phase II (Camp Azalea South) is slated for authorization in 2026. Permitting the projects in distinct phases allows for revenue to be spread over a broader timeline, while achieving optimal habitat conditions.

### Sustainable timberland

At Manulife, we believe that sustainably managed natural capital assets can enhance portfolio diversification, provide a proven inflation hedge and boost long-term return potential while promoting healthier ecosystems. Our experience and scale help us deliver ecological, social, and financial value for investors through additional value-added strategies, such as recreation and renewable energy leases, conservation and carbon projects. These strategies can help investors meet their financial objectives while contributing positively to a better future.

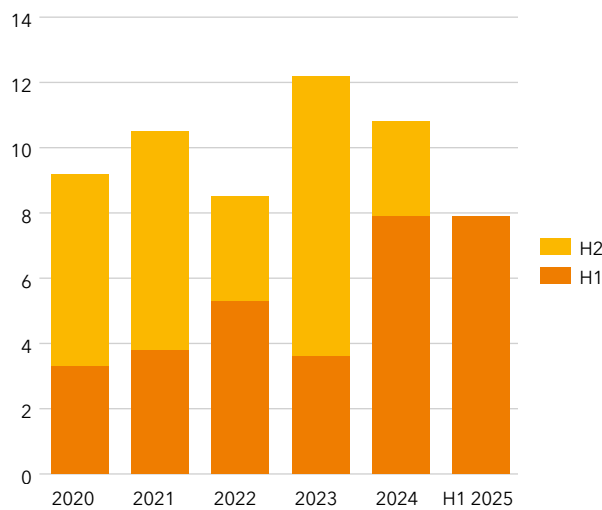
As we proudly celebrate our 40th anniversary, marking four decades dedicated to natural capital investment, our commitment to sustainable investing – good stewardship is good business – is as relevant and true today as it was when we started out in 1985. We believe our clients' success depends on the health of the farms and forests we manage on their behalf, and our global vertically integrated farmland and timberland management teams – from portfolio managers to professional farm and forest managers – are set up to help us achieve both objectives. ■

Tom Sarno is chief investment officer, managing director and global head of timberland investments at Manulife Investment Management

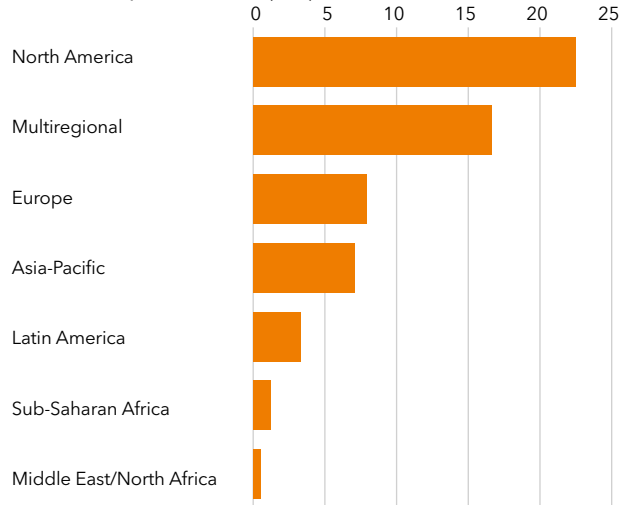
# Forestry funds set to flourish in H2

*Forestry-focused fundraising is set to soar as capital raised in H1 2025 nears total raised in 2024, writes **Evie Rusman***

Capital raised for food and forestry-focused funds (\$bn)



Regional focus of capital raised for food and forestry-focused funds, 2020-H1 2025 (\$bn)



Proportion of sector-specific funds that closed in Q1 2025 (%)



Source for all data: Agri Investor

Investor priorities are shifting in 2025, with forestry-focused funds the center of attention once more. *Agri Investor* data shows capital raised for food and forestry-focused funds hit \$7.9 billion in H1 2025, just \$2.9 billion less than the total for the entirety of 2024.

Some of the largest funds in market, as of June 19, include Cordiant Capital's Permanent Crop Fund, targeting \$3 billion, and Tikehau Capital's Private Equity Impact Fund, targeting \$1.1 billion.

Other funds targeting \$1 billion are Stafford Capital Partners, BTG Pactual

and Charoen Pokphand Group.

This demonstrates a strong appetite for forestry vehicles as we head into the second half of 2025. It also suggests that investors are increasingly prioritizing long-term sustainability and carbon-related assets within their portfolio. ■

10 largest food and forestry-focused funds in market as of June 19, 2025

Multi-regional Middle East/North Africa Latin America Europe Asia-Pacific



Largest food and forestry-focused funds closed, 2020-H1 2025

Multi-regional North America Latin America Asia-Pacific



# Working the UK's on-farm biochar carbon market

*A British company sold biochar carbon credits at a £200 per ton price point, pointing to a new opportunity for farmers and landowners. Here's how the market works. By **Binyamin Ali***



The UK's first high-profile biochar carbon credit deal was completed in June when sustainable architecture firm Bennetts Associates purchased 8.6 tons of carbon removal credits from Restord, a biochar producer based in Cornwall.

Bennetts Associates paid £200 (\$271; €237) per ton – the firm has a 50-ton pre-purchase agreement in place with Restord.

The credits were generated using on-farm biochar production technology developed by British company CapChar and certified under its Biochar Carbon Code.

The deal marks a key moment in the evolution of the UK's carbon removal marketplace, which is being stimulated by growing demand for locally produced, verified carbon removals.

*Agri Investor* spoke to CapChar co-founder Adam Samuel to understand how this nascent market works.

## How it's produced and used

Biochar is a charcoal-like substance produced by heating biomass – such as

wood chips or agricultural residues – in the absence of oxygen, a process known as pyrolysis.

The result is a highly stable form of carbon that, once applied to soils, can remain locked away for hundreds of years.

CapChar's system enables farmers and landowners to install pyrolysis units directly on-site, allowing them to convert local biomass into biochar. This biochar can then be applied to farmland or used in a variety of other applications, including animal bedding, water filtration and construction materials.

The process offers a range of benefits. Firstly, it supports carbon sequestration, as the inert carbon in biochar is recognized by the Intergovernmental Panel on Climate Change (IPCC) as a legitimate method of carbon removal.

Secondly, it enhances soil health by improving water retention, increasing nutrient availability, and stimulating microbial activity.

Lastly, the use of biochar can help improve air quality – when mixed with manures, it has been shown to reduce ammonia emissions.

## Ownership

In CapChar's model, the owner of the pyrolysis machine – often the farmer or landowner – is the party eligible to generate carbon credits.

“The person who owns the machine is the person that applies for carbon credits,” Samuel explains. “They have to show us where it's been sequestered so we understand where the biochar's final resting place is, which becomes part of our chain of custody of data.”

In the Restord deal, Restord purchased a CapChar system and used it to produce biochar on its Cornwall farm, making Restord the generator and seller of the credits.

## The Biochar Carbon Code

A distinctive feature of CapChar's approach is its use of the in-house Biochar Carbon Code. This code was developed in response to the absence of suitable international methodologies for batch-based pyrolysis systems, as well as the variability of biomass feedstocks commonly found in the UK.

CapChar's code establishes standards in several areas. First, it outlines a measurement protocol that includes



monthly laboratory testing of biochar to determine its carbon content.

Second, it addresses permanence by adopting an 80 percent performance assumption over a 100-year period – striking a balance between more conservative models, which assume 74 percent permanence, and more optimistic ones, which assume up to 98 percent.

Finally, the code incorporates emissions accounting, taking into consideration transport, operational emissions and embodied emissions, such as those related to site setup.

“Our code is in the public domain. We are happy for it to be adopted by universities or the government. We built it because there was no code that was going to work for the kind of operations that we were looking to provide our customers,” Samuel says.

### Monetizing carbon value

The carbon value in this market comes from the biochar itself – not from broader soil carbon improvements. CapChar’s focus is on the stable carbon content in the biochar, measured by mass and carbon percentage.

The £200 per ton price paid in the

Restord deal is significantly above typical voluntary carbon market averages. According to Samuel, this was driven by Bennetts Associates’ interest in local, high-integrity removals; the firm’s willingness to pay for quality and to help stimulate the UK market; and the internal high carbon price the company has set itself, which is used to drive behavioral change across its operations.

### Permanence

Ensuring the long-term permanence of carbon removals is one of the biggest challenges for carbon markets – and biochar is no exception.

CapChar’s methodology focuses on the biochar’s chemical stability – the inert carbon fraction – as the basis for crediting.

Laboratory analysis determines the proportion of stable carbon and the system’s lifecycle analysis boundary ends at the point of sequestration, meaning when the biochar is applied to land. “It’s a whole other discipline to look at its longevity over time in the soil,” Samuel says. “The global industry has come up with the science to try and predict how permanent carbon is in the soil.

“Biochar is straightforward. We know the weight of the material that’s gone in, we know the weight of the material that’s come out. Typically, the biochar that will come out of a kiln will be somewhere between 70 percent and 90 percent carbon.”

Current scientific estimates suggest 74-98 percent of the carbon in biochar remains after 100 years, depending on factors such as feedstock, pyrolysis temperature, soil type and land management. CapChar adopts an 80 percent permanence figure, based on peer-reviewed studies, as a conservative defensible position.

As for ongoing monitoring of biochar in situ, Samuel acknowledges this is still an emerging field. For instance, soil cores and satellite imaging (such as LiDAR) are being explored to track changes in soil carbon over time. In addition, carbon isotope tracing (such as

carbon-14 dating) may eventually offer more precise verification, but few commercial tools currently exist to directly measure biochar content in soil.

“Measuring how much of the biochar is still in the soil is a technology that doesn’t really exist at the moment. That’s another challenge that an industry will have to solve over time,” Samuel says.

Until more advanced in-soil monitoring becomes mainstream, robust chain of custody, conservative permanence assumptions and transparent reporting will remain key to market integrity.

### Business model and growth

CapChar’s model offers multiple pathways to market – farmers and landowners can buy a CapChar system and generate credits themselves, and aggregators like Restord can operate systems and sell credits on behalf of tenant farmers or partners.

The company is now rolling out an upgraded version of its technology, with the aim of having five to 10 systems in place across the UK this year. “We’re trying to get a modular system that anyone can buy and then if you’ve got more biomass or you’ve got a larger site, you would just buy the second set and the third set. We’re trying to market our kits at sub £100,000 [per unit].”

### Outlook

The UK’s biochar carbon market is still in its early stages and holds significant promise. It not only offers a new income stream for farmers and landowners, but also a domestic carbon removal option for corporates looking for verified, local solutions. There are also potential environmental benefits in terms of soil health and pollution mitigation.

With growing demand for “made in the UK” carbon credits and a maturing regulatory and verification framework, CapChar and its partners are positioning themselves to grow alongside this nascent market. ■

KEYNOTE INTERVIEW

# Unlocking scale in pan-European forestry



*Pan-European forestry is gaining traction as a robust and future-proof asset class, say France Valley's **Arnaud Filhol** and **Marc Samama***

Active across 11 European countries, France Valley provides institutional investors with access to a diversified portfolio of high-quality European forestry assets. The strategy targets a net IRR of 5–7 percent – and more when adding upside, for example from carbon credits.

Turning European fragmentation into opportunity, France Valley has built an operational model for scalable deployment at attractive entry points. In 2023 alone, the firm acquired more than three forests per week at an average discount of 13 percent to market value. This reach is made possible thanks to a dense network of more than 100 local partners and forest managers, allowing for efficient deployment and

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embedded alpha from day one.

France Valley CEO Arnaud Filhol and chief strategy officer Marc Samama emphasize that pan-European diversification can enhance financial performance, asset resilience and environmental impact. Their latest fund – an afforestation strategy focused on creating European carbon sinks – positions greenfield forestry as the next generation of what they call “green infrastructure.” Backed by high-integrity carbon credits, the model delivers stable, long-term returns while directly contributing to climate and

biodiversity goals.

**Q Could you talk about the depth of the European forestry market? What trends are you seeing?**

**Arnaud Filhol:** The European forestry market is both deep and highly diverse, shaped by a wide range of species, soil conditions and regional industrial dynamics. As managers active in 11 countries – including France, Germany, Ireland, the Nordics, the Baltics, Romania, Slovakia and Spain – we seek to build portfolios that reflect this underlying diversity.

One example that illustrates this variation is the value of birch wood. In the Baltics, where there is a well-developed

### Q What do the next 5-10 years look like for forestry investment?

**AF:** Simply put, the demand for wood is booming, yet supply is constrained. At France Valley, we often say that the forest is the world's only wood factory and we can't simply double productivity or size overnight. This fundamental imbalance of a limited supply meeting surging demand means that wood prices are likely to remain high and growing for the foreseeable future.

**MS:** Technological advances are accelerating professionalization: satellite monitoring, AI-based yield modeling and ESG tracking tools are making forestry more transparent and investable.

As natural capital moves mainstream, forestry is poised to sit alongside real estate and infrastructure – offering long-duration stability, inflation protection and deep ESG credentials.



### Q How important is partnership?

**AF:** Investing in the highly diverse European forestry market absolutely requires a collaborative approach with local partners and stakeholders.

Due to the fragmented nature of property ownership and varying market practices across countries, a deep and granular network of trusted local operators is crucial.

We apply a buy-and-build approach: acquiring small plots from private owners and aggregating them into investable portfolios. This requires granularity and patience, but it generates long-term value.

To achieve the necessary dealflow, we've cultivated extensive partnerships across Europe. Beyond working with brokers, we collaborate with local forest managers, totaling around 100 forest partners across Europe. These partners are actively engaging with local communities.

**MS:** This local-first, partnership-driven model enables industrial-scale deployment in a fragmented landscape. A very limited number of players have this depth of operational infrastructure across Europe. Navigating the complexities of different languages, laws, taxes, this "cracking of the European puzzle" gives us a unique edge in the market.

### Q What are the benefits of sustainable certification?

**AF:** Regarding formal certification, all of our funds have the EU's SFDR Article 9 classification, which is certainly impactful. Simply owning a forest that already existed doesn't qualify an investment to be included as part of an Article 9 fund. Assets must show demonstrable, measurable positive environmental impact. This could mean actively changing management practices to enhance biodiversity, as we're doing.

At France Valley, we measure the carbon balance of our portfolios

wood transformation industry, birch can command prices of up to €60 per cubic meter.

In contrast, in France, where such infrastructure is lacking, the same species is often sold as firewood for just €5–10 per cubic meter. These regional differences are fundamental to our investment approach.

Another key trend we're witnessing is a repricing of risk and return in European forestry relative to the US. For years, European investors were among the biggest backers of US timber funds, but that capital is now flowing back into Europe. This is because European returns are becoming increasingly competitive, combined with the region's greater policy and tax stability. This shift is a welcome change as European forestry has seen less investment compared to Oceania, Latin America and the US.

**Marc Samama:** Europe represents an investable, underexploited opportunity within a stable OECD framework. It offers political stability, lower FX risk and alignment with EU climate and biodiversity goals – a strong match for institutional investors seeking turnkey, Article 9-compatible solutions.

We're also observing a gradual shift

among forestry investors in Europe, from passive ownership models toward more active, professionally managed forestry strategies. This evolution is helping to unlock additional value, enhance returns and reduce the performance gap that historically existed between European and US timberland markets, as Arnaud was mentioning.

### Q Why is geographical diversification critical in forestry?

**AF:** As with all kinds of investments, building a balanced portfolio is critical for optimizing performance and mitigating risk. This is why geographical diversity is so crucial for forestry investors.

We achieve this by combining investments in mature markets like Germany or France, which offer high, stable prices but potentially lower yields, with dynamic and emerging markets like the Baltics. These emerging markets present lower entry costs and higher yield potential and we've observed very dynamic growth in these regions.

If an over-concentration in one market represents a risk for forestry investors, diversification presents an opportunity, helping to optimize risk-adjusted returns.

annually, committing to their improvement over time. Also, 100 percent of our forests are PEFC or FSC certified and we were also granted the GreenFin Label from the French Ministry of Ecological Transition – a more stringent label for green assets. More importantly, we’re actually going above and beyond these schemes with a voluntary Forest Management Charter, committing our French and, soon, our other European partners to sustainable practices.

Being a member of external organizations, like the Organization for Biodiversity Certificates and the International Sustainable Forestry Coalition (ISFC), has also helped formalize sustainable routes for the financing of forestry assets. These groups facilitate dialogue and the development of common frameworks for measuring and monetizing environmental impact.

While measures of carbon are universally understood, biodiversity is far more complex. Groups like the OBC strive to create a shared language and taxonomy for biodiversity impacts across forest and agricultural lands, especially for proving added value within sustainable management.

**MS:** Sustainable certification is a key pillar of credible forestry investment. It ensures that projects meet the highest environmental and social standards, supports long-term forest resilience and provides investors with confidence in the integrity of the underlying assets. Beyond our range of certifications described by Arnaud, another example is around our Carbon & Biodiversity Afforestation Fund. All credits generated will be certified under the most stringent certification standards and methodologies, ensuring full integrity, market credibility and traceability. This, in turn, enables premium pricing and strong corporate demand, which helps secure and enhance long-term investment value.

More broadly, our goal is to enable and mainstream nature-positive

investment at scale. As part of the ISFC, we are helping develop a robust framework for nature accounting, in collaboration with the TNFD. This kind of standardization will ultimately support investors by increasing comparability, reducing risk and aligning methodologies across markets.

*“[Our Carbon & Biodiversity] fund aims for a double-digit net IRR over 15 years, combining land value appreciation and long-term revenue”*

ARNAUD FILHOL

### **Q** What other markets are opening up?

**AF:** Demand for carbon credits is growing significantly. Europe has been underrepresented in the voluntary carbon market – only 1 percent of credits are issued here, while over 50 percent of global demand comes from European buyers. The structural imbalance is creating a premium for high-integrity, EU-origin offsets.

Beyond our recent closure of a €600 million fund dedicated to commercial forestry in France, we’ve launched this pure carbon and biodiversity fund across Europe. It targets unused land to create carbon and biodiversity sinks across Europe, generating highest-integrity, European carbon credits.

This fund aims for a double-digit net IRR over 15 years, combining land

value appreciation and long-term revenue from credit issuance.

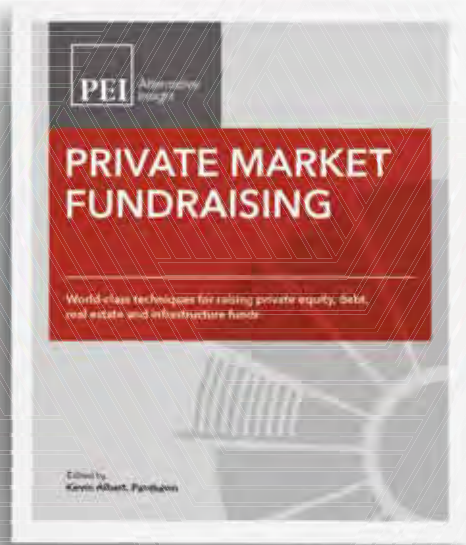
We believe these carbon sinks could evolve into a new “green infrastructure” asset class. As these forests mature, they will annually issue carbon credits, creating an asset akin to electricity generated from solar or wind, but derived from nature. This approach appeals to both corporate offset buyers and financial LPs looking for yield-generating assets with real impact.

**MS:** We are also seeing growing interest from LPs in biodiversity as a distinct source of value. At France Valley, biodiversity has been integral to our approach since inception. Our forest management excludes monocultures and synthetic treatments, promotes continuous cover practices and preserves peatlands and wetland zones.

We believe this commitment not only reinforces ecological resilience, but also enhances the long-term value of our assets. Institutional capital is no longer confined to timber yield. Nature-based returns now include carbon issuance, biodiversity enhancement and green impact metrics – increasingly priced into LP mandates.

### **Q** What are some of the challenges and risks?

**MS:** Natural risks like fire and storms exist, but we manage them proactively. We deliberately avoid high-risk zones such as the Mediterranean region and we also insure the assets where relevant and feasible. Most importantly, we mitigate both climate and phytosanitary risks through diversification of species and geographies, a core principle of our investment strategy. Over the past 12 years, we’ve actually experienced a very limited number of incidents. Climate change is real, but forestry – when managed well – is part of the solution. Adaptive planting, mixed-species approaches and resilient rotations help future-proof our portfolios. ■



# Private Market Fundraising

World-class fundraising techniques for private equity, debt, real estate and infrastructure funds

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This year marks our 40<sup>th</sup> anniversary of managing global, sustainable timberland portfolios on behalf of our clients. We're committed to enhancing the value of our clients' timberland portfolios through financial growth and environmental stewardship.

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