

Land and sea use change	Resource exploitation	Climate change	Pollution	Invasive alien species
-------------------------	-----------------------	----------------	-----------	------------------------

Forico Harvests \$670 Million with Sustainable Forestry

Part of the '[Opportunity Blossoms](#)' series on real economy investments in nature

Forests cover 30% of the Earth’s terrestrial surface, occupying almost 4 billion hectares and hosting 80% of global biodiversity. Economic growth has driven a rapid depletion of this coverage, with one-third of global forest cover lost over the last 10,000 years. Agricultural commodities – such as beef, soy, palm oil and wood – are the primary culprits. Sustainable forest management plays a critical role in halting and reversing this loss.

Forico, Tasmania’s largest private forestry manager, is an exemplar of sustainable land management and ecological stewardship. The company divides its land into plantations and natural forests, deriving revenue from wood fiber harvested from the former, while conserving the latter. Together, these practices provide the managed region with biodiversity uplift and increased carbon sequestration, from which Forico generates carbon credits that serve as a secondary revenue stream.

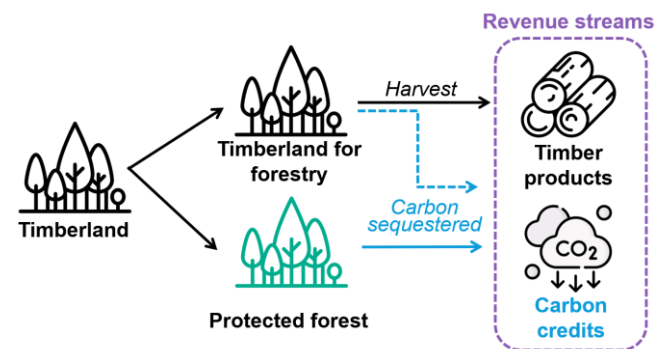
After its foundation by New Forests in 2014, the company rapidly increased in value, before being acquired by three pension funds for more than A\$1 billion (\$670 million) in late 2023.

The nature-friendly product

Founded by nature-based investment manager New Forests in 2014, Forico Pty Ltd. is one of Australia’s largest private forest and land asset managers. It was created to manage the estate acquired from Gunns Ltd., a Tasmanian forestry enterprise that entered receivership two years before. Gunns faced repeated clashes with environmental groups due to its logging of old growth forests, use of poison to deter native wildlife and a proposed A\$1.5 billion pulp mill, which would have been the largest in the world if completed.

Forico oversees a Tasmanian estate of 173,000 hectares, an area more than twice as large as Singapore. This includes 89,000 hectares of plantation dedicated to wood fiber production and 77,000 hectares set aside for managed conservation. The company is vertically integrated, owning land, forestry operations and supporting infrastructure, including processing mills and export facilities. Through these facilities, it generates revenue from hardwood – primarily eucalyptus – processed into woodchips for applications including packaging and paper.

Forico’s revenue streams

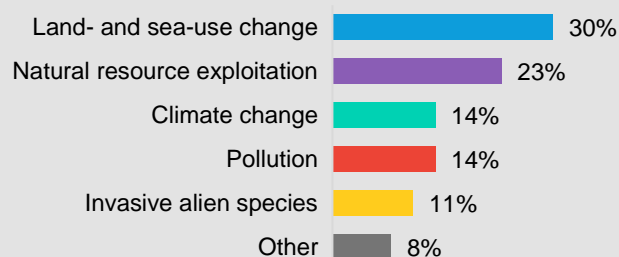


Source: BloombergNEF, Forico.

Forico is notable for integrating sustainable forest management practices and environmental stewardship

Mitigating nature loss

Five drivers account for over 90% of global biodiversity and ecosystem decline. Forico addresses land-use change, resource exploitation, climate change and pollution.



Nature-loss drivers addressed:

Land and sea use change	Resource exploitation	Climate change	Pollution	Invasive alien species
-------------------------	-----------------------	----------------	-----------	------------------------

into its operations. Some of the silviculture techniques it employs on its timber plantations include:

- **Precision forestry** using controlled-release fertilizer tablets at the time of planting to minimize later chemical application
- **Tree breeding programs**, entailing marker-assisted selection in its eucalyptus and pine trees to indirectly select for desirable traits
- **Regular plant thinning** to improve tree growth and enhance plantation productivity
- A **containerized forest nursery** to boost sapling viability and extend the planting season

Together, these practices increase plantation health and productivity, in turn boosting the amount of carbon that can be sequestered. Supplementing this with the introduction of longer rotation softwood plantations, Forico generates Australian Carbon Credit Units, known as ACCUs, through the government’s Emissions Reduction Fund [Plantation Methodology](#).

Nature benefit of Forico’s forestry management

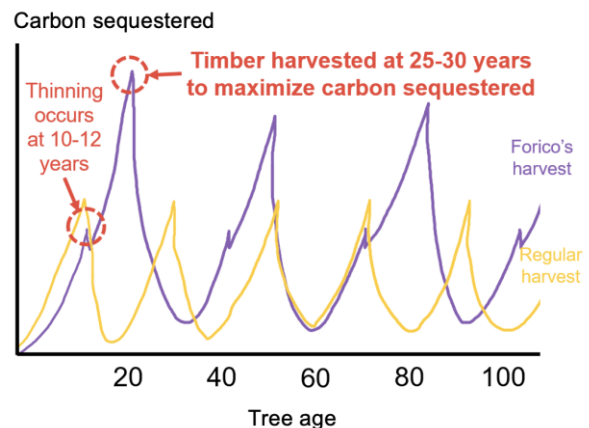
Maintaining biodiversity in forests is essential for ecosystem stability and the provision of clean air, water and climate regulation. To ensure it is doing so, Forico undertakes biodiversity baselining, with periodic assessments to monitor environmental changes. The company also promotes biodiversity uplift in its timber plantations by integrating 20% to 30% native tree species alongside commercial species. These trees support a wider range of flora and fauna, helping to sustain ecosystems and promote resilience against pests and diseases.

To protect sensitive areas from the impacts of logging and other activities, Forico establishes buffer zones around waterways and important habitats. These zones filter pollutants, limit erosion and provide corridors for wildlife, thereby promoting healthy ecosystems and preserving biodiversity. Practices such as selective logging and reduced impact harvesting are employed to minimize environmental disturbance. This approach helps maintain soil health,

water quality and habitat integrity, ensuring timber production and ecological functions can co-exist sustainably. Selective thinning, where 30% to 40% of the trees are judiciously removed, lowers competition for light and nutrients, encouraging the growth of flora in the understory, particularly saplings, shrubs and flowering plants.

Sustainable forest management also plays an important role in mitigating climate change by reducing atmospheric carbon dioxide levels, increasing resilience to natural disasters and slowing the rate of biodiversity decline. As trees progress through a longer 25 to 30 year growth cycle, they create diverse habitats, including nesting sites for birds and other wildlife, while fallen logs and deadwood contribute to soil health. More mature trees can also sequester significant amounts of carbon, absorbing CO2 and storing it in biomass and soil. Forico estimates that as of 2023, its plantations and natural forests had sequestered a total of 39.6 million metric tons of carbon, roughly equivalent to Portugal’s annual CO2 emissions.

Carbon sequestration in Forico’s forests versus a regular baseline harvest



Source: BloombergNEF, Forico. Note: Chart modeled after Forico’s Little Wattlebird Plantation Forestry [project](#) registered in the government’s Emissions Reduction Fund.

Financial performance

In October 2023, Australia’s UniSuper, the UK’s Pension Protection Fund, and the Netherlands’ APG

Land and sea use change	Resource exploitation	Climate change	Pollution	Invasive alien species
-------------------------	-----------------------	----------------	-----------	------------------------

Asset Management made a strategic move to acquire Forico, each securing a 33% stake in the venture. This valued the company at over A\$1 billion, a more than tripling in the nine years since its founding for roughly A\$300 million in 2014.

Forico's cashflows are derived from two revenue streams, each resulting from practices that minimize the nature impacts of commercial forest management. The company ensures a consistent supply of high-quality timber, which can command premium prices in both domestic and international markets. Customers are able to verify the sustainability credentials of the products through their receipt of certifications from two internationally recognized forest management schemes: the Forest Stewardship Council (FSC) Certification Scheme, including Ecosystem Services and the Responsible Wood Certification Scheme.

Meanwhile, ACCUs generated through its carbon sequestration are purchased by businesses looking to offset their emissions, creating an additional revenue stream. The spot price for one unit – which represents one metric ton of carbon dioxide removed – was A\$36.80 as of September 30. By the end of the second quarter of 2024, Forico's two projects registered under the government's methodology had yielded a total of 26,984 ACCUs.

Broader opportunities within the sector

Sustainably managed forestry investments are emerging as an attractive asset for investors, particularly with increasing demand for sustainable wood products and rising awareness around climate change. The global forest sector generates over \$622 billion in total annual revenue according to Bloomberg data, highlighting the scale of the industry.

While most investment to date has been in the US, the sustainable forestry sector is steadily expanding into other regions. Three examples of Forico's competitors are briefly examined in the table below.

Notable Forico competitors

Company	Description	Financial gain
<u>Svenska Cellulosa Aktiebolaget (SCA)</u>	The Swedish forestry manager owns forests in Northern Sweden and the Baltics. It created a digital forestry planning tool that utilizes data from forest laser scans, harvesters and artificial intelligence.	SCA generates over €1 billion (\$1.1 billion) in annual <u>revenue</u> , primarily from its forestry operations.
<u>One Forty One</u>	A vertically integrated forestry management company managing assets across Australia and New Zealand. Forests in both countries have globally recognized certifications for its sustainable practices.	Campbell Global (acquired by JPMorgan in 2021) invested over A\$26.5 million in 2022.
<u>New Forests</u>	New Forests, which runs Forico projects, manages 1.3 million hectares of land, with 15% dedicated to conservation efforts. It emphasizes a focus on natural capital strategies.	Majority-owned by Mitsui and Nomura, it raised A\$450 million in 2023 for its sustainable forestry fund.

Analyst take

Forico is an archetype of a forestry manager integrating sustainable land management into its operations, generating financial returns while positively impacting the drivers of biodiversity loss. Its acquisition in 2023 further underscores its value as a significant asset in the growing market for nature-based investments. Although Forico's approach to forestry is not groundbreaking, it serves as an example for others to follow and reflects a broader strategy of mitigating nature-related transition risks that many investors and companies are increasingly prioritizing in today's market. As environmental concerns become more pressing, integrating sustainable practices into forestry operations is key for long-term viability and profitability.

More from BNEF:

Australian Carbon Credit Units: Supply Primer ([web](#) | [terminal](#))

Carbon Offset Methodologies 101: Nature-Based Projects ([web](#) | [terminal](#))

Nature-loss drivers addressed:

Land and sea use change	Resource exploitation	Climate change	Pollution	Invasive alien species
-------------------------	-----------------------	----------------	-----------	------------------------

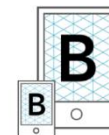
About us

Contact details

Client enquiries:

- Bloomberg Terminal: press <Help> key twice
- Email: support.bnef@bloomberg.net

Get the app



On IOS + Android
about.bnef.com/mobile

Camille Wee	Associate, APAC Carbon Markets	cwee28@bloomberg.net
Alistair Purdie	Analyst, Nature and Biodiversity	apurdie2@bloomberg.net
Hugh Bromley	Manager, Food, Agriculture and Nature	hbromley1@bloomberg.net

Copyright

© Bloomberg Finance L.P. 2024. This publication is the copyright of Bloomberg Finance L.P. in connection with BloombergNEF. No portion of this document may be photocopied, reproduced, scanned into an electronic system or transmitted, forwarded or distributed in any way without prior consent of BloombergNEF.

Disclaimer

The BloombergNEF ("BNEF"), service/information is derived from selected public sources. Bloomberg Finance L.P. and its affiliates, in providing the service/information, believe that the information it uses comes from reliable sources, but do not guarantee the accuracy or completeness of this information, which is subject to change without notice, and nothing in this document shall be construed as such a guarantee. The statements in this service/document reflect the current judgment of the authors of the relevant articles or features, and do not necessarily reflect the opinion of Bloomberg Finance L.P., Bloomberg L.P. or any of their affiliates ("Bloomberg"). Bloomberg disclaims any liability arising from use of this document, its contents and/or this service. Nothing herein shall constitute or be construed as an offering of financial instruments or as investment advice or recommendations by Bloomberg of an investment or other strategy (e.g., whether or not to "buy", "sell", or "hold" an investment). The information available through this service is not based on consideration of a subscriber's individual circumstances and should not be considered as information sufficient upon which to base an investment decision. You should determine on your own whether you agree with the content. This service should not be construed as tax or accounting advice or as a service designed to facilitate any subscriber's compliance with its tax, accounting or other legal obligations. Employees involved in this service may hold positions in the companies mentioned in the services/information.

The data included in these materials are for illustrative purposes only. The BLOOMBERG TERMINAL service and Bloomberg data products (the "Services") are owned and distributed by Bloomberg Finance L.P. ("BFLP") except (i) in Argentina, Australia and certain jurisdictions in the Pacific islands, Bermuda, China, India, Japan, Korea and New Zealand, where Bloomberg L.P. and its subsidiaries ("BLP") distribute these products, and (ii) in Singapore and the jurisdictions serviced by Bloomberg's Singapore office, where a subsidiary of BFLP distributes these products. BLP provides BFLP and its subsidiaries with global marketing and operational support and service. Certain features, functions, products and services are available only to sophisticated investors and only where permitted. BFLP, BLP and their affiliates do not guarantee the accuracy of prices or other information in the Services. Nothing in the Services shall constitute or be construed as an offering of financial instruments by BFLP, BLP or their affiliates, or as investment advice or recommendations by BFLP, BLP or their affiliates of an investment strategy or whether or not to "buy", "sell" or "hold" an investment. Information available via the Services should not be considered as information sufficient upon which to base an investment decision. The following are trademarks and service marks of BFLP, a Delaware limited partnership, or its subsidiaries: BLOOMBERG, BLOOMBERG ANYWHERE, BLOOMBERG MARKETS, BLOOMBERG NEWS, BLOOMBERG PROFESSIONAL, BLOOMBERG TERMINAL and BLOOMBERG.COM. Absence of any trademark or service mark from this list does not waive Bloomberg's intellectual property rights in that name, mark or logo. All rights reserved. © 2024 Bloomberg.