The Global State of Nature Finance:
Lessons from Mobilizing Private Finance for Nature

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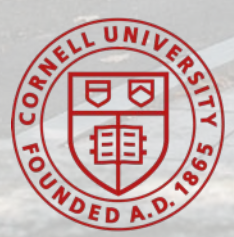

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What is Conservation Finance?
A Definition by Analogy

Like **conservation biology** was developed to facilitate the deployment of **biological know-how** in the service of conservation, **conservation finance** is developing now to facilitate the deployment of **financial know-how** in the service of conservation.

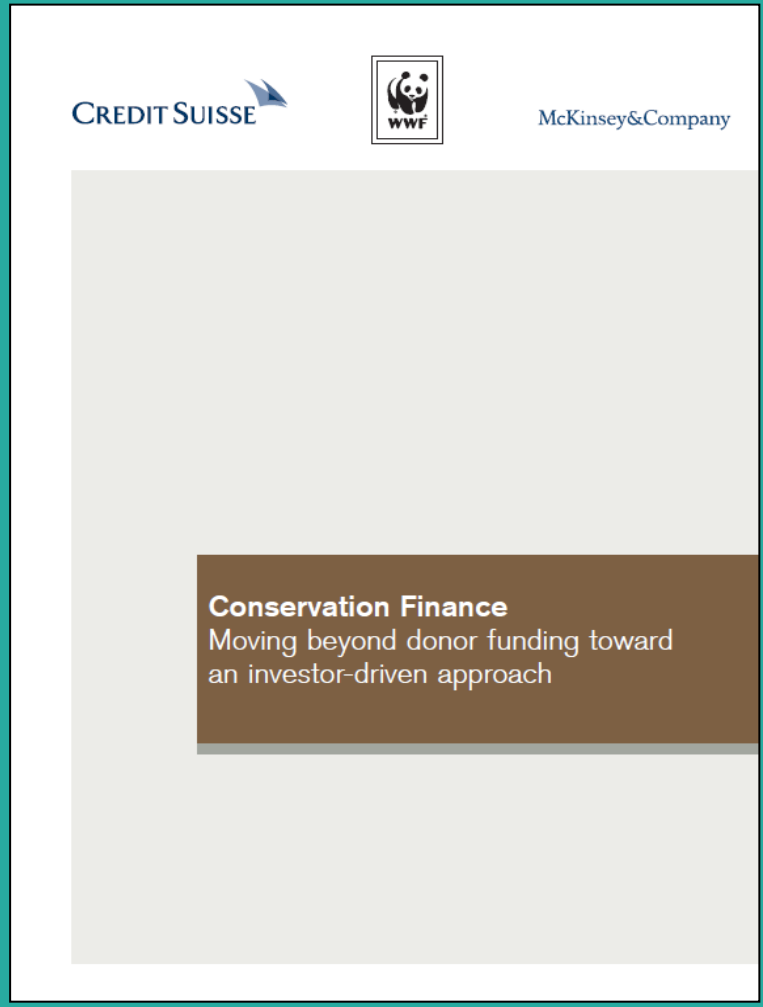
The Defining Questions of Conservation Finance:

1. How much do we spend on biodiversity conservation globally?
2. How much *should* we be spending on global biodiversity conservation?
3. If there is a difference between actual spend and existing needs, how do we fill this global **biodiversity financing gap**?

Conservation Finance: A Collaboration

Joint report by Credit Suisse, WWF, and McKinsey

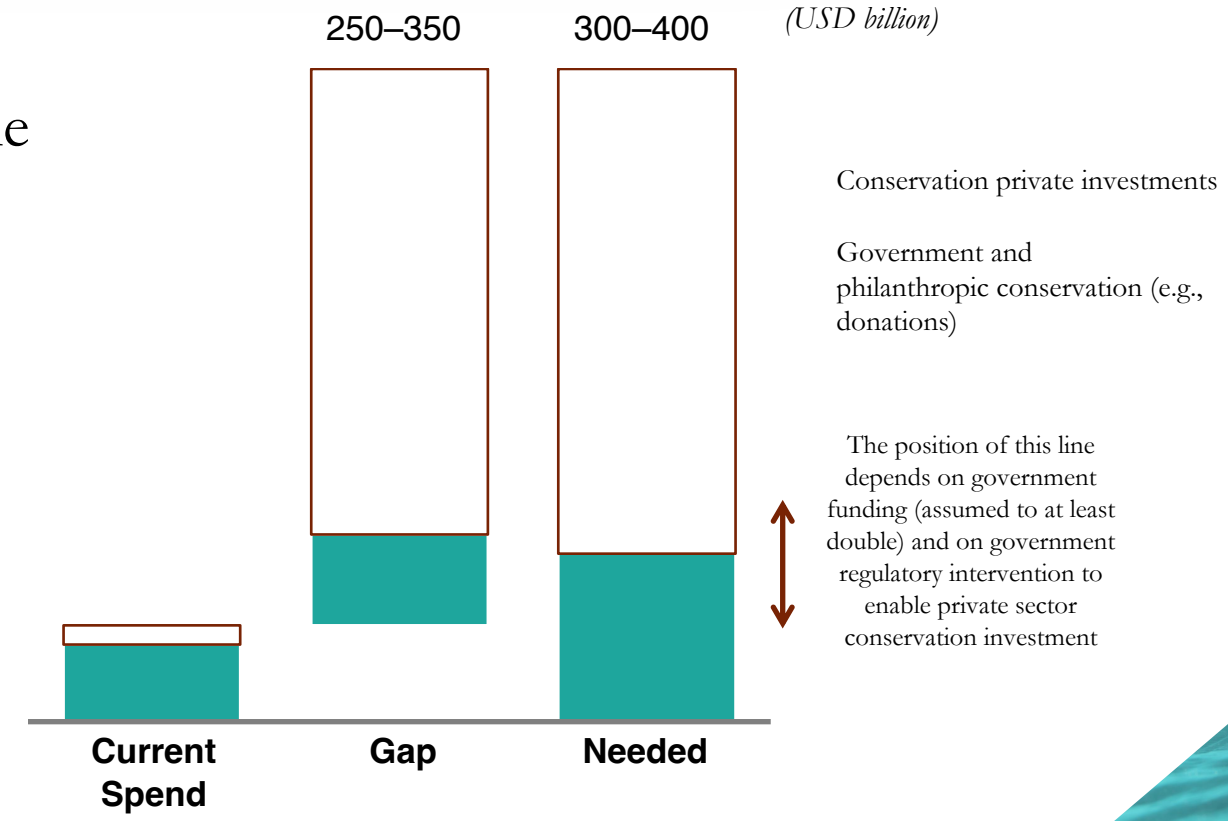
- Significant *unmet demand for funding* of conservation – to meet global need private sector investment needs to be scaled up at least 20-30 times to USD 200-300 billion per year.
- Substantial demand from potential investors, but there are few available financial products for investment.
- Scaling up of private finance poses *a number of challenges* on both project and investment sides, including a lack of communication between conservation professionals and finance experts.



Conservation Finance: The Biodiversity Financing Gap

Report produced by Credit Suisse, WWF, and McKinsey (2014)

"… sufficient capital available if main investor segments allocated 1% of new/reinvested capital to nature conservation…"

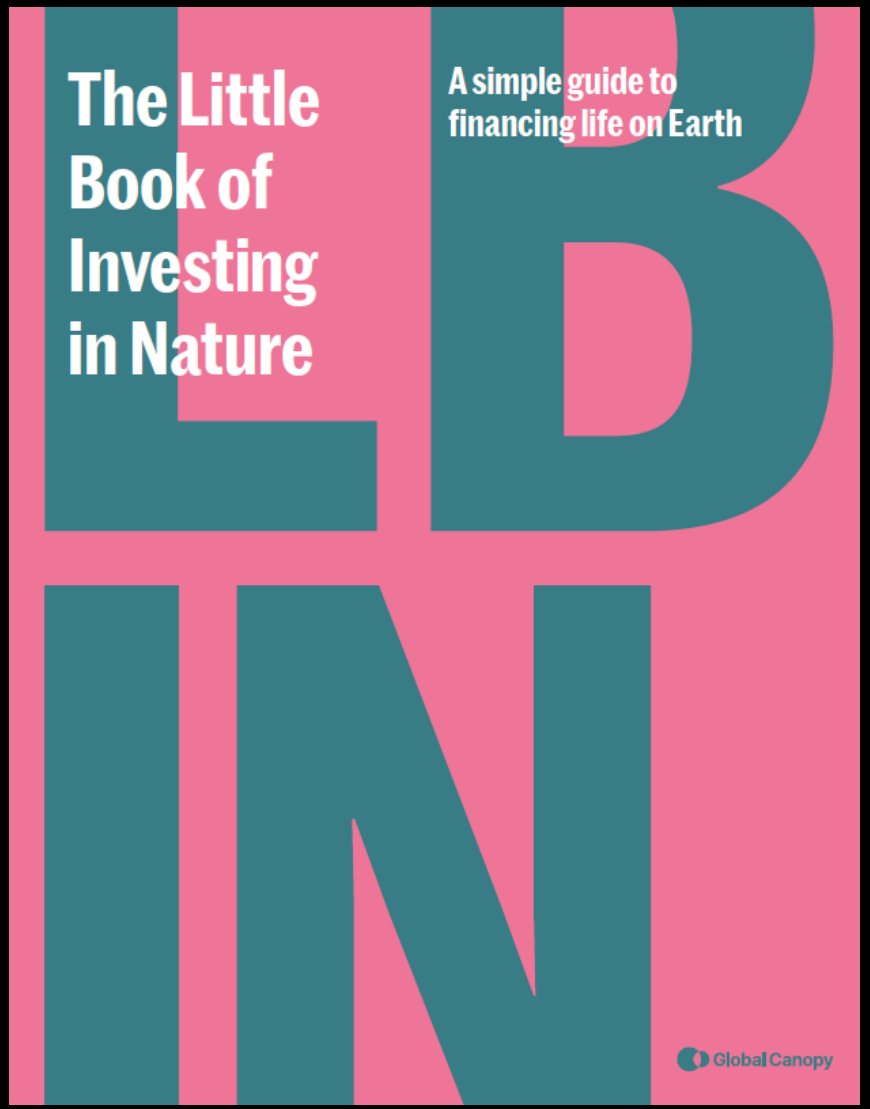


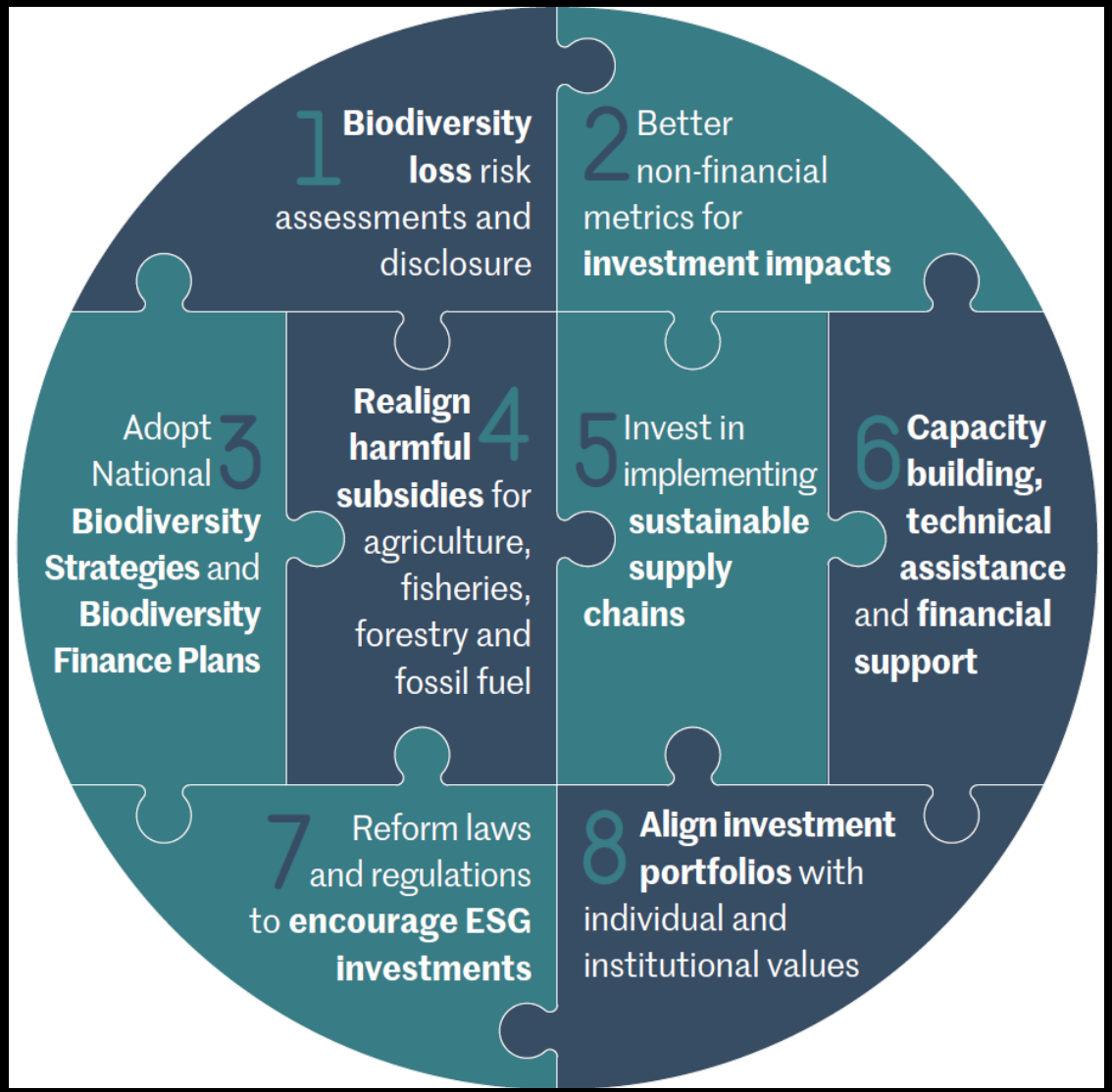
Recent Work to Update the Biodiversity Financing Gap

- This report explores the **economic case for protecting nature**.
- It estimates **how much we are currently spending and how much more we need to spend** on biodiversity conservation.
- Focuses on **seven public and private mechanisms that increase capital flows for biodiversity conservation** and **two mechanisms that decrease the overall need to spend on biodiversity conservation** (harmful subsidies reform; investment risk management).
- Describes **mechanisms with the potential to unlock the funding** needed to close the **global biodiversity financing gap** by 2030.
- Closing this gap **relies on government policies** to reform harmful subsidies, reduce investment risk by private investors, and support new financial innovations to increase capital flows towards biodiversity protection.

A Financial Ecosystem to Mainstream Biodiversity

No one stakeholder can fully address biodiversity goals, and private parties can only offer pilots. A complementary set of institutions and mechanisms must create the financial ecosystem.





The Mechanisms (LBIN)

The Little Book of Investing in Nature presents more than **40** mechanisms already providing finance for nature and **25** case studies showing how these examples are supporting biodiversity around the world.

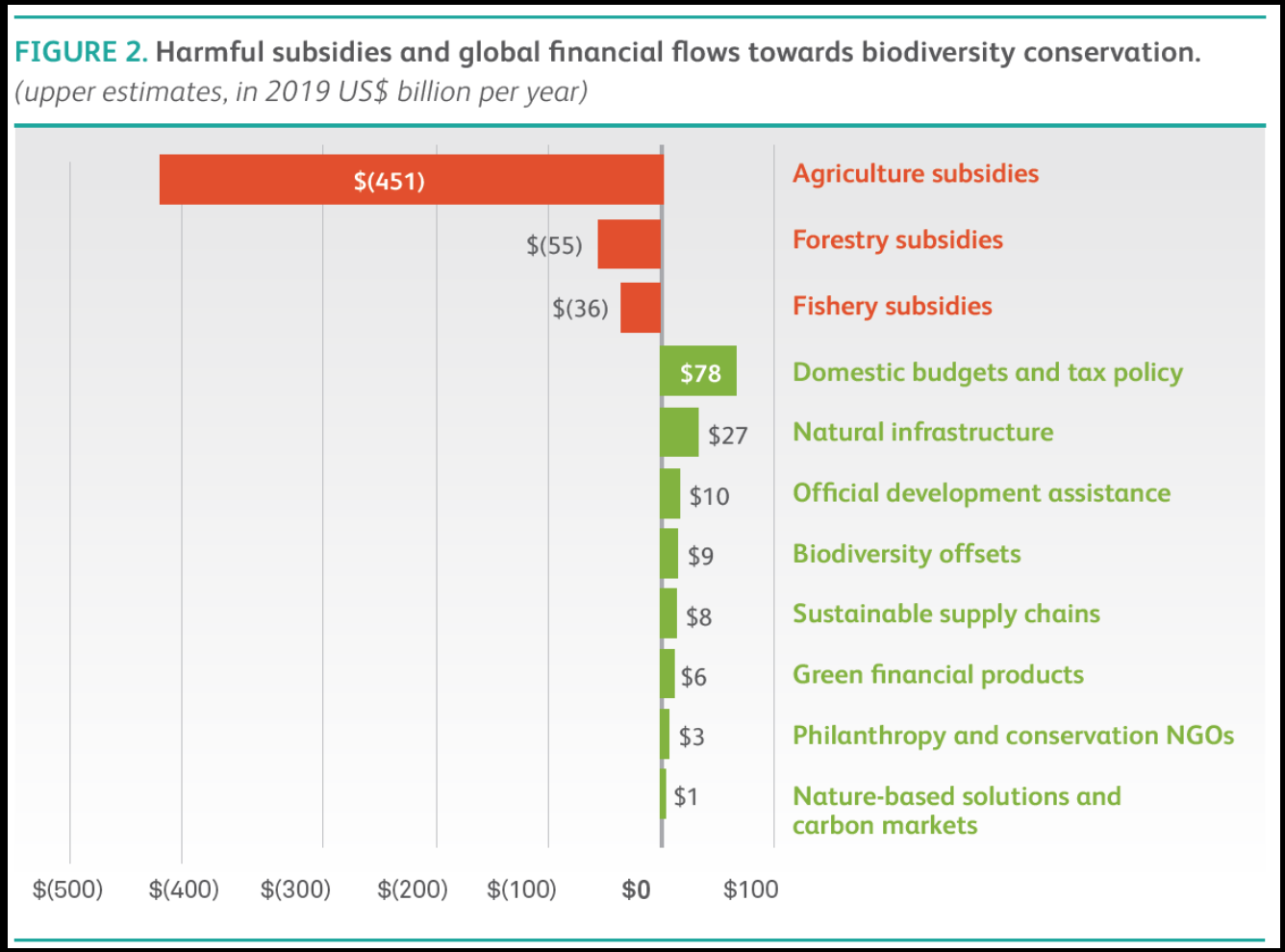
	GENERATE	DELIVER	REALIGN	AVOID
MECHANISMS	**Green financial products:** Green bonds Green equity Green loans, sustainability linked loans, and credit facilities	**Concessional Debt:** Below market-rate interest rates to enable investments in biodiversity	**Harmful Subsidies Reform in:** Agriculture Fisheries and Aquaculture Fossil Fuels	**Green Insurance:** Insuring ecosystems against future damage Insurers' investment in nature-based climate resilience
CASE STUDIES	**SeychellBondes Blue**	**USAID loan guarantees for Mirova's climate fund**	**Reforming harmful subsidies to support biodiversity in Kyrgyzstan**	**Mesoamerican reef insurance**

Global Biodiversity Financing - Current

Existing annual financial flow toward biodiversity conservation is estimated at **US$124–143 billion per year** as of 2019 (0.12–0.14% of global GDP). Presently, biodiversity conservation funding continues to be dominated by the public sector, with direct domestic government spending and fiscal policies alone representing 54-60% of the total annual biodiversity conservation flows.

Global annual production subsidies from the agricultural, fisheries, and forestry sectors potentially harmful to biodiversity in 2019 were estimated to be US$ 274–542 billion; that is, at least four times larger than the total positive current financing flows into biodiversity conservation in 2019.

A key message is that, in addition to scaling up biodiversity finance mechanisms, **it will be critically important to accelerate the reform of subsidies harmful to biodiversity over the next 10 years.**



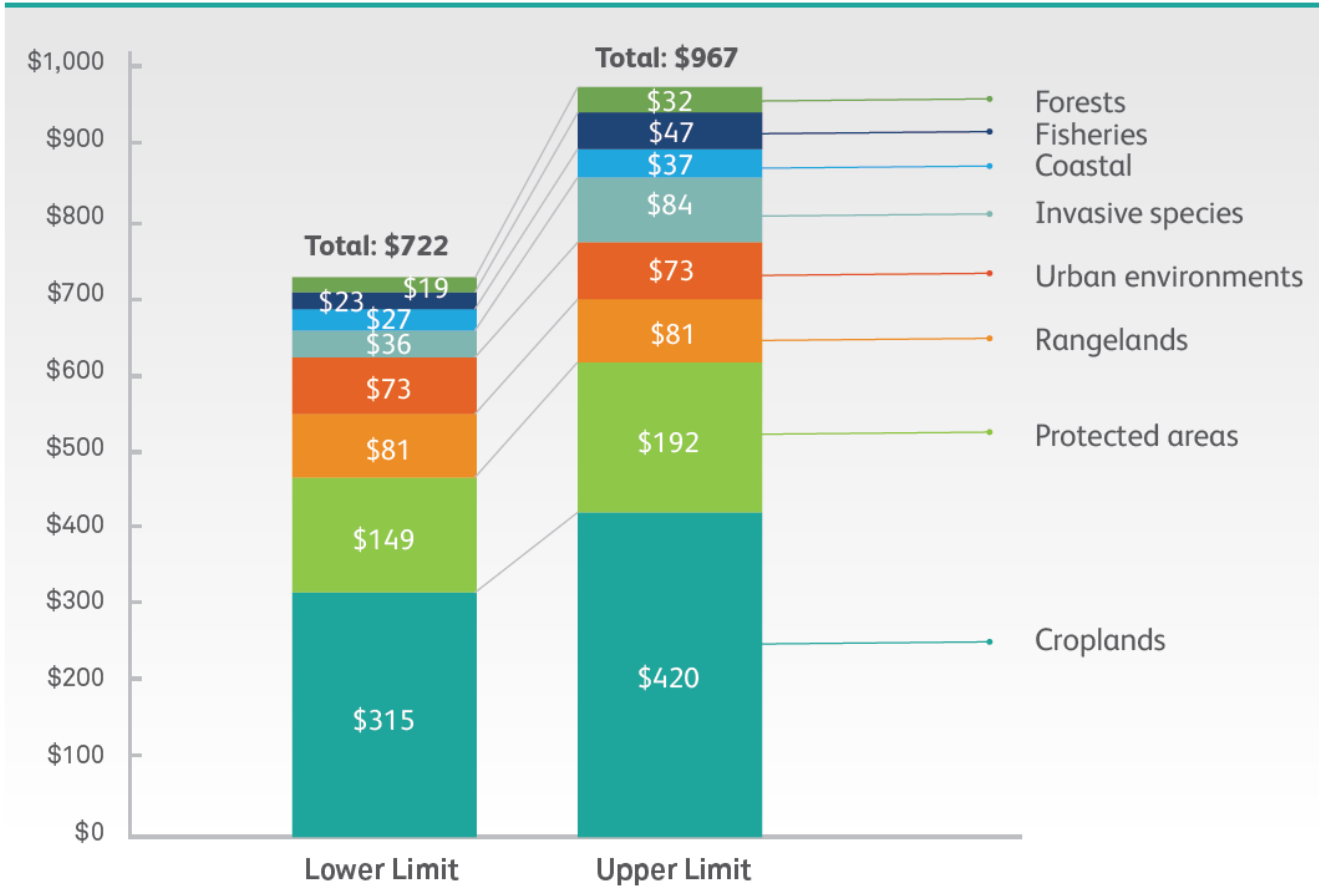
Biodiversity Funding Needs (2030)

A holistic view of biodiversity conservation is adopted, which includes protection of existing biodiversity through protected areas, but which also considers **mainstream biodiversity conservation** investment needs to adequately manage and use "productive" land and seascapes.

The global biodiversity conservation funding needs are organized into three components:

A. Biodiversity conservation through terrestrial and marine protected areas,
B. Sustainably managing productive landscapes and seascapes (fisheries, croplands, rangelands, forests, critical coastal ecosystems, managing invasive species) to maintain ecosystem integrity that supports key ecosystem services for humanity, and
C. Biodiversity conservation in peri-urban areas and reducing water pollution.

Global biodiversity conservation funding needs. *(in US$ billions per year)*



Closing the Global Biodiversity Financing Gap

These estimates, and the resource mobilization challenge they represent by 2030, may appear inordinately large. However, the financial resources that will be needed to close the biodiversity financing gap are comparable in magnitude to the capital committed to global climate-related investments of US$ 579 billion in 2017–2018, as estimated by Buchner and colleagues in 2019. For context, this amount is less than the world spends on soft drinks in a year.

Even when factoring in the maximum estimate of increased funding flows toward biodiversity conservation of US$ 446–633 billion per year, the 2030 global biodiversity financing gap will not be closed unless there are significant efforts to scale up the reform of subsidies harmful to biodiversity and improve investment risk management practices by the financial sector.

Financial and Policy Mechanisms	2019 *US$ billion / year*	2030 *US$ billion / year*
A. Mechanisms that decrease the overall need for funding to be spent on biodiversity conservation		
Harmful subsidy reform (agriculture, fisheries, and forestry sectors)	(542.0) – (273.9)	(268.1) – 0*
Investment risk management	N/A	
B. Mechanisms that increase capital flows into biodiversity conservation		
Biodiversity offsets	6.3 – 9.2	162.0 – 168.0
Domestic budgets and tax policy	74.6 – 77.7	102.9 – 155.4
Natural infrastructure	26.9	104.7 – 138.6
Green financial products	3.8 – 6.3	30.9 – 92.5
Nature-based solutions and carbon markets	0.8 – 1.4	24.9 – 39.9
Official development assistance (ODA)	4.0 – 9.7	8.0 – 19.4
Sustainable supply chains	5.5 – 8.2	12.3 – 18.7
Philanthropy and conservation NGOs	1.7 – 3.5	Not Estimated**
Total Positive Financial Flows	**123.6 – 142.9**	**445.7 – 632.5**

Catalysts for Action: Conservation Finance

Institutional arrangements are necessary to mobilize capital and mainstream biodiversity conversation in the public, private, and civil society sectors.

Mainstreaming biodiversity in the public sector

Strategies to align public policies, strategies, and regulatory structures to enable investments in biodiversity conservation

Mainstreaming biodiversity in the private sector

Strategies to engage the private sector in risk assessments, disclosures, scaled investments in sustainable supply chains and conservation funds

Mainstreaming biodiversity into civil society

Overview of catalytic international organizations, the work of the UNDP BIOFIN initiative, catalytic investment funds

Catalysts

Selected examples

THE AGRI3 FUND

HSBC POLLINATION FUND

COALITION FOR PRIVATE INVESTIMENT IN CONSERVATION

What is the Coalition for Private Investment in Conservation (CPIC)?

The Coalition for Private Investment in Conservation (CPIC) is a global multi-stakeholder initiative focused on enabling conditions that support a material increase in private, return-seeking investment in conservation.

Founded by Cornell University, Credit Suisse, IUCN, and The Nature Conservancy and launched at the World Conservation Congress in September 2016 with 30 additional institutions.

Current membership stands at close to 100 organizations.

Mission:

CPIC aims to facilitate the scaling of conservation investment by (i) creating models (“blueprints”) for the successful delivery of investable priority conservation projects, (ii) connecting pipeline providers of such projects with deal structuring support, and (iii) convening conservation project delivery parties with investors to execute investable deals.

- Coalition for Private Investment in Conservation

Members

CREDIT SUISSE

IUCN

natureVest™

The Nature Conservancy

althelia ecosphere

AMERICAN BIRD CONSERVANCY

Baker McKenzie.

THE B TEAM

EARTH MIND

EDF ENVIRONMENTAL DEFENSE FUND Finding the ways that work

European Investment Bank

encourage capital

impact capitalyst

Natural Capital Finance Alliance

mirova Responsible Investing

BirdLife INTERNATIONAL

CFA CONSERVATION FINANCE ALLIANCE

CLARMONDIAL

THE CLIMATE TRUST

FAUNA & FLORA INTERNATIONAL

financeinmotion

FOREST TRENDS

FSC FORESTS FOR ALL FOREVER

Rainforest Alliance

rare

RESTORE AMERICA'S ESTUARIES

Scottish Wildlife Trust

CONSERVATION CAPITAL

THE CONSERVATION FINANCE NETWORK

CONSERVATION INTERNATIONAL

CONVERGENCE

25 years gef

GIIN GLOBAL IMPACT INVESTING NETWORK

GLOBAL OCEAN TRUST

GOODWIN

SSEE SMITH SCHOOL OF ENTERPRISE AND THE ENVIRONMENT

south pole carbon

WCS

World Forum on Natural Capital

WWF

Yale Center for Business and the Environment

ZSL LET'S WORK FOR WILDLIFE

What is an investment blueprint?

"... a model financial transaction structure intended to help facilitate replicable investments in priority conservation projects. A blueprint describes the general enabling conditions necessary to facilitate project development, the stakeholders and their roles, the project outputs and expected conservation outcomes, the anticipated cash flows, and the types of investors and capital stacks that are required for a financial transaction that delivers both economic and conservation returns ... "

- Coalition for Private Investment in Conservation (CPIC)

Ultimately, what needs does CPIC address?

CPIC facilitates the flow of private, return-seeking capital into conservation by:

- *providing a forum for pre-competitive collaboration among actors in the biodiversity finance space*
- *facilitating the development of a common language among disparate actors who do not normally communicate*
- *generating the research that addresses obstacles to the development of the field*
- *convening the key actors in across disciplines*
- *Raising awareness of the importance of biodiversity finance to conservation, to climate mitigation and adaptation, and to the economy*

- Coalition for Private Investment in Conservation (CPIC)

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