# The Little Book of Investing in Nature

– a summary

A simple guide to financing life on Earth

Global Canopy

# Introduction

Nature is critical to the global economy and our wellbeing – it provides the essential infrastructure that we depend on. It removes carbon out of the atmosphere and regulates the climate, provides clean water, and grows our food. But today nature is under-valued and under threat.

We cannot afford to allow nature to disappear – more than half of global economic activity depends upon it. We now understand the scale of nature loss and we have a global opportunity to act.

The post-2020 Global Biodiversity Framework is a crucial step in global efforts to halt and reverse global nature loss. Delivering on that framework will require action from governments, business, and civil society. The role of finance will be critical.

For investors and lenders looking for new ways to provide nature-positive finance, the book offers the latest thinking on innovative ways to scale up finance and 25 case studies showing how this can be done.

The Little Book of Investing in Nature is a guide to the opportunities for investing in the future of life on Earth. Here, we present a short summary highlighting the scale of finance needed, the mechanisms available and a routemap for change.

**"The present volume of The Little Book of Investing in Nature provides a treasure trove of insightful information on how to make progress..."**

**Elizabeth Maruma Mrema,** UN Assistant Secretary-General and Executive Secretary, Secretariat of the Convention of the Biological Diversity



# Biodiversity finance

Almost half of the world's economy depends on nature, but biodiversity is in global decline. Despite significant efforts, the international community has fallen short of all of its targets on biodiversity conservation (including the Aichi Biodiversity Targets). Today, there is widespread recognition of the urgent need to act.

The cost of conserving biodiversity globally – including protected areas, coastal ecosystems and the sustainable management of productive landscapes (agricultural lands, forests, and fisheries) is estimated to be between USD 722–967 billion per year by 2030.

To meet these costs, governments and the private sector need to scale up "biodiversity finance" (the practice of raising and managing capital and using financial and economic mechanisms to support sustainable biodiversity management). Current levels of biodiversity finance are estimated at no more than USD 143 billion annually. That leaves an annual biodiversity conservation financing gap of USD 598–824 billion per year by 2030.

Today most of the funding comes from public sources (80-85%), but tomorrow the private sector can play a critical role to help close the financing gap, through financial mechanisms that generate revenues for biodiversity 'infrastructure' that helps to keep the Earth safe.

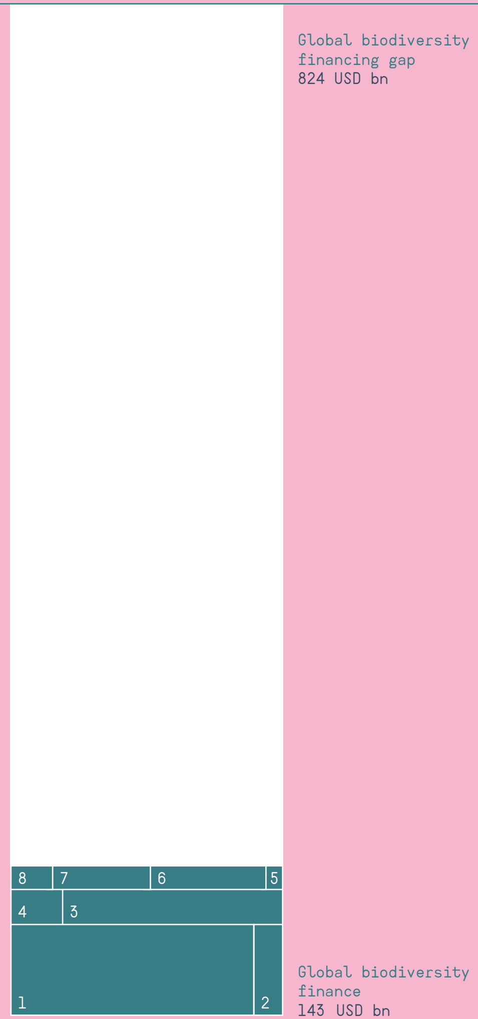
Increasing investments for generating revenue for positive biodiversity outcomes is key, but to close the global biodiversity financing gap by 2030, investments must be realigned to reduce negative impacts on biodiversity. Subsidies that harm nature are estimated to be five to seven times greater than funding to protect nature. This means that governments and businesses need to prioritise the realignment of harmful subsidies towards incentivising nature positive outcomes alongside strengthening environmental and social risk management.

The Little Book of Investing in Nature explores these opportunities.

**"Public Development Banks can work with the private sector to factor in nature in the way we invest, produce and consume, and demonstrate that solutions encompassing business and biodiversity protection are possible."**

**Rémy Rioux,** Chairman of the International Development Finance Club (IDFC) & CEO, Agence française de développement (French Development Agency).

# 2019

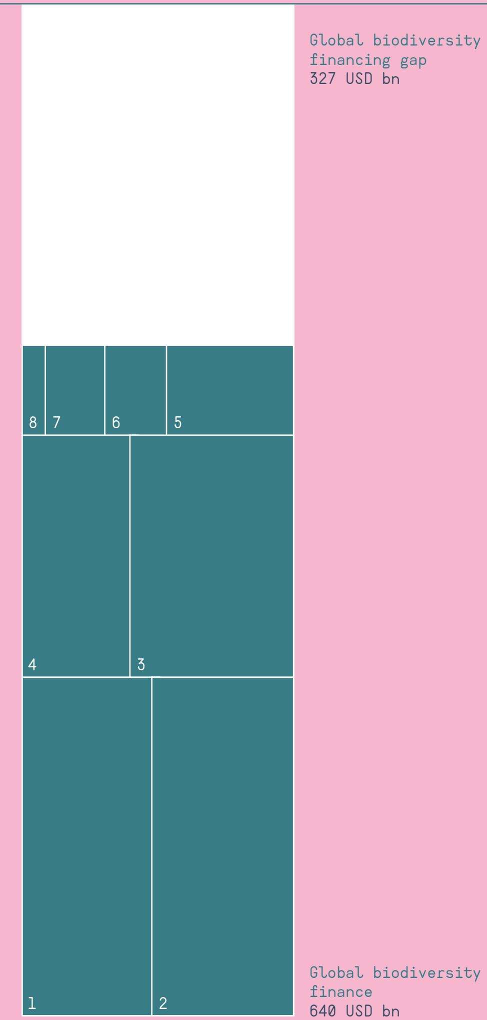



| | |
|---|---|
| 1. Governmental budgets and taxation | USD 75-78 |
| 2. Natural infrastructure | USD 27 |
| 3. Official development assistance (ODA) | USD 4-10 |
| 4. Biodiversity offsets | USD 6-9 |
| 5. Sustainable supply chains | USD 6-8 |
| 6. Green financial products | USD 4-6 |
| 7. Philanthropy and conservation NGOs | USD 2-4 |
| 8. Natural-based solutions and carbon markets | USD 1 |

Figure 6.
Current and future global biodiversity finance and the global biodiversity conservation financing gap



# 2030




| | |
|---|---|
| 1. Biodiversity offsets | USD 162-168 |
| 2. Governmental budgets and taxation | USD 103-155 |
| 3. Natural infrastructure | USD 105-139 |
| 4. Green financial products | USD 31-93 |
| 5. Nature-based solutions and carbon markets | USD 25-40 |
| 6. Official development assistance (ODA) | USD 8-19 |
| 7. Sustainable supply chains | USD 12-19 |
| 8. Philanthropy and conservation NGOs | USD 3-8 |

Find out more in The Little Book of Investing in Nature at: www.globalcanopy.org/LittleBookFinance

# A framework to fill the gap

The Little Book of Investing in Nature highlights how different mechanisms can be combined to **generate**, **deliver** and **realign finance** for biodiversity, and **avoid future expenditures**, using the framework devised by UNDP BIOFIN.

The Little Book also highlights the crucial role of catalysts in creating the policy or administrative conditions that make these mechanisms effective and feasible at scale.

## Generate:

The Little Book identifies significant potential for growth in private finance, and highlights some of the novel finance solutions that bring together public, private and philanthropic sources in a collaborative approach.

Looking ahead to 2030, the global annual financial flows towards biodiversity conservation could be scaled-up to a total USD 449–640 billion.

The Little Book of Investing in Nature explores the following mechanisms to generate finance:

**Government taxation**
**Biodiversity offsets**
**Natural climate solutions and carbon markets**
**Green equity**
**Philanthropy**
**Sustainability-linked loans**
**Official development assistance**
**Green bonds**

Case study

**Finance for deforestation-free cacao:**

Natural capital investment specialists, Mirova, launched the ACF climate fund in 2013, investing in projects that reduce deforestation, mitigate climate change, protect biodiversity and provide sustainable livelihoods to rural communities. The fund invested USD 7 million in the long-term conservation of 591,119 hectares of threatened natural forest in Madre de Dios, Peru, for example, supporting 'deforestation-free' cacao through agroforestry.

Case study

**Creating a blue economy:**

Credit Suisse launched the Ocean Engagement Fund in 2020 to raise investment to help deliver Sustainable Development Goal 14 (to conserve the oceans). The fund engages with portfolio companies to steer them away from activities that harm the ocean, encouraging projects that mitigate the effects of climate change and lessen biodiversity loss.



## Deliver:

The mechanisms used to deliver biodiversity finance are important in ensuring finance is effective, efficient and equitably distributed. Biodiversity finance often can be delivered in a fragmented fashion, with little coordination. Improved delivery could lead to increased synergies, greater value for money, and better results.

Mechanisms to support delivery:

**Tax credits**
**Unconditional grants**
**Guarantees**
**Concessional debt**
**Private protected areas**
**Green microfinance**
**Perfomance-based payments**
**Conservation easements**

Case study

**Joined-up efforts to protect marine biodiversity:**

In Guatemala, five municipal governments partnered with UNDP BIOFIN to pilot a results-based budgeting approach for coastal marine biodiversity management, establishing biodiversity measures in budgets at local level.

## Realign expenditures:

Realigning expenditures involves policy, fiscal, business and financial measures that reorient existing capital flows to activities that reduce negative impacts or increase positive outcomes for biodiversity. Governments currently spend five times more on subsidies, some of which directly harm biodiversity, than is spent on biodiversity conservation each year.

This book explores the following mechanisms to realign expenditure:

**Reform of forestry subsidies**
**Reform of fisheries subsidies**
**Reform of fossil fuels subsidies**
**Sustainable supply chains**
**Biodiversity investment risk management**
**Ecological fiscal transfers**
**Reform of agriculture subsidies**

Case study

**ESG & biodiversity conservation in France**

The French government revolutionised ESG investment reporting with a new law requiring French institutional investors and insurance companies to report on (a) their general ESG policy, (b)the resources dedicated to ESG monitoring, and (c)a climate risk analysis on their investment risk profile. Reports must also take into account "the preservation of the biodiversity of the ecosystems and the natural resources..."

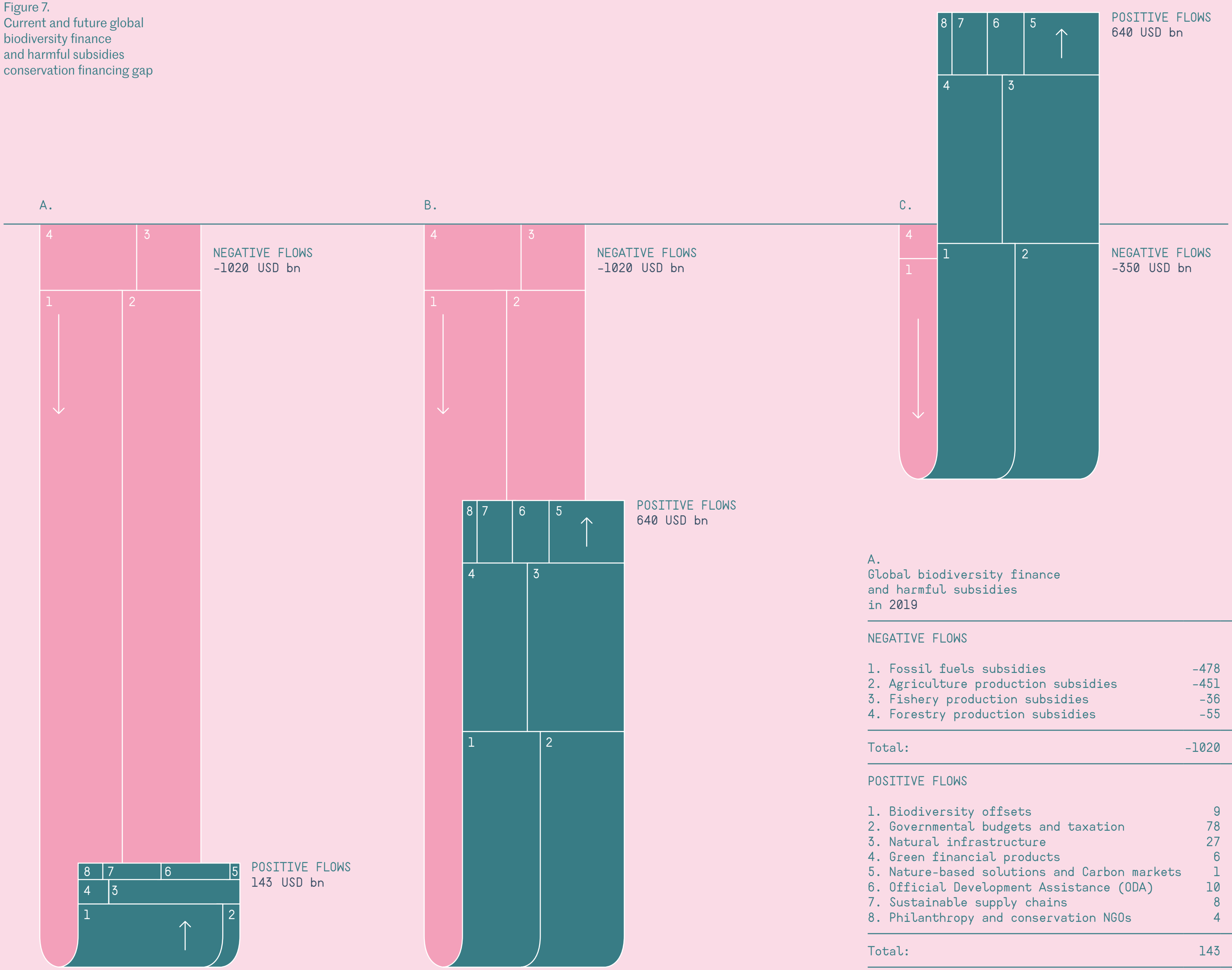
Case study

**Harmful subsidy reform in Kyrgyzstan**

UNDP BIOFIN found tax exemptions were contributing to the over-use of agrochemicals in Kyrgyzstan, reducing soil quality and causing chemical run-off; subsidies for high-yielding seeds were reducing crop diversity; and subsidised water tariffs were leading to over-watering, water-logging and soil erosion. This led to a government review.

Find out more in The Little Book of Investing in Nature at: www.globalcanopy.org/LittleBookFinance

Figure 7.
Current and future global biodiversity finance and harmful subsidies conservation financing gap




**The "good news" is that global efforts to reform the subsidies that are potentially most harmful to biodiversity, would close around half of the biodiversity finance gap.**

| | A. Global biodiversity finance and harmful subsidies in 2019 | B. Most harmful subsidies to biodiversity not reformed by 2030 | C. Most harmful subsidies to biodiversity reformed by 2030 |
|---|---|---|---|
| NEGATIVE FLOWS | | | |
| 1. Fossil fuels subsidies | -478 | -478 | -82 |
| 2. Agriculture production subsidies | -451 | -451 | -221 |
| 3. Fishery production subsidies | -36 | -36 | -20 |
| 4. Forestry production subsidies | -55 | -55 | -27 |
| Total: | -1020 | -1020 | -350 |
| POSITIVE FLOWS | | | |
| 1. Biodiversity offsets | 9 | 168 | 168 |
| 2. Governmental budgets and taxation | 78 | 155 | 155 |
| 3. Natural infrastructure | 27 | 139 | 139 |
| 4. Green financial products | 6 | 93 | 93 |
| 5. Nature-based solutions and Carbon markets | 1 | 40 | 40 |
| 6. Official Development Assistance (ODA) | 10 | 19 | 19 |
| 7. Sustainable supply chains | 8 | 19 | 19 |
| 8. Philanthropy and conservation NGOs | 4 | 8 | 8 |
| Total: | 143 | 640 | 640 |



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# Avoiding future costs:

One way to minimise the need for future expenditure is to reduce the damage to biodiversity. Strategic investments and policy changes to protect biodiversity are often less expensive and easier than restoring and reversing the damage later.

Governments and the private sector can take steps to avoid future damage, including by investing in green infrastructure, preventing invasive species, and eliminating or amending existing counter-productive taxes.

Avoidance mechanisms addressed in this book:

Community-based conservation
Taxes on harmful production Practices
Green insurance
Invasive species controls
Environmental impact bonds
Environmental impact assessments

Case study

**Stormwater management with green infrastructure:**
In Atlanta, authorities issued Environmental Impact Bonds to finance green infrastructure including rain gardens, green roofs and permeable paving to help absorb storm water – also benefiting local communities with added green spaces, and helping sequester carbon. Payouts to investors depended on the effectiveness of the infrastructure.

**"The COVID-19 crisis is a resounding wake-up call which combines environmental, social, health, and economic issues in one major challenge. Responding to this challenge will require the building of more resilient, equal societies, which can live in harmony with nature."**

**Philippe Zouati**, CEO, Mirova

# Catalysts for impact

Catalysts and institutional arrangements can facilitate finance flows for biodiversity conservation and make it possible to achieve scale.

Catalysts described in the book:

UNDP biodiversity finance initiative
National biodiversity finance plans
National biodiversity strategies and action plans
Catalytic funds
Private stakeholder coalitions
Global environment facility
Technical assistance

Case study

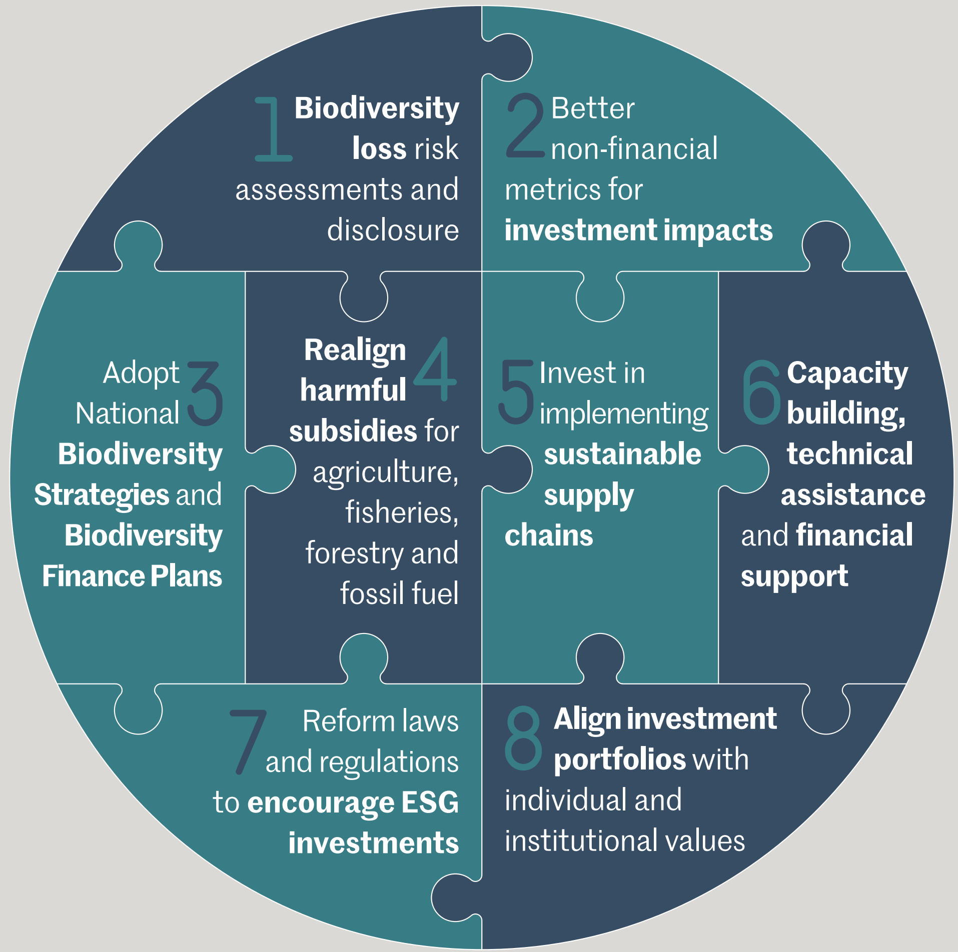
**Funding to prevent deforestation:**
The AGRI3 Fund was created by UNEP, Rabobank and IDH – the sustainable trade initiative, with support from FMO, the Dutch entrepreneurial development bank, to mitigate climate change. It aims to catalyse resources from the private sector for forest protection and sustainable agriculture, and provides de-risking financial instruments and grants for technical assistance for farmers and food supply chains.



# Going forward

As we rebuild the global economy in the wake of the COVID pandemic, there is a growing recognition that nature must be conserved not only for its intrinsic value but also because every nation is built on natural capital and relies on ecosystem services for its food, air, climate, and water quality. We need to shift finance away from the activities that damage nature and have the tools to drive this change.

To achieve this, The Little Book calls for eight key steps forward:



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