

Accelerating Finance for Nature: Barriers and recommendations for scaling private sector investment

Centre for Nature Positive Business

The case for a Nature Finance Accelerator

May 2023

Contents

Executive summary

Section 1: Introduction

Section 2: Market assessment

Section 3: Barriers to investment

Section 4: Recommendations

Centre for Nature Positive Business

PwC's global Centre for Nature Positive Business unites more than 500 nature specialists from across our network. Bringing together knowledge in biodiversity, water, forestry, regenerative agriculture and geospatial analysis, the Centre is accelerating the global transition to a nature positive and net zero future.

The Centre:

- catalyses collaboration among public, private and civil-society organisations to create new communities of solvers in the fight to halt and reverse nature loss
- empowers business leaders to play their part, by helping the largest organisations in the world to transition to nature positive business models
- helps drive the development of frameworks, standards and methodologies that provide the architecture necessary for rapid system-wide change
- upskills our people around the world to build nature positive, sustainable outcomes into project delivery
- contributes to and builds trust in the diverse global factbase that underpins the nature-action agenda.

For more information visit: <https://www.pwc.com/nature>

Executive summary

The recently adopted Kunming-Montreal Global Biodiversity Framework (GBF) paves the way to close the US\$700+ billion annual investment ‘gap’ for nature.¹ However, achieving the framework’s target of mobilising US\$200 billion per year of finance for nature will require innovative mechanisms and external market forces with both public and private sector engagement. To date, public finance has shouldered the lion’s share of the responsibility for natural capital investment. However, public finance alone will fall far short of the required levels of investment needed to achieve a nature-positive future.

By profiling over 80 global nature finance vehicles and conducting extensive interviews with stakeholders across the spectrum of market participants, this report assesses the key barriers and opportunities for scaling private sector investment in natural capital and provides recommendations to help drive financial flows towards nature – in particular, the establishment of a dedicated Nature Finance Accelerator.

Whilst market and policy landscapes are beginning to shift in recognition of the value of protecting nature and biodiversity, PwC* research conducted for this report shows that investors remain hesitant because of low returns, small ticket sizes for deals, high transaction costs, long investment timelines, lack of expertise and access to high quality and affordable data and metrics. Similarly, we find that project developers are struggling to scale their investments, access finance, and effectively communicate their business models to investors.

Authors:

James King
Theo Bromfield
Ian Milborrow

The authors thank Jon Williams, Lewis Brusby, Eleanor Gill, Margarita Velez Acevedo, Alex Clarke, Umair Ullah, Ludo Findlay, Will Evison and Nina Newhouse for their contributions to this report.



* PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details

¹ Finance Earth (2021) A Market Review of Nature-Based Solutions.



To help address these challenges, we propose the development of a Nature Finance Accelerator (NFA) to catalyse private sector investment through an innovative programme working directly with the public sector. Ideally funded by public or philanthropic capital, an NFA would operate in target geographies to:

1

Identify projects:

Run a call for proposals for projects/business models seeking to scale up investment in the region of US\$6-60 million that have an explicitly positive impact on nature and derive their revenue from one of the following streams:

- Selling sustainable commodities – e.g. regenerative agriculture, sustainable timber products.
- Selling ecosystem services – carbon credits, but increasingly biodiversity credits too.
- Providing products and services that support the enabling environment for conservation and biodiversity protection – especially monitoring, reporting and verification (MRV) products and services.

2

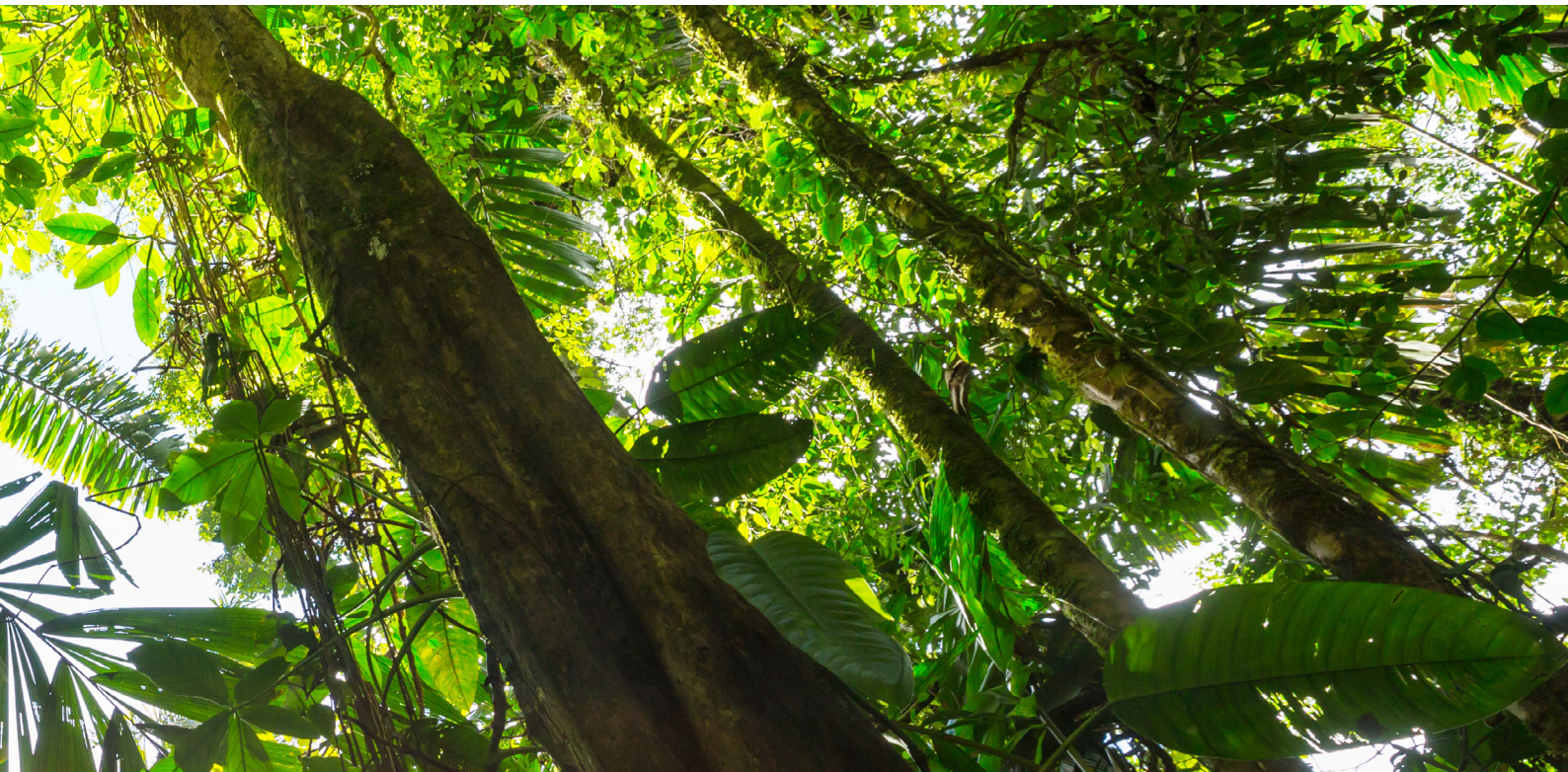
Upskill project developers:

Dependent on the level of funding available, the NFA would provide technical assistance to the best or most innovative projects/business models identified in each geography to upskill proponents on how to strengthen their investment case, access blended finance to de-risk their investment offer, as well as advice on how to fully integrate gender, equality and social inclusion considerations into their business model. Assistance would be developed in collaboration with existing initiatives such as the Coalition for Private Investment in Conservation (CPIC) to build on current work and best practice.

3

Demonstrate the opportunity:

In parallel to step 2, the NFA would seek out local and international investors in each target geography – especially impact investors, private equity, and venture capital – and provide tailored sessions to demonstrate the opportunity investing in nature presents, as well as how to navigate some of the key risks discussed in the main body of this report.



4

Design blueprints for blended finance instruments¹

Alongside steps 2 and 3, the NFA would work with local and international sources of catalytic capital – especially development financial institutes – to encourage and facilitate the design and roll out of more locally adapted blended finance instruments to de-risk the investment opportunity for private investors.

5

Organise matching workshops:

Steps 1-4 are expected to last approximately 6 months, at the end of which, the projects investors and designers of blended finance instruments would be brought together at matching workshops. Project developers would pitch their business models to investors with the aim of either gaining an offer of investment, or constructive feedback on how their investment case can be further strengthened. The possibility of utilising the blended finance instruments designed in step 4 will hopefully help to stimulate further private sector investment. Such workshops would provide a clear pipeline of potentially bankable projects for investors, therefore reducing their transaction costs and consequently improving their long-term return on investment. Although related incubator and accelerator programmes exist to support start-up scale nature projects, our research found there was a lack of support focused on helping nature-related projects to scale up, especially for businesses seeking finance of more than US\$6 million.

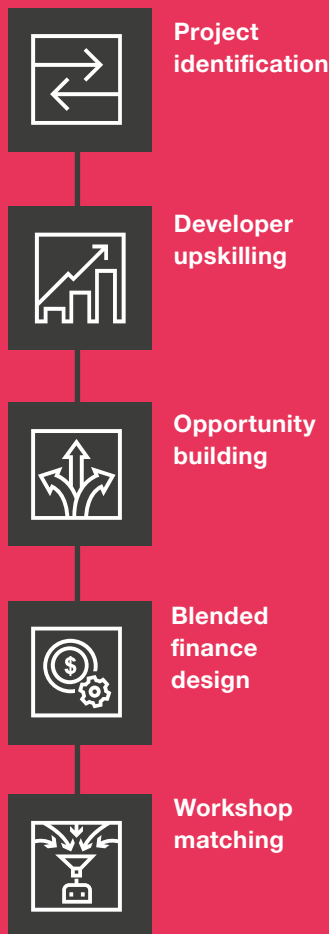
6

Repeat steps 1-5 on an annual basis:

Repeating steps 1-5 annually over a 3-4 year timeline in each target geography will help to improve the sustainability of the final outcomes from an NFA by ensuring a larger number of investors are made aware of the opportunities provided by investing in nature. Furthermore, running the steps over multiple years will hopefully demonstrate clear growth in the size of the investment market for nature-related projects/business models, by facilitating a larger number of deals each time the NFA cycle is completed.



A similar US\$11.8 million technical assistance programme funded by the UK Government's Department for Energy Security and Net Zero (DESNZ), and managed by PwC, has already provided climate project developers with access to more than US\$167 million in additional funding across nine countries in the last two and a half years. An NFA would seek to build on the key lessons from this programme to generate equivalent impact for nature and biodiversity.



The report is intended for two audiences:

1. Private sector financial institutions interested in key trends and investable opportunities within nature finance as well as practical solutions for scaling their involvement in the industry.
2. Institutions – especially from the public, philanthropic, and NGO sectors – that are seeking methods of scaling finance for nature through greater interaction with the private sector.

Section 1 of the report provides an introduction into the costs and risks associated with nature decline, the nature-finance gap and the opportunities to investors.

Section 2 of the report provides a market assessment of the current state of nature finance – highlights include:

- Investments in nature are currently concentrated on small ticket sizes, typically less than US\$10 million of commitment.
- Investments in nature are currently concentrated in forestry and sustainable/regenerative agriculture, likely because financial institutions rely on the precedent set by conventional agriculture and forestry investments regarding timelines and returns generated by commodities such as timber and crops.
- Nature finance is geographically concentrated in traditional markets in the Global North.
- Interest in nature finance has accelerated in the last three years with a proliferation of nature-related industry coalitions and alliances and understanding of how existing portfolios are exposed to nature-related risks.

Section 3 examines some of the main barriers to scaling private sector investment for nature, while Section 4 provides recommendations for overcoming these challenges:

Barriers

1. Investments generate low returns and/or take too long to provide a return on financial investment.
2. Investments are small scale and have high transaction costs.
3. Investors may have limited experience relating to nature finance and its novel risks.
4. Access to high quality and affordable data and metrics is limited.

Recommendations

1. Aggregate nature-related projects to increase ticket sizes to a scale where they are attractive to larger institutional investors.
2. Use blended finance models to de-risk nature-related investments with the aim of crowding in private finance.
3. Upskill investors and project developers to respectively improve their understanding of nature finance opportunities and increase their bankability.
4. Invest in Monitoring, Reporting and Verification (MRV) solutions to unlock private capital and create value for investors.
5. Reframe Gender Equality and Social Inclusion (GESI) risks as an opportunity.

Section 1: Introduction

Our 'economies, livelihoods and well-being all depend on our most precious asset: Nature',² and yet the health of ecosystems is deteriorating at rates unprecedented in human history³

Since the Industrial Revolution, over 75% of the world's land surface has been significantly altered by humans, two-thirds of the world's oceans have been polluted, and over 85% of wetlands have been destroyed. Around one million plant and animal species are currently threatened by extinction⁴ against the backdrop of a human population that is predicted to double this century.⁵

With half of the world's GDP, approximately US\$58 trillion, moderately or highly dependent on nature,⁶ its loss not only threatens the natural world but the foundation of our economies, livelihoods, food security, health and quality of life worldwide.⁷ By 2030, the loss of nature is likely to cause global GDP reductions of US\$2.7 trillion each year, with some countries seeing their GDPs fall by more than 10%⁸ with the most severe impacts likely affecting those most vulnerable.

Declines in natural capital pose significant risks to businesses

Insufficiently accounting for the value of nature poses significant risks to businesses.⁹ In recent years, governments, regulators and organisations have begun to acknowledge the systemic financial risk associated with climate change. However, the risks facing businesses as a result of nature loss are far less regularly disclosed, even though the World Economic Forum has ranked biodiversity loss as the third largest global risk over the next ten years.¹⁰

These risks can take a number of different forms including:

- **Physical risks** refer to the physical effects of nature loss. For example the loss of insect populations, who are critical in plant pollination, will lead to a reduction in crop yields, therefore reducing agricultural revenue.
- **Transitional risks** emerge with the introduction of new regulations such as the EU's Corporate Sustainability Reporting Directive (CSRD) which will penalise industries with a negative nature impact.
- **Reputational risks** also occur when clients and consumers look for alternative and more sustainable products and services.

Portfolio Earth analysed 50 of the largest banks in the world and concluded that on average, each of them is linked to US\$52 billion of funding with embedded biodiversity risk. This figure amounts to at least US\$2.6 trillion of potentially nature-negative investments.¹¹

Despite its importance, there is a considerable gap in the finance required to protect nature

UNPE has estimated that there will be a US\$4.1 trillion financing gap for nature by 2050.¹² Equally, Finance Earth suggests there is currently an annual investment gap of over US\$700 billion to protect the natural environment, as only US\$134 billion of the US\$845 billion required annually is being spent.¹³ From the c. US\$134 billion per year that currently flows into Nature-based solutions (NbS), US\$114 billion comes from public funds. Over a third of these public funds are invested by national governments into the protection of biodiversity and landscapes. Nearly two thirds is spent on forest restoration, peatland restoration, regenerative agriculture, water conservation and natural pollution control systems.¹⁴



² HM Treasury (2021) The Economics of Biodiversity: The Dasgupta Review.

³ IPBES (2019) The global assessment report on biodiversity and ecosystem services: summary for policymakers.

⁴ *ibid.*

⁵ Our World in Data (2019) World Population Growth.

⁶ WEF (2020) Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy.

⁷ IPBES (2019) The global assessment report on biodiversity and ecosystem services: summary for policymakers.

⁸ WEF (2022) Scaling Investments in Nature: The Next Critical Frontier for Private Sector Leadership.

⁹ University of Cambridge Institute for Sustainability Leadership (2021) Handbook for Nature-related Financial Risks.

¹⁰ WEF (2022) The Global Risks Report

¹¹ Portfolio Earth (2021) Bankrolling Extinction: The banking sectors role in the global biodiversity crisis

¹² UNEP (2021) State of Finance for Nature.

¹³ Finance Earth (2021) A Market Review of Nature-Based Solutions.

¹⁴ UNEP (2021) State of Finance for Nature.

This nature finance gap cannot be bridged with public finance alone, which provides 86% of current investment¹⁵ and should be prioritised for nature-related projects which cannot generate a profitable return on investment. UNEP's latest state of finance report highlights that the private investment channelled through multilateral development banks and bilateral cooperation amounts to less than US\$1 billion per year.¹⁶ Scaling private sector investment for nature is therefore essential for safeguarding our future. With an estimated US\$87 trillion of assets under management, institutional investors in particular are crucial for meeting this challenge.¹⁷ Although these figures on the nature finance gap appear daunting, there is sufficient finance available to bridge it – the world spends at least US\$1.8 trillion a year, equivalent to 2% of global GDP, on subsidies that are driving the destruction of ecosystems and species extinction.¹⁸

Investing in nature represents a significant opportunity for private financiers

Several factors point to the long-term value of investing in nature-related projects. This includes investing defensively to safeguard existing businesses and revenue streams, but also to leverage the opportunities from changing demands from consumers for nature positive goods and services.

For example, a 2022 UN climate change high level champions report concluded that 'developing and tapping solutions for a net zero, nature-positive, resilient food system... could generate up to US\$4.5 trillion of new business opportunities annually by 2030' while 'those who fail to act could shortly see billions of dollars of value permanently lost', with individual firms at the centre of the global food supply system potentially losing up to 26% of their value by 2030.¹⁹ To bring these opportunities to fruition, an enabling environment must be created through political will and regulation alongside the development of bankable opportunities that lenders and investors can understand.

Further to the financial opportunities on the horizon, commercially viable opportunities relating to nature already exist and are set to grow rapidly. One area receiving significant attention are nature-related projects and business models that use carbon credits as an ancillary income stream. Demand for carbon credits is predicted to increase 15 times by 2030 and up to 100 times by 2050,²⁰ which implies there could be a significant growth in the price of carbon credits if supply is constrained.

Many of these offsets will be derived from nature-based solutions (Box 1), a trend already being realised as offsets associated with nature-based solutions and natural climate solutions increased by 30% in 2019 alone.²¹ The shift in demand for nature-positive goods and services also provides a unique opportunity for early-movers who can seize a competitive advantage, while other businesses might struggle to adapt to nature-positive consumer demands.²²

There is a growing policy landscape to support natural capital investments, including a new global agreement which adds momentum to the case for scaling finance for nature

Following the adoption of the new Kunming-Montreal Global Biodiversity Framework (GBF) in December 2022, governments have committed to halt and reverse nature loss by 2030.

The agreement seeks to close the US\$700 billion funding gap for nature by setting a target for countries to mobilise US\$200 billion per year and eliminate US\$500 billion of harmful subsidies.²³ The private sector will play a crucial role in ensuring these commitments are achieved and the GBF provides a unique opportunity for investors to support national obligations through market mechanisms.

Target 19 of the new framework notes the importance of 'leveraging private finance, promoting blended finance...and encouraging the private sector to invest in biodiversity' whilst target 15 requires governments to 'take legal, administrative or policy measures to encourage and enable business... (to) regularly monitor, assess and transparently disclose their risks, dependencies and impact on biodiversity'.²⁴ In order to capitalise on these targets and achieve global ambition, a stronger enabling environment must be created to support private sector investment.

Outside of the GBF, there has been a proliferation in recent years of natural capital policy and initiatives which point towards a landscape that favours investments in the protection and restoration of nature. The UK has seen the advent of Biodiversity net gain whilst the Australian government has announced that it will support a market for biodiversity credits for conservation projects (Box 1). At COP26 in Glasgow, 10 multilateral development banks signed the joint statement on nature, people and the planet committing them to further mainstream nature into their policies.²⁵

Also at COP26, the Glasgow Leaders' declaration on forests and land use was launched which commits 145 world leaders to halting and reversing deforestation by 2030, and critically to aligning financial flows with that goal. This was strengthened at COP27 by the launch of the Forests and Climate Leaders' Partnership (FCLP) to drive forward delivery of such commitments. In March 2023, a historic deal to protect international waters and marine biodiversity was finally reached at the United Nations, which establishes a legal framework for establishing vast marine protected areas.²⁶ These policy developments are likely to put increasing pressure on investment portfolios which do not consider natural capital in their strategies.

¹⁵ UNEP (2022) State of Finance for Nature.

¹⁶ UNEP (2022) State of Finance for Nature.

¹⁷ Finance Earth (2021) A Market Review of Nature-Based Solutions.

¹⁸ Business for Nature (2022) Financing Our Survival: Building a Nature Positive Economy through Subsidy Reform.

¹⁹ UNFCCC (2022) Race to resilience: Assessing the financial impact of the land use transition on the food and agriculture sector

²⁰ Carbon Credits.com (2021) Demand for Carbon Credits Could Increase +15X by 2030 and 100X by 2050.

Given that the UK now mandates the disclosure of climate-related risks and opportunities in line with the Taskforce on Climate-related Financial Disclosures (TCFD), it seems likely that mandatory nature related disclosures will follow suit.

Indeed, target 15 of the recently adopted GBF requires 'large and transnational companies and financial institutions [...] monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity...along their operations, supply and value chains and portfolios'.²⁷ Equally, the EU provisionally agreed a new law in December 2022 that will require companies selling certain commodities on the EU market to ensure their production did not cause deforestation.²⁸ Similarly, the Glasgow Finance Alliance for Net Zero's draft recommendations and Guidance on Financial Institution Net-zero Transition Plans 'urge(s) financial institutions to embed deforestation into their transition planning by developing policies to identify and curtail financing of such activities'.²⁹

Outside of direct economic returns, financial institutions are also beginning to recognise the physical, legal, and reputational risks they are running through their contribution to nature loss in their existing investments and portfolios. This is emphasised by the emergence of new risk frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) which helps enable companies and financial institutions to integrate nature into their decision making. As these risks become more evident, so too does the corresponding opportunity to scale investments in natural capital. New coalitions such as the Natural Capital Investment Alliance (NCIA) are emerging to share knowledge and to better understand the opportunities associated with investing in natural capital.³⁰ In support of this, the latest guidance from the UK's Transition Plan Taskforce (TPT), which provides guidance on how to develop a 'gold standard' private sector climate transition plan, recommends that plans should cover 'measures to address material risks to, and leverage opportunities for, the natural environment'.³¹

Despite the positive direction of travel in terms of supportive policy, further innovation is required to rapidly scale private finance for nature

Drawing on interviews with key stakeholders from financial institutions, government departments, NGOs, philanthropy organisations, project developers and other independent experts, this report outlines some of the main barriers to scaling private sector natural capital investment, especially for small-mid-sized investments in the US\$5-50 million range, and suggests five key recommendations in the form of a Nature Finance Accelerator to catalyse funding. To support this assessment of barriers and recommendations, the next section provides a market assessment of the current state of nature finance. 'Nature finance' is used in this report to refer to 'expenditure, public or private, that contributes or intends to contribute to the conservation, sustainable use and restoration of nature'.³² Definitions for some of the other key terms used throughout this report can be found in Box 1.



²³ Kunming-Montreal Global Biodiversity Framework (2022)

²⁴ ibid

²⁵ MDB Joint Statement (2021) COP26

²⁶ UN News (2023) UN delegates reach historic agreement on protecting marine biodiversity in international waters.

²⁷ Kunming-Montreal Global Biodiversity Framework (2022)

²⁸ European Commission (2022) Green Deal: EU agrees law to fight global deforestation and forest degradation driven by EU production and consumption

²⁹ GFANZ (2022) Statement on Deforestation Financing from the Co-Chairs and Vice Chair of GFANZ

³⁰ Natural Capital Investment Alliance (2023)

³¹ Transition Plan Taskforce (2022) Summary recommendations

³² OECD (2020) A Comprehensive Overview of Global Biodiversity Finance.

Box 1 – Key definitions

Per the Taskforce on Nature-related Financial Disclosures' (TNFD) definition,³³ **'nature'** in this report refers to 'the natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment'. Moreover, nature 'can be understood through a construct of four realms – land, ocean, freshwater and atmosphere'.

Within these realms are **'ecosystems'** – a 'dynamic complex of plant, animal and micro-organisms communities and their non-living environment interacting as a functional unit'.³⁴ These ecosystems provide essential services – **ecosystem services** – such as water purification and food production, which are vital to human and economic activity and require adequate levels of biological diversity and other non-living natural resources.³⁵ Ecosystem services provide an estimated US \$125 – 140 trillion per year of value for the global economy, roughly one and half times global GDP.³⁶ The value of ecosystem services is dependent on the volume of **'natural capital'** a region holds, i.e. the stock of natural resources which flow into ecosystem services that provide benefits to people and the economy.³⁷

The term **'Nature-based Solutions' (NbS)** refers to 'actions to protect, conserve, restore, sustainably use and manage ecosystems'.³⁸ In this report the term **'nature finance vehicle'** is used to refer to a financial product or service which invests in or disburses grants to projects/businesses that restore or protect global stocks of natural capital.

Biodiversity refers to 'the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part, this includes diversity within species, between species and of ecosystems'.³⁹

Biodiversity offsets are conservation activities that are designed to give biodiversity benefits to compensate for losses – ensuring that when a development damages nature, new nature sites will be created.⁴⁰ They are intended to be implemented only after reasonable steps have been taken to avoid and minimise biodiversity loss at a development site. As such, biodiversity offsetting is understood as a 'last resort' and is only to be adopted after all other measures have been taken to avoid and minimise development damages.⁴¹

Biodiversity offsets are based on the premise that impacts from development can be compensated for if sufficient habitat can be protected, enhanced or established elsewhere. They are economic instruments and are based on the polluter pays approach, aiming to internalise the external costs of biodiversity loss from development projects by imposing a cost on the activities that cause adverse impacts to biodiversity.⁴² This is in contrast to biodiversity credits, which are instruments that can be used to finance actions that result in measurable positive outcomes for biodiversity through the creation and sale of biodiversity units.⁴³

Biodiversity offsets were first used in the United States in the 1970s to mitigate damage to wetlands, and now biodiversity offsets are increasingly growing in interest as governments and the private sector seek to address biodiversity loss that occurs through development projects and activities.⁴⁴ Currently more than 100 countries have laws or policies in place that require or enable the use of biodiversity offsets, or are currently considering their use.⁴⁵

³³ TNFD (2022) The TNFD Nature-related Risk & Opportunity Management and Disclosure Framework: Beta v.01 Release.

³⁴ Convention on Biological Diversity (2006) Article 2. Use of Terms.

³⁵ WWF (2022) Nature is Next: Integrating nature-related risks into the Dutch financial sector.

³⁶ OECD (2019) Biodiversity: Finance and the Economic and Business Case for Action.

³⁷ Capitals Coalition (2021) Natural Capital Protocol.

³⁸ UNEA 5.2 (2022) Resolution 5: Nature-based Solutions for Supporting Sustainable Development.

³⁹ CBD (1992): Article 2

⁴⁰ HMG (2013) Biodiversity Offsetting: Information about biodiversity offsetting in pilot areas.

⁴¹ Department of Geography, University of Cambridge (2016) Biodiversity Offsetting in the UK: A Beginner's Guide.

⁴² OECD (2016) Biodiversity Offsets: Effective Design and Implementation.

⁴³ IIED (2020) Making the market work for nature: How biocredits can protect biodiversity and reduce poverty.

⁴⁴ OECD (2016) Biodiversity Offsets: Effective Design and Implementation.

⁴⁵ *ibid.*

Section 2: Market assessment

To assess the current state of nature finance, we profiled nearly 80 nature finance vehicles ranging from small-scale regional incubators and grant and loan facilities, to blended finance facilities, venture capital and impact investment funds.

For each nature finance vehicle, we assessed:

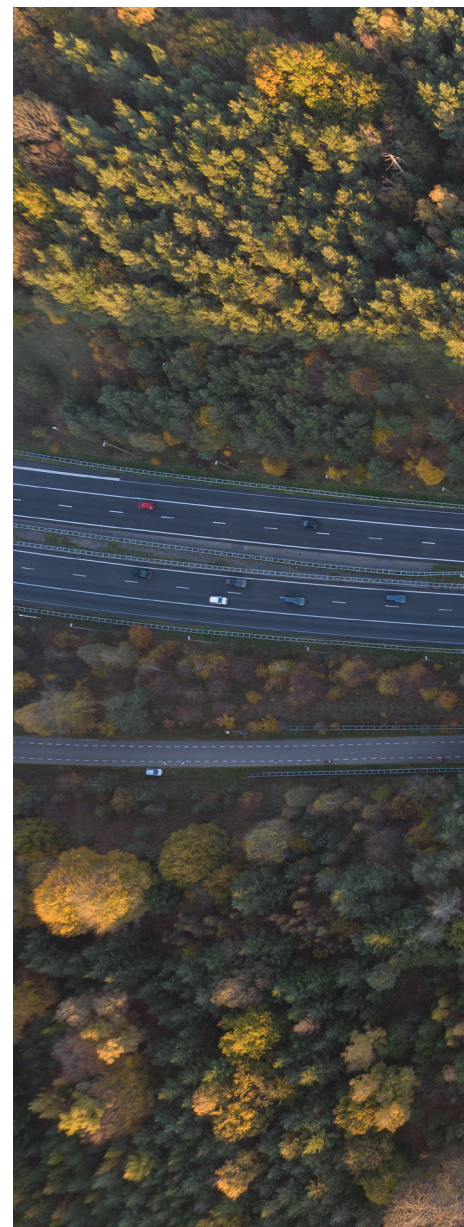
- Total amount of funds available.
- How investments are structured.
- Investment size.
- Investment location/concentration.
- Whether the vehicle has a sectoral or ecosystem focus.
- Whether further mobilisation of capital was an explicit aim of the vehicle.

This analysis is not exhaustive, and our coverage is unlikely to be fully comprehensive given the volume of existing funding vehicles for climate finance and the resulting subjectivity in defining those within this group as distinctly nature-focused. Nevertheless, the final output has provided clear insights into the current landscape of nature finance and will serve as a useful starting dataset for future development.

Our analysis found that the data disclosed around investments is often limited. Notably, 46% of the nature financing vehicles that disclosed either their total fund size or total mobilised capital, did not provide detail on the ticket sizes of their respective investments. Many of the vehicles profiled also did not include information on their average investment ticket sizes, or insights into the geographical/sectoral distribution of their investments. Greater transparency in this regard would greatly aid understanding of the global state of nature financing and support the strategic development of nature finance.

Small deal ticket sizes of under US\$10 million currently dominate investments in nature

At least 55% of the nature related investments we reviewed were less than US\$10 million, while upwards of 70% of nature financing vehicles identified had midpoint ticket sizes of US\$5 million or less (Figure 1). By contrast, just 3% of the financing vehicles we profiled disclosed investment ticket sizes in excess of US\$50 million. This concentration is supported by further research – according to the Coalition for Private Investment in Conservation, 70% of nature deals in 2020 globally were reported to be below US\$1 million,⁴⁶ whilst the mean value of nature projects in Europe has been estimated at €7.4 million (c. US\$6.9 million using March 2023 conversion).⁴⁷



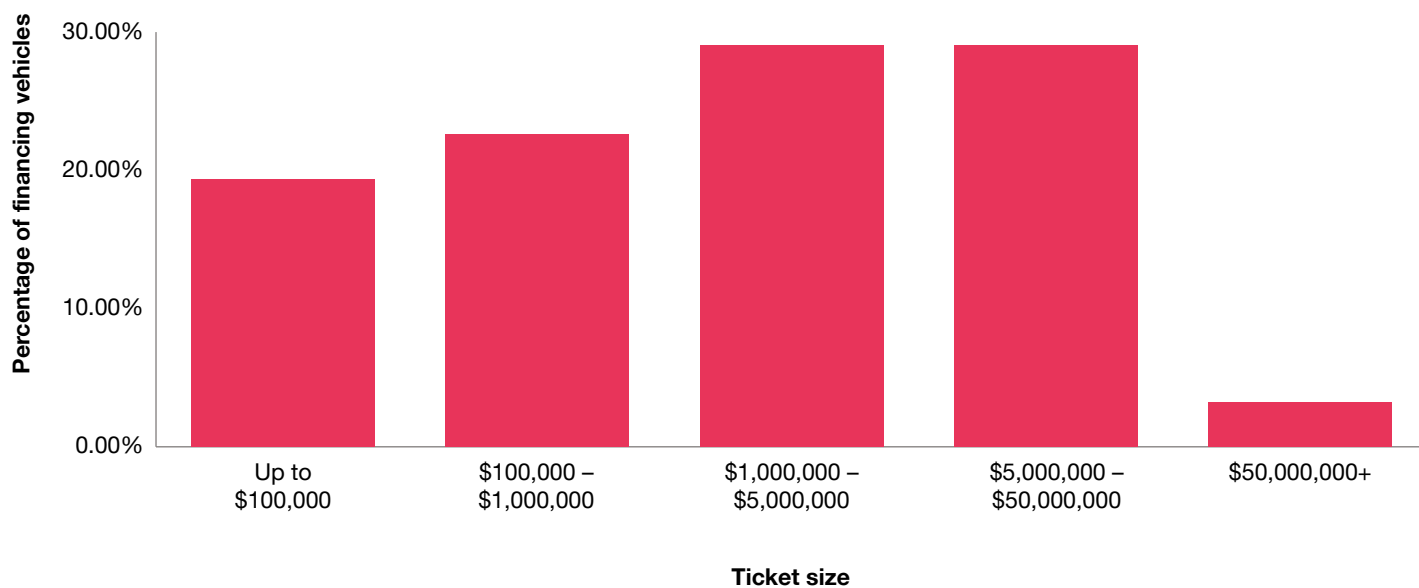
⁴⁶ CPIC (2021) Conservation Finance 2021: An Unfolding Opportunity.

⁴⁷ Dasgupta Review.

⁴⁸ CTVC (2022) Running List of Climate VCs.

⁴⁹ UNEP (2022) State of Finance for Nature.

Figure 1: Percentage of financing vehicles across ticket sizes



⁵⁰ CPIC (2021) Conservation Finance 2021: An Unfolding Opportunity.

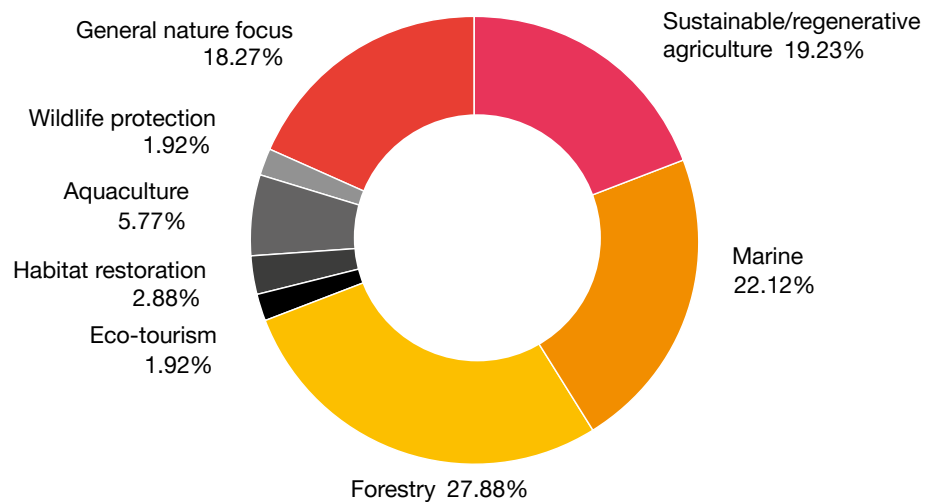
⁵¹ Dasgupta Review.



Investments in nature are concentrated in forestry and sustainable/regenerative agriculture

47% of the vehicles we profiled had a thematic focus on sustainable or regenerative agriculture, and forestry projects (Figure 2). These findings align with sentiments from our stakeholder interviews, where financial institutions stated they rely on the precedent set by conventional agriculture and forestry investments regarding timelines and returns generated by commodities such as timber and crops. By contrast, wildlife protection, habitat restoration and ecotourism combined comprised just under 7% of total investment focus among the vehicles examined.

Figure 2: Distribution of nature financing vehicles by thematic focus



This finding was reinforced by deep-dive research on venture capital funds. We examined the 185 climate-related institutional VC funds listed on Climate Tech VC (CTVC),⁵² of which at least 65% were invested in nature-related propositions. Of this subset, the vast majority were investing in sustainable/regenerative agriculture solutions (71%). A 2022 report by UNEP found that financial flows to marine NbS are roughly US\$14 billion per year, 9 percent of the total terrestrial and marine NbS.⁵³

⁵² CTVC (2022) Running List of Climate VCs.

⁵³ UNEP (2022) State of Finance for Nature.

Nature finance is geographically concentrated in traditional markets

Our research shows that the majority of the world's biodiversity finance is generated in advanced economies, yet 41% of the total finance is actually spent on ecosystems within countries with emerging or developing economies, which have some of the richest stocks of natural capital.⁵⁴ 40% of the nature finance vehicles that we identified did not disclose the geographical focus of their finance flows.

However, of the remaining 60% that did, Africa and Latin America saw the greatest number of financing vehicles direct a focus of their investment in these regions (28% and 22% respectively). Despite this, where geographical focus for these regions was given by financing vehicles, 61% gave no information as to the ticket sizes of their investments or disbursements. The lack of public information on ticket sizes also extended to financing vehicles focused on the more advanced economies of Europe and North America, where 54% did not disclose information on their ticket sizes.

Where there was information on respective ticket sizes for each region, there was too little to confidently draw any conclusions as to the differences in finance flows between advanced and emerging economies. Conversely, our literature review of recent advancements in nature finance did point to a bias towards the Global North, particularly sustainable timber products in North America and Europe (Figure 3). This was further corroborated by trends that we identified in stakeholder interviews, where investors leaned towards a trusted revenue stream in timber, within lower risk markets in the Global North.



⁵⁴ Global Canopy (2021) The Little Book of Investing in Nature.

Figure 3: Overview of nature finance vehicle focuses across regions

North America

Ecosystem focus: Forestry.
Example investors: Working forest fund, underpinned by a \$150 million green bond as well as philanthropic capital. Ultimately aims to secure five million acres of at-risk North American forests and protect them from fragmentation and degradation. Returns on investment are sourced from sustainable timber products and recreation economies.

Europe

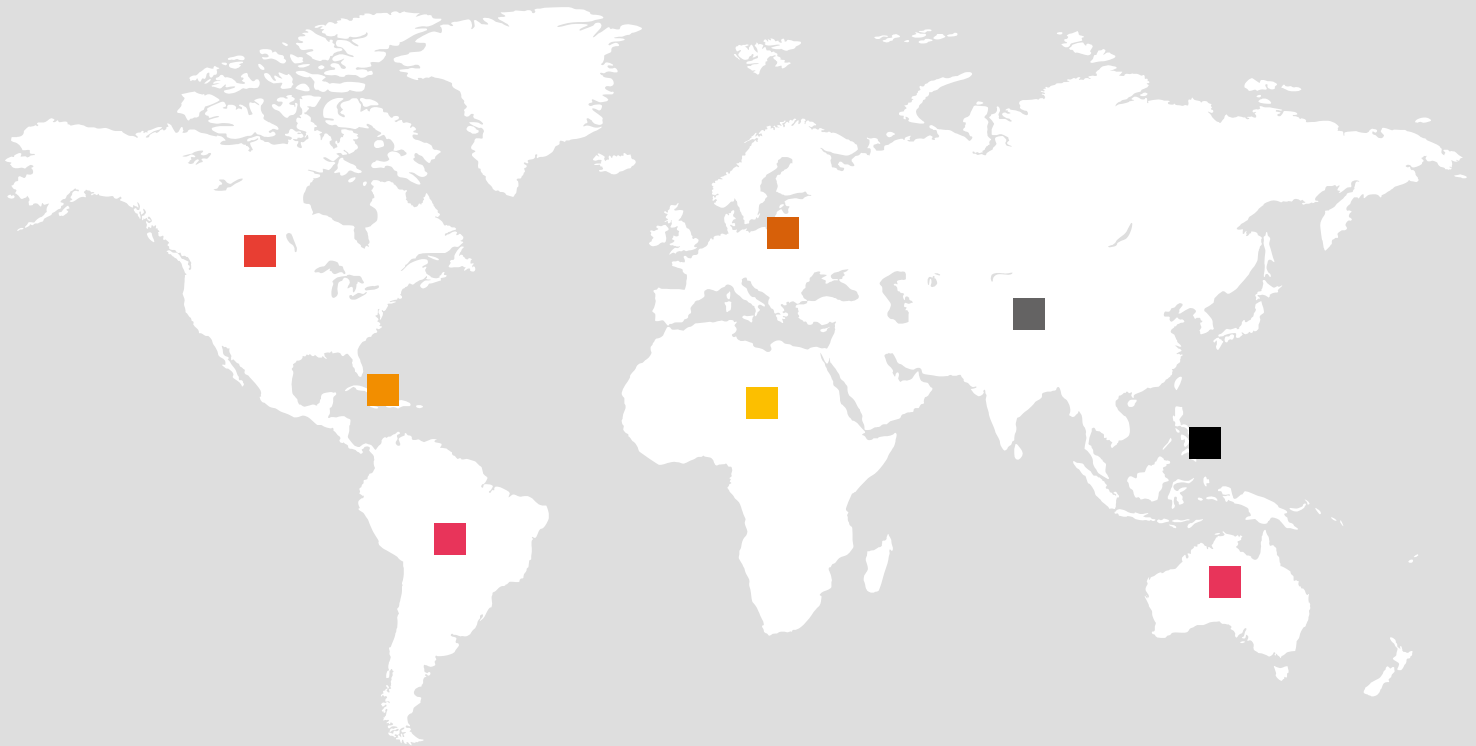
Ecosystem focus: Forestry.
Example investors: Rewilding Europe capital, is Europe's first 'rewilding enterprise' funding facility that provides financial loans to new and existing business that catalyse, support and achieve positive environmental and socio-economic outcomes that support rewilding in Europe.

Asia

Ecosystem focus: Forestry.
Example investors: Tropical Asia Forest Fund 2 (TAFF2) has raised \$120 million at first close, with aims to invest in sustainable forest plantation assets across south East Asia. End market focuses include timber, rubber and carbon.

Pacific

Ecosystem focus: Marine.
Example investors: The Global Fund for coral reefs offers a blended finance model, with \$125 million earmarked for first-loss mitigation from UNCDF plus \$500 million of private capital investment for marine conservation. Project funding includes a 6 year concessional term loan for shark conservation in Fiji, plus a grant scheme for the management of over 200 MPAs in the Philippines.



Caribbean

Ecosystem focus: Marine.
Example investors: Caribbean Biodiversity Fund, a \$102 million endowment fund that channels monies through National Conservation Trust Funds (NCTFs) that lead national-level grant-making programmes. Particular focus on habitat conservation and restoration, financing projects such as mangrove restoration and coral reef monitoring.

Latin America

Ecosystem focus: Forestry, sustainable agriculture.
Example investors: Moringa Fund, an €84 million investment fund that describes itself as 'Private Equity for Sustainable Agroforestry'. Makes equity and quasi-equity investments of €4-10 million in large scale agroforestry projects with high environmental and social impacts.

Africa

Ecosystem focus: Sustainable agriculture.
Example investors: eco. business fund, an impact investment fund advised by Finance in motion, with a sub-fund in Sub-Saharan Africa. The fund focuses on sustainability in four economic sectors: agriculture and agri-processing, fishery and aquaculture, forestry, and tourism.

Australia

Ecosystem focus: Forestry.
Example investors: New Forests is the largest forestry investment manager by area in Australia and the second largest private landowner in New Zealand. Caters for growing Asian demand for timber, carbon finance and the circular bioeconomy.

Interest in nature finance has accelerated in recent years with a proliferation of nature-related industry coalitions and alliances forming

Over the past few years, a plethora of nature-related coalitions and alliances have emerged to help businesses understand their impacts and dependencies. These coalitions are helping organisations to navigate complex nature-related risk, whether physical, transitional or even liability related and to guide them into developing nature-positive strategies to ensure the sustainability of their operations. Whilst by no means exhaustive, notable examples include:

Natural Capital Investment Alliance (NCIA)

The main purpose of the NCIA is to bring together leading asset managers to accelerate the development of Natural Capital as an investment theme, and to highlight the investment opportunity.

Business for Nature (BfN)

BfN is a global coalition committed to acting to reverse nature loss by demonstrating credible business leadership on nature and by advocating for greater policy ambition.

NatureFinance

The primary goal of NatureFinance is to increase the materiality of biodiversity in financial decision-making and thus better align global finance with nature conservation and restoration.

EU Business @ Biodiversity Platform (B@B)

B@B provides a forum for dialogue and policy interface to discuss the links between business and biodiversity at the EU level. It was set up by the European Commission with the aim to work with and help businesses integrate natural capital and biodiversity considerations into business practices, and supports the delivery of the objectives of the EU Biodiversity strategy for 2030.

Coalition for Private Investment in Conservation (CPIC)

CPIC is a global multi-stakeholder initiative focused on enabling conditions that support a material increase in private, return-seeking investment in conservation.

Act4Nature International

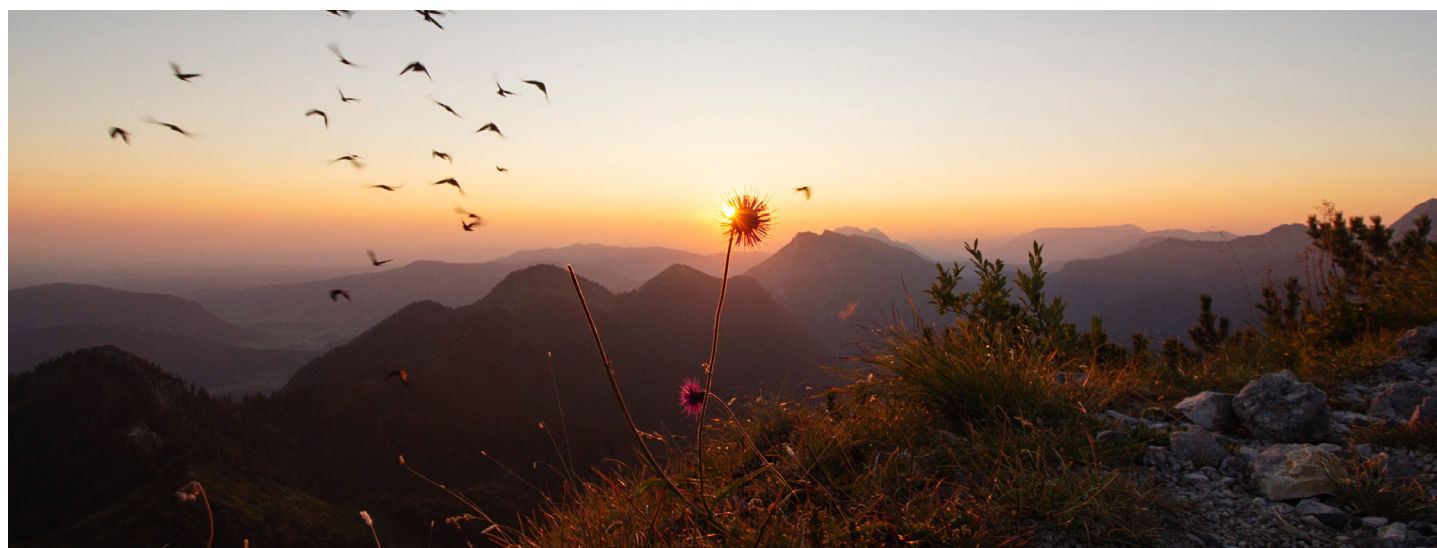
Act4nature international is an alliance seeking to drive concrete action and company-wide collective momentum in favour of biodiversity, through pragmatic commitments supported by their CEOs.

Natural Capital Finance Alliance (NCFA)

The NCFA is a global alliance of financial institutions, supported by researchers and consultancies, all seeking to develop tools and best practices to manage natural capital risks and opportunities.

Tropical Forest Alliance (TFA)

TFA is a multi-stakeholder partnership platform initiated to support the implementation of private sector commitments to remove deforestation from supply chains.





Whilst the business response to nature decline still lags climate change, it is following a more rapid path to mainstream adoption. This is being supported by the fact that leading climate initiatives, such as the Taskforce on Climate-related Financial Disclosures (TCFD) and the Science-based Targets Initiative (SBTi), are being replicated and built upon within the nature agenda with counterparts such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science-based Targets Network (SBTN).

Despite clear market signals that attention to nature-related investments is growing, the limited funds that have been dedicated to nature finance are often not being fully utilised. For example, Finance Earth's⁵⁵ review of NbS investors found that US\$12 billion of capital had been committed for NbS investment across 86 funds and financial instruments. However, the 'amount of committed capital far outstrips the invested amount identified through a broad market review, which revealed only US\$1.5 billion of private, repayable investment being delivered into NbS'.

This sentiment has been echoed by other research such as The Biodiversity Finance Initiative's (BIOFIN) report⁵⁶ on Unlocking Private Capital for Biodiversity and Ecosystems which argues 'The appetite is there, but the deal pipeline is not. We need to create suitable vehicles around meaningful projects to bridge the gap for investors'.

The next two sections of this report examine some of the key barriers preventing the private finance that is available for nature from being fully utilised, and recommendations to address this issue and support significant scaling of nature finance.

⁵⁵ Finance Earth (2021) A Market Review of Nature-Based Solutions.

⁵⁶ BIOFIN (2019) Moving Mountains – Unlocking Private Capital for Biodiversity and Ecosystems.

Section 3. Barriers to investment

Research into the current state of nature finance highlights five repeating themes.

- 1** Despite the risks associated with nature loss, persistent underfunding to protect and restore nature remains
- 2** Where nature-funding currently exists, ticket sizes are generally small-scale and are serviced by the public sector.
- 3** Nature's underfunding does not reflect a lack of investor interest but a lack of knowledge, capacity and a suitable enabling environment for investment.
- 4** Stakeholders we interviewed repeatedly emphasised that they struggle to find a reliable pipeline of investable nature-related opportunities.
- 5** Projects seeking nature-related investment often struggle to articulate their business cases to potential investors.

This section explores the causes of these themes and what specifically limits the flow of nature finance from private investors, based on over 40 stakeholder interviews and extensive desktop research. These barriers focus on the issues that arise during direct interactions between project developers and investors.

Investments generate low returns and/or take too long to provide a return on investment

Interviews with financial institutions and investors revealed that a key barrier to natural capital investments is finding opportunities that generate sufficiently high returns. This may be driven by several factors, some of which are explored below, however is likely partially a consequence of economic systems continuing to undervalue the products and services provided by nature.⁵⁷ Consequently, projects related to wildlife protection, habitat restoration and ecotourism – which comprised just under 7% of the total investment focus of the nature finance vehicles profiled for this report – may struggle to articulate clear revenue streams for private investors. This could change if global markets relating to carbon credits and biodiversity credits in particular are standardised and mature.

As well as a perception of low returns, our research has shown that financial institutions are reluctant to invest in nature due to the lag between initial investment and the time it takes to improve the quality of an asset and realise its value. This occurs as improving the stock of natural capital in a region can take years and sometimes decades, meaning many investment opportunities in nature, outside of agriculture, will require patient capital.

Investments are too small-scale and have high transaction costs

A critical barrier to scaling finance for nature is that the ticket sizes of investment-ready opportunities are often too small for institutional investors.

A survey of 62 natural capital asset – owners and managers concluded that access to investment opportunities of a sufficiently large ticket size was the number one barrier to scaling investments in natural capital.⁵⁸ While several stakeholders we spoke to, especially those dealing with real assets, indicated a minimum investment size of US\$50 – 100 million for projects they interact with, our market assessment suggests that a majority of nature-related transactions are less than US\$10 million in size. The small size of investment opportunities partially reflects the maturity of the market, however, the physical size of land mass involved in nature-related projects may also be a constraint, this was noted by stakeholders when discussing, for example, peatland restoration projects in Scotland. Although it is essential that all projects aimed at restoring and protecting nature are tailored to their specific local environmental context, further work is needed on methodologies to aggregate related projects – for example, at sectoral, catchment or regional levels – to produce larger investment opportunities that are more appealing to private financiers.

Investors may also be put off by the high transaction costs often associated with projects, which are exacerbated by the small ticket sizes. Unlike conventional large-scale investments, the lack of consistency across the preparation, execution and documentation of NbS projects in particular leads to increased transaction costs, lowering potential returns. Several of the stakeholders we interviewed relayed their hesitation to invest in small-scale projects due to their relatively high transaction costs.

⁵⁷ Paulson Institute (2020) Financing Nature: Closing the Nature Financing Gap.

⁵⁸ The Nature Conservancy (2019) Investing in Nature: Private financing for nature-based resilience.



Investors may have limited experience relating to nature finance and its novel risks

Many of the stakeholders we interviewed were candid that a significant barrier to nature finance is a lack of knowledge among investors regarding business models that can generate a profitable return. This is unsurprising given the relative immaturity of the market against its closest comparator, climate finance projects. However, project developers also highlighted the difficulties they faced in communicating their business models to investors conveying a clear need to facilitate relationships and mutual understanding of each parties' requirements.

Investments in nature-related projects can also present novel risks for financiers. Through our stakeholder engagement, several investors conveyed their hesitations of investing in nature due to the perceived risk associated with Gender Equality and Social Inclusion (GESI) from a reputational standpoint. Large-scale restoration and expansion of protected areas, if not properly managed, can cause significant tension with local communities who rely on the land for their livelihoods and in many instances lack secure land tenure or resource rights⁵⁹. Consequently, projects that fail to incorporate social considerations threaten to negatively impact the lives and welfare of communities and hinder the success of any nature-related investments.

The dominant focus on sustainable/regenerative agriculture and forestry projects within nature-related investments aligns with the sentiments expressed by our interviewees. It suggests that within the nature finance sector, private investors are heavily reliant upon the precedent set by

conventional agriculture and forestry investments to provide them with confidence on timelines and potential returns. Investors may understandably be reluctant to be 'first movers' in less established markets relating to nature, suggesting market intervention may be required to catalyse action.

Access to high quality and affordable data and metrics is limited

Access to high quality and affordable data and producing measurable results is essential to the success of investments in nature. Limited data prevents investors from understanding, for example, the potential value of the land they are being asked to invest in once it has been restored, or the likely yields from implementing regenerative agricultural practices. A lack of consensus over nature-related metrics means project developers are less able to confidently prove their projects' impact, and investors subsequently are unable to confidently invest.

Natural ecosystems are highly complex, and influenced by many interconnected relationships, from plant and animal interactions to weather patterns – all of which can fluctuate across years and seasons, altitudes and biomes.⁶⁰ Despite the many greenhouse gases other than CO₂ that can contribute to climate change, like methane or nitrous oxide, CO₂ equivalent (CO₂e) acts as a comprehensive reference metric for all GHG emissions. Nature-related metrics, however, are vast and varied (see Box 2 for a limited number of examples of the different aspects of nature which require measuring and the varied ways in which this data can be collected), and no 'one size fits all' equivalent to CO₂e has been identified to date, nor is likely to be.

For example, measurements of a terrestrial system such as soil organic carbon or above ground biomass, would not apply to a marine ecosystem, where dissolved nitrogen and phosphorus would be more representative. Furthermore, gathering data for ecosystem assessments can be time intensive and expensive, with many of the methods in Box 2 requiring in situ sample retrieval and analysis. Whilst nature measurement may be more complex, there are already a swathe of new initiatives and technologies working on this issue ranging from environmental DNA (eDNA) to the TNFD's Data Catalyst Initiative.⁶¹

Box 2 – Indicative nature-related measurement techniques

Nature	Mode of assessment
Biome coverage	Satellite geospatial analysis
Species richness	Ecological surveys, in situ eDNA sampling
Soil organic carbon	In situ soil sampling and laboratory analysis
Water quality	In situ water sampling and laboratory analysis
Biomass	In situ organic matter sampling and laboratory analysis

⁵⁹ UNCCD (2022) Global Land Outlook Second Edition: Land Restoration for Recovery and Resilience.

⁶⁰ UNEP DTU Partnership (2018) Adaptation metrics: Perspectives on measuring, aggregating and comparing adaptation results

⁶¹ TNFD Data Catalyst Initiative (2022)

Section 4. Recommendations

Section 4 outlines recommendations for closing the nature finance gap. This includes:

- 1 Aggregating nature-related projects to increase ticket size
- 2 De-risking nature investments using blended finance models
- 3 Working with investors and project developers to improve nature finance understanding
- 4 Scaling MRV solutions
- 5 Reframing gender, equality and social inclusion as an opportunity

Aggregating nature-related projects could help to increase ticket sizes to a scale where they are attractive to larger institutional investors

Aggregation in this context refers to the pooling together of projects into a bundle to reach a scale where the investment opportunity becomes attractive enough to large investors. Although it is essential to keep nature-related projects community-led and tailored to local contexts, packaging smaller-scale projects together provides an opportunity for specialist brokers and accelerators to reduce transaction costs for institutional investors while reducing administrative burdens. Whilst this may be a complicated process due to the diversity between natural capital projects, replication is likely to ease this. Aggregation also has the potential to diversify risk across a larger number of investments and regions.

Aggregating projects can currently be a costly activity due to a lack of coherence between environmental regulation, public funding mechanisms and the incentives for private investment. It is therefore necessary for public funding to demonstrate how aggregation is possible. Advances in monitoring, reporting and verification (MRV) technologies could assist in improving spatial aggregation of projects, by defining areas where projects are suitable to be grouped and/or scaled based on shared ecosystem traits.

Several suitable tools to support this already exist, such as the UN Biodiversity lab which collates spatial datasets gathered from satellite imagery to generate ‘insight and impact for conservation and sustainable development’.⁶²

Using blended finance models to de-risk nature-related investments with the aim of crowding in private finance

Although public finance alone cannot fill the nature-finance gap, it can be deployed to de-risk nature-related investments and crowd in private capital. The term ‘blended finance’ refers to ‘the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development’.⁶³ Convergence,⁶⁴ the global network for blended finance, suggests there are four main blended finance structures that can be used to scale private investment:

1. Concessional capital: Public/ philanthropic funds are provided on below-market terms to lower the cost of capital or provide further protection to private investors (e.g. by taking a first loss position).
2. Guarantee/risk insurance: Public/ philanthropic funds are used to provide credit enhancement through guarantees or insurance on below-market terms.
3. Technical assistance funds: Technical assistance is provided as a grant pre- or post-investment to strengthen the commercial viability/sustainable development impact of the project.
4. Design-stage grants: Grants are used to support project preparation and/or transaction design.

Blended finance has been used extensively on climate and economic development projects, and especially by development finance institutions (DFIs) for projects in the Global South.⁶⁵ However, the availability of blended finance for nature-related projects is still relatively limited, as suggested by our discussions with investors, DFIs, and project developers. Although some institutions are active in this space (Box 3), there is significant scope for DFIs in particular to scale the availability of blended finance structures focused on nature, especially when there are co-benefits for the social and climate change objectives they may have as an organisation.

⁶² UN Biodiversity Lab (2022) Who we are.

⁶³ Convergence (2022) Blended finance primer.

⁶⁴ *ibid.*

⁶⁵ ‘Development finance institutions invest in private sector businesses, banks and projects in less economically developed countries to bring about positive economic, social and environmental change’ (BII).

Box 3 – The use of blended finance structures for nature

Global Environment Facility (GEF)

Organisations such as the GEF support conservation financing by ‘taking a first loss position or an anchor investor role and by providing equity, debt or guarantees that help achieve the necessary risk/return profile to mobilise additional investment and attract necessary coalitions of investors’.⁶¹ The GEF has a history of using blended finance in environmental areas since its inception in 1992. The earliest successes came from renewable energy and energy efficiency projects, where GEF funding enabled governments to create power purchase agreements and feed-in-tariffs which created an enabling environment for private sector investment into cost saving sustainable energy technologies.

This proved to be a hugely successful way of mobilising capital from the private sector, with GEF investments following the blended finance model leveraging up to 6.3x more capital from the private sector than ‘regular’ operations. More recently, the GEF has begun financing conservation projects utilising this model, having invested more than US\$3.5 billion already with the aim of conserving biodiversity. This has leveraged over US\$10 billion in additional funds, supporting over 1,300 projects in 155 countries.⁶⁶

The Coalition for Private Investment in Conservation (CPIC) – Nature+Accelerator

CPIC is a multi-stakeholder initiative that aims to scale investment in conservation by creating ‘blueprints’ for successful delivery and connecting pipeline providers with deal structuring support and investors.

CPIC partnered with Mirova and the International Union for Conservation of Nature (IUCN) to create the Nature+ Accelerator, which is targeting funding to high impact/early feasibility-stage nature-based projects in order to fill ‘the largest gap in the funding cycle for nature-based enterprises’.⁶⁷ The GEF was the anchor investor providing US\$8 million in risk-tolerant financing, with the programme aiming to raise US\$40 million and mobilise a further US\$160 million (see Table 1).

Table 1. Original data from IUCN and Mirova and was adapted by Equilibrium Futures⁶⁸

Stage	Description	Ticket size	Number of projects to be funded	Total invested by fund	Capital anticipated to be mobilised
Seed window	Early-stage concept to finance their feasibility study	US\$100-200 thousand	50	US\$5 million	
Early venture window	Delivering/about to deliver tangible revenue streams	US\$1-2 million	20	US\$15 million	US\$5 million
Venture window	Follow-on funding to scale up successful projects in seed and early venture rounds	up to US\$5 million	15	US\$20 million	US\$55 million
Growth window	Exit and scaling up of successful projects	up to US\$10 million	10	US\$0	US\$100 million

The Nature+ accelerator expects to mobilise US\$100 million in private capital in the following growth phase, the window for proposals closed in May 2022.⁶⁹

⁶⁶ Earth Security (2021) The Blended Finance Playbook for Nature-based Solutions .

⁶⁷ GEF (2021) What We Do: Biodiversity.

⁶⁸ CPIC (2022) Request for Proposals – Nature+ Accelerator Fund (seed and early venture phases).

⁶⁹ Equilibrium Futures (2021) Nature+ Accelerator Fund.

⁷⁰ CPIC (2022) Request for Proposals – Nature+ Accelerator Fund (seed and early venture phases).

Working with investors and project developers to respectively improve their understanding of nature finance opportunities and increase their bankability

Acknowledging the lack of experience in many areas of the nature-related investment landscape, it is essential that investors are upskilled to understand how they can fully capitalise on the opportunities linked to nature finance. From our stakeholder engagement, respondents acknowledged that access to training on identifying and selecting suitable projects for investment as well as how to manage novel risks relating to land-based investments (such as GESI considerations) would help to increase confidence within financial institutions of the business case for investing in nature.

On the other side of the investment transaction, providing technical assistance to project developers to improve the bankability of their business models could also help to unlock private finance. Training on how to articulate the business case of their projects, especially how revenue is generated, and quantifying estimates of risk associated with the project, would help developers to gain more investor confidence and thus potentially secure private finance. From our stakeholder interviews, it was clear that investors in particular want to understand how revenue streams can be ‘stacked’⁷⁰ within nature-related projects to maximise profit potential as well as diversifying risk. Targeted upskilling of climate mitigation projects has already proven to unlock private capital, as illustrated in Box 4.

Building on the CFA concept outlined in Box 4, the Executive Summary of this report articulates how a Nature Finance Accelerator programme could be designed to provide upskilling to both investors and project developers, before bringing both groups together at matching workshops.

Investing in MRV solutions can help to unlock private capital and create value for investors

As discussed above, a lack of access to high quality and affordable data on the potential outcomes of nature-related investments is a major barrier to scaling private finance. Increasing the availability of MRV providers and technologies will therefore be vital in linking nature-related projects with private finance, as illustrated by the case of voluntary carbon markets where being able to verify that carbon credits also generate additional positive nature-based outcomes can add a premium to the credit’s price. Recognising its importance, some firms have started to invest in their own MRV technologies and systems, for example, ACTIAM, a sustainable impact investment manager, has its own MRV tools to monitor biodiversity and ecosystem services at the supply chain and project level.

As market momentum on nature grows, key initiatives are working to help to resolve this issue. For example, the TNFD is producing guidance for financial institutions on how to measure impacts that will provide metrics and targets for nature-related projects and allows investors to assess their nature-positive impact in a more meaningful way. More specifically, the TNFD’s Data Catalyst Initiative is seeking to address data gaps and stimulate and improve market access to nature-related data. This will further accelerate the focus businesses have on assessing their nature-related impacts and dependencies as new methods of assessing data become accessible. The resulting breadth of data will improve reporting of nature-related projects, empowering investors to make decisions on which projects are viable, and which are not, based on the blueprints of successful projects.

Box 4 – The Climate Finance Accelerator

The Climate Finance Accelerator (CFA) is a four-year technical assistance programme, funded by the UK Government’s International Climate Finance through the Department for Energy Security and Net Zero (DESNZ). It responds directly to the urgency and scale of the climate crisis by supporting highly promising low-carbon projects to become more bankable and appealing to investors. CFA projects receive capacity building support in areas such as low-carbon technology, blending finance from public and private sources, as well as advice on enhancing gender, equality and social inclusion.

Once this training has been provided, the CFA further addresses the challenges involved in attracting climate finance to where it is most needed by bringing together stakeholders that can develop and finance climate projects at scale. This helps countries to meet their NDC pledges under the Paris Agreement. Since November 2020, the CFA has provided climate project developers with access to more than US\$167 million in additional funding across nine countries.

⁷⁰ ‘Stacking’ is when various overlapping ecosystem services produced on a given piece of land are measured and separately ‘packaged’ into a range of different credit types or units of trade that together form a stack’ ([Forest Trends](#)).

Alongside the work of public-private initiatives, there is a clear business case for financial institutions to invest in scaling companies providing MRV products and services. The Kunming-Montreal Global Biodiversity Framework (GBF), agreed in December 2022, aims to '(e)nsure and enable that by 2030 at least 30 percent of terrestrial, inland water, and of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem functions and services, are effectively conserved and managed'.⁷¹

Meeting this commitment will require governments to allocate significant funds to services and technologies that can enable them to efficiently monitor enormous areas of land and sea to verify that they are being effectively conserved. This demonstrates a clear demand for and significant buyer of MRV products and services in the immediate term and future.

Reframing GESI risks as an opportunity

As outlined in Section 3, some investors remain wary of nature-related investments due to the perceived risks associated with Gender Equality and Social Inclusion (GESI) considerations. However, well designed nature-related projects and investments which incorporate social considerations can improve impact, and thus potential revenue, thereby turning the risk into an opportunity.

Despite their historic knowledge and role in nature protection, many indigenous peoples are restricted from playing a role in NbS due to land rights, access to finance and education and underrepresentation in decision-making processes. While incorporating GESI considerations into NbS projects can deliver a wider range of social, cultural, and environmental benefits, there are also strong commercial reasons for considering gender equality and social inclusion within nature-related investments.

Vulnerable and marginalised groups are often an untapped resource who have utilised NbS for centuries to protect their local environments. Whilst indigenous peoples make up less than 5% of the world's population, they protect around 80% of global biodiversity.⁷²

Incorporating GESI considerations into the planning and implementation stages of nature-related projects is critical for ensuring that place-specific challenges and characteristics of each ecosystem are fully understood and accounted for. By including GESI considerations, projects will have access to a wider supply of workforce and have more choice. Women, through their community roles and networks, can be more effective at reaching out to relevant local stakeholders and can create efficiencies and solutions to problems as they arise on projects. In summary, by actively managing social risk, investments into nature-related projects can avoid project delays, public distrust and reputational damage; greater inclusion can therefore lead to increased productivity.



⁷¹ CBD (2022) Post-2020 Global Biodiversity Framework.

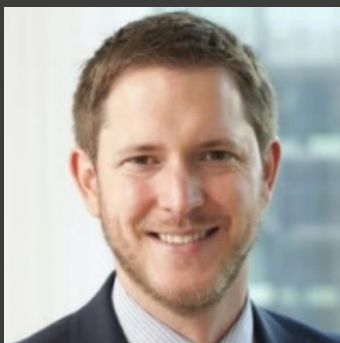
⁷² National Geographic (2018). Indigenous peoples defend Earth's biodiversity —but they're in danger.

Contacts



James King

Senior Manager
PwC Sustainability
james.p.king@pwc.com
+44 7706 285 078



Will Evison

Director
PwC Sustainability
william.j.evison@pwc.com
+44 7718 864 854