

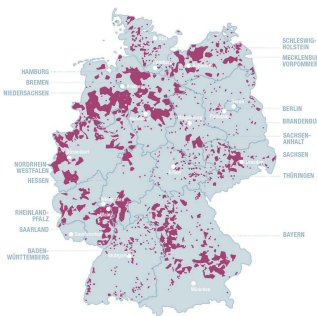
Investment Thesis: The NO₃ Impact Fund addresses Germany's structural nitrate burden by deploying private capital into preventative agricultural transition rather than downstream remediation. Instead of treating contaminated water after the fact, the strategy finances precision farming systems and nutrient optimization technologies that reduce nitrate leaching at source. The investment case is anchored in measurable performance. Compensation to the fund is directly linked to verified environmental outcomes, creating a financial structure in which public stakeholders remunerate the vehicle based on documented reductions in contamination levels. This approach aligns fiscal savings with environmental impact while generating structured returns for investors. The fund targets an average blended return of approximately 11 percent, supported by contractual revenue streams and phased performance validation. During the initial ten-year phase, the objective is to reduce nitrate runoff by ~10,000 tons annually within the pilot region, establishing a replicable financing template for broader geographic expansion.

Term Sheet

Fund Name	NO ₃ Impact Fund
Fund Type	Closed-end blended finance vehicle
Fund Size	€20M (Pilot)
Target IRR	11%
Horizon	10 years + 2yr extension option
Mngmt. Fee	2.0% p.a.
Carried Interest	20% above 8% hurdle
Capital calls	2 years
Structure	German GmbH & Co. KG; SFDR Article 9
Verification standard	paired control watershed (ISO 14064)
Outcome Payers	Governments Water utilities Health System (GKV)

The Challenge

Germany faces a persistent nitrate contamination problem rooted in decades of fertilizer-intensive agriculture. Excess nutrient application and livestock concentration have pushed groundwater nitrate levels above EU regulatory limits in more than a quarter of monitored sites. Water utilities incur hundreds of millions of euros annually in additional purification costs, while federal authorities face growing exposure to EU penalties. Elevated concentrations also carry serious public health consequences: impaired oxygen transport causes methemoglobinemia, particularly dangerous for infants, and is linked to increased cancer risk in adults. Farmers meanwhile lack access to capital-efficient solutions to modernize nutrient management without compromising productivity. Rhineland-Palatinate, one of the most affected regions, provides a concentrated environment to demonstrate a scalable intervention model.



The Solution

The solution centers on accelerating the transition toward precision agriculture and optimized nutrient management. The fund finances modern equipment, data-driven soil analysis systems, and integrated nutrient application technologies that reduce excess fertilizer use without compromising agricultural productivity. By enabling access to capital-intensive farming technologies, the strategy addresses one of the primary barriers to sustainable adoption. Participating farms implement measurable reduction practices supported by digital monitoring tools that track fertilizer application and soil conditions in real time. These systems generate verifiable performance data, ensuring that environmental improvements are quantifiable rather than estimated. The approach emphasizes prevention over remediation. By reducing nitrate leaching before it enters groundwater systems, the model decreases long-term treatment costs and strengthens soil and ecosystem resilience. This upstream intervention creates durable environmental improvement while preserving economic viability for agricultural producers.

Fund Structure

The NO₃ Impact Fund (1) operates through a structured blended finance model that aligns investors (2), farmers (3), service providers (4), public subsidies (5), stakeholders (6), and the Green Impact Fund (Germany) framework (7) within an outcome-driven capital structure.

Investors (2) commit capital to the NO₃ Impact Fund (1), where it is pooled and allocated to certified service providers (4). These service providers are the operational backbone of the fund. Rather than selling equipment to individual farmers, they function as dedicated delivery partners that procure, deploy, and maintain precision farming infrastructure across the entire portfolio. This includes variable-rate fertilizer applicators, GPS-guided field management systems, and digital soil monitoring tools. Farmers receive access to this infrastructure at zero cost, removing the single largest barrier to adoption. Service providers are contracted and compensated by the fund directly, ensuring that equipment quality, data integrity, and operational continuity remain under the fund's governance rather than dependent on individual farm budgets. Capital deployment is complemented by European agricultural subsidies (5), including CAP and EAFRD programs, which cover approximately 25 percent of upfront equipment costs and further reduce the private capital required.

The revenue mechanism is structured through the Green Impact Fund (Germany) (7), which acts as a single contractual intermediary, channeling performance-based payments from stakeholders (6) to the fund (1). This single-intermediary structure is deliberate: it consolidates payment obligations from three independent payer streams into one contractual relationship, significantly reducing coordination risk. Stakeholders (6), including governments, water utilities, and statutory health insurers, compensate the structure based on verified environmental improvements. The payment structure follows a two-stage model.

Stream 1 is released once farmers (3) demonstrate measurable reductions in fertilizer usage, verified through digital farm management data and standardized reporting systems.

Stream 2 is triggered once independent third-party auditors confirm a directional NO₃ decline trend in monitored wells within the intervention catchment, relative to paired control catchments. Payment is calculated per enrolled and protocol-compliant hectare within the verified catchment.

Independent auditors validate environmental outcomes through groundwater testing and digital farm-level monitoring. An advisory board composed of agronomic, regulatory, and ESG experts supervises governance and ensures alignment between financial performance and environmental objectives. This integrated structure leverages subsidy support (5) to reduce private capital intensity, aligns stakeholder incentives (6) with measurable outcomes, and establishes a scalable financing mechanism for nitrate reduction across agricultural regions.

Stakeholders

