



“PLANTING TREES - HARVESTING

[HOME](#) [CONCEPT](#) [INVEST](#) [ABOUT](#) [ENVIRONMENT](#) [SOCIAL RESPONSIBILITY](#) [PLANTATIONS](#) [TEAM](#) [CONTACT](#)

INVEST

“Nica Forestal’s innovative project idea will show investors around the world that it is possible to carry out economically viable and environmentally sustainable projects in Nicaragua, and not only contribute to the development of the forest industry, but also the development of Nicaragua”. From the Pöyry Management Consultant appraisal report.

INVESTMENTS IN FORESTRY IN GENERAL

Growing asset class worldwide with attractive return on investment
Unique diversification vs traditional asset classes - more or less uncorrelated
Shift from semi-natural forests to high yield plantations
Diversifying away from traditional pulp, sawntimber/logs to include renewable energy, woody biomass-based materials (i.e. liquid fuels, charcoal) and ecosystem markets (carbon, biodiversity)
New diverse regimes encompassing high yield plantations, agriculture and conservation management systems
Positive projections on global demand



TEAK

- Traditional hardwood with long history and multiple uses
- Growing demand (and limited supply) for plantation teak with known origin
- Major market drivers:
 - Restricted logging of natural forests, especially Asia. (banned in Thailand, Laos, India, restricted in many other Asian i.e. Myanmar)
 - Strong demand from emerging markets, especially China and India.
 - Competitive wood properties compared to substitutes
 - High biomass growth
- Teak plantations has reached a level of industry and developed practices.

A FOCUSED INVESTMENT PROFILE

Since the Nicaforest Reforestation Program is planting on leased land, no funds are allocated for procurement of land. This of course reduces the investment levels

dramatically as well as both financial and operational risk. There are several benefits with this approach:

- All operations focused on the forestry assets (timber and carbon) as the core business reduces operational costs and risks in the long run. Real estate is a different type of industry and would require a less focused approach. Choice of land vs. utilization of land would have to be a combination of forestry related issues and real-estate issues.
- Not buying land makes it much easier for investors to exit. When the forestry assets are sold during or at the end of the growth cycle (as timber or standing trees), there is no need to find a buyer for the land, which can be a lengthy process in rural Nicaragua.
- Risks are severely reduced. Financial risk, through the much lower investment, market risk since there is no land to sell, operational risk through the focused approach and political risk though no foreign land ownership.
- The Nicaforest Reforestation Program overlap Nicaraguas REDD+ - areas as well as areas allocated for the 20by20 Initiative by World Resource Institute contributes to security as well as reduced political risk.



CARBON DIOXIDE (CO2)

Trees capture carbon dioxide through the photosynthesis, thus representing the largest storage place for carbon in the world. This storage place has a specific value in the carbon market developed over the years since the signing of the Kyoto protocol. The market value is expressed through the price of one metric ton of Co2-equivalents. These are often called “carbon offsets”. There are two markets for carbon offsets:

1. The compliance market:

Companies, governments, or other entities buy carbon offsets in order to comply with caps on the total amount of carbon dioxide they are allowed to emit. Companies, governments, or other entities buy carbon offsets in order to comply with caps on the total amount of carbon dioxide they are allowed to emit. This market exists in order to achieve compliance with obligations of Annex 1 Parties under the Kyoto Protocol, and of liable entities under the EU Emission Trading Scheme.

2. The voluntary market:

In the voluntary market, individuals, companies, or governments purchase carbon offsets to mitigate their own greenhouse gas emissions from transportation, electricity use, and other sources. For example, an individual might purchase carbon offsets to compensate for the greenhouse gas emissions caused by personal air travel. Many companies offer carbon offsets as an up-sell during the sales process so that customers can mitigate the emissions related with their product or service purchase (such as offsetting emissions related to a vacation flight, car rental, hotel stay, consumer good, etc).

The protocol established the Clean Development Mechanism (CDM), which validates and measures projects to ensure they produce authentic benefits and are genuinely "additional" activities that would not otherwise have been undertaken. Organizations that are unable to meet their emissions quota, or companies that want to ensure carbon neutrality, can offset their emissions by buying CDM-approved Certified Emissions Reductions units from forestry projects around the world (tCERs).

Carbon from forestry reached a record high level of 30,1 million metric tonnes of carbon dioxide in 2010. The historical scale of the forest carbon market has reached approximately 7,9 million hectares in 49 countries from every region of the world.

RETURN ON INVESTMENT

Nicaforest invites investors to share the revenues derived from the establishment and maintenance of forest plantations. Sale of timber throughout the growth cycle represents the largest revenue stream. The return on investment from a reforestation project is very difficult to estimate because of the long cycle. However, benchmarking shows a variation between 8% - 15% based on wood revenues. Sale of Co2-offsets may increase this by 1-4%.

SITEMAP

- Home
- Concept
- [Invest](#)
- About
- Environment
- Social Responsibility
- Plantations
- Team
- Contact

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