

# 'Financing the Transition to a Nature Positive Future'

1<sup>st</sup> June 2022

## Event Summary:

1. The urgency of protecting and restoring nature is now undisputed. When we lose our forests, coral reefs and grasslands, we are losing the natural assets on which the global economy rests. Over half of global GDP \$44 trillion relies on nature. From the bees that pollinate the plants we eat and the trees that purify our air, to the forests and the oceans that absorb carbon emissions and enable us to adapt to the impacts of rising temperatures, all have an economic value. And, of course, nature has a broader, cultural value, inspiring us with her beauty and diversity. But we are spending our natural capital much faster than it is being replenished. Unless we act now, nature's bank of resources will empty, depriving future generations of the resources that they need and pushing us to irreversible tipping points, worsening the food and energy crises.
2. 'Financing the Transition to a Nature Positive Future', supported by the Leaders' Pledge for Nature and convened by the UK Government, in association with Stockholm+50, asked how we can finance the protection and restoration of nature? Attended by more than 100 Ministers, CEOs and leaders of business, finance and civil society, in addition to a livestream audience, the meeting called for bold action to realign public and private investment to maintain and rebuild our natural capital, and unlock the resources needed to protect and restore our most fundamental asset.
3. Speakers highlighted the importance of bridging the estimated \$700 billion gap in nature finance reported by the Paulson Institute. While the number sounds large, speakers demonstrated it is possible; globally we spend more per year on soft drinks alone. They recognised that there was no single solution, pointing to the need to adopt a comprehensive approach, drawing on multiple sources of public and private finance as well as a range of policy instruments tailored to the needs of different countries at different stages of development.
4. **Speakers recognised the extremely challenging backdrop against which these issues are being discussed: the conflict in Ukraine, the food and energy crises and the economic shocks that these are causing.** They argued that far from slowing down global efforts to tackle nature loss, this context makes it all the more urgent. This was particularly so in relation to introducing the necessary measures to transform the food system which accounts for ~30% of global emissions and is a major driver of biodiversity loss. Speakers emphasised the vital role of farmers, indigenous peoples and consumers in driving the systemic change needed. Four key themes emerged across the event:
5. **First, we need to acknowledge that we have a crisis; that the loss of nature constitutes a systemic risk to economic security and financial stability.** Speakers pointed to the work of the Network for Greening the Financial System, the Coalition of Finance Ministers, the G7 and the G20, as well as the seminal *Dasgupta Review*, which have all made clear that the loss of nature is an economic issue, not only an environmental one and therefore lies within the responsibilities of finance ministers and supervisors. The event highlighted how some governments have begun to integrate natural capital into their budgeting processes, driving transparency in how taxpayers' money is helping to restore (or undermine) nature. Speakers called for all stakeholders, especially those in the finance sector and ministries, to recognise the centrality of nature to economic security and development, and act.



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6. **Second, we need to raise additional finance for nature, drawing on all sources - international and domestic, public and private, as well as philanthropic funding.** In terms of *international public finance*, speakers agreed that it is critical to provide more support to developing countries to support the transition to a nature positive economy. The CEO of the Global Environment Facility announced the record-breaking replenishment of the GEF, at US\$5.25 billion, with a 46% increase in finance for nature which will focus on innovative mechanisms to narrow the finance gap, enable better efficiency, and catalyse policy alignment using development assistance.
7. The Chair of the Development Assistance Committee outlined that international public finance for nature ranged from about \$7.4 to \$10.3 billion on average per year between 2016 and 2020. Add in multilateral support and the figure is much higher. This is well above the Aichi Biodiversity Targets agreed at COP10. She also highlighted the OECD-DAC Declaration on Alignment of ODA with the Paris Agreement, and that members are now considering how to align aid flows behind the emerging Global Biodiversity Framework. She emphasised that this work must be undertaken in partnership with recipient countries, designed to meet their priorities and needs, and drive greater transparency in aid spending. Meanwhile, the Inter-American Development Bank set out progress on their joint statement at COP26 on Nature, People and Planet, including the commitment on a target to increase their climate finance to 35% including nature.
8. Speakers highlighted innovation around the world that is helping to unlock more finance for nature from public budgets and private sector investment, and the opportunity to learn from each other. High integrity carbon markets have the potential to yield billions of dollars that can be invested in nature-based solutions as defined by UNEP/EA.5/Res.5. However utmost care needs to be taken to avoid misuse of the concept along with greenwashing. Turning grey infrastructure green is more cost effective and delivers multiple benefits for people, climate and nature; well-designed levies and taxes on most polluting industries are key to reducing harm and increasing sustainable investment. Advances in technology mean that it is now possible to quantify the 'risks and returns' from nature, using real time data regarding natural capital. Again and again, speakers pointed to the opportunity to build a resilient economy, helping to drive a sustainable recovery from the pandemic and address growing food insecurity.
7. **Third, leaders agreed that public and private financial flows need to be aligned with the emerging goal of halting and reversing biodiversity loss.** A key message from the meeting was that mobilising more finance for nature will only ever be a sticking plaster on a deep wound if much larger financial flows continue to push in the opposite direction. Participants welcomed the focus on this issue by the G7, including its recent commitment to align all financial flows - both governmental and private sector - with climate, biodiversity and other environmental objectives.
8. For every \$1 currently spent on nature protection and restoration, governments spend at least \$4 incentivising activities that harm nature. Reforming and redirecting the \$500 billion in environmentally harmful agricultural subsidies and other incentives within the global economic and financial system is one of the lowest cost and highest impact ways to address the biodiversity finance gap. It should therefore be the highest priority for action. It will be important to consider how trade rules can support this shift, bearing in mind the WTO discussions on subsidies for the sustainable use of biodiversity and ecosystem services. One participant suggested that tackling fisheries subsidies through this mechanism could provide an early down payment for nature. Participants emphasised that such reforms needed to be done in a way that allows for an equitable transition for the affected sectors and individuals, particularly the poorest and most excluded.



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9. Equally urgent is the need to ensure that the trillions of dollars in private financial flows are redirected to support the emerging global goal to halt and reverse biodiversity loss. Speakers celebrated the work of the Task Force for Nature-related Financial Disclosure, the Science Based Targets Network and the Taskforce on Nature Markets, noting that these initiatives are building the data infrastructure needed to embed nature into economic and financial decision-making. One panellist proposed that the elements of fiduciary duty should be extended to include sustainability alongside risk and return. Speakers pointed to the Norwegian Sovereign Wealth fund, valued at \$1.4 trillion, as well as the Finance for Biodiversity Pledge as signals of growing recognition of the importance of tackling nature loss.
10. **Fourth, leaders underscored that the climate and biodiversity crises must be addressed in an integrated manner.** Unlocking more climate finance for nature-based solutions delivers a triple win for people, climate and nature, and is also vital to adaptation. Governments should therefore be investing proportionally more in this area, including through scaling climate finance for nature. As the private financial system deepens its alignment around net zero, so will it be critical to fully integrate nature into policies to understand, disclose and manage climate risk.
11. Delivering the above won't be easy, particularly given the challenging context within which we are working. A consistent theme of the meeting was the importance of building strong coalitions for action: amongst politicians, between the public and private sector, and most importantly with citizens. For too long, nature has been treated as a free good, to be mined infinitely and treated as an externality by most economic models. Speakers called for that value to be internalised into economic and financial decision-making. They also called for its benefits to be shared more equally, particularly with indigenous peoples and with future generations. Youth advocates made a passionate plea to economic and financial decision-makers to make sure that the tools that they use to evaluate returns of investment are designed to ensure that future generations can benefit from a nature-rich future.
12. In terms of next steps, participants emphasised the importance of securing a high ambition outcome at the forthcoming Convention on Biodiversity COP15, which will provide a clear and simple accountability framework around which governments, the private sector and citizens can rally their respective efforts. To get there, sustained discussions on nature finance will be needed. This event provided a starting point for that conversation with more to come at Stockholm and beyond.



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