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“Nature Based Solutions – the next financial asset class?”

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The moral and ecological arguments for protecting nature are only too obvious. No-one can survive on a planet of denuded forests and oceans emptied of sea life.

For all the goodwill in the world, however, the decline in nature will continue at pace without a convincing case to invest in its protection. Already the UK is among the [most depleted nations](#) in the world when it comes to biodiversity. Worse beckons.

If we don't act now we face disaster, to quote a 1,000-strong group of international businesses, “there is no business on a [dead planet](#)”.

But protecting nature doesn't come cheap. Current annual global funding commitments are [over \\$700 billion short](#) of what is needed. In the UK alone the figure is some [£56bn over the next 10 years](#). So how can financiers be persuaded to direct much-needed capital to nature's aid?

One possibility is to hoist the danger flag. Ecosystem 'services' such as flood control and crop pollination provide an annual value to the global economy of [\\$125 trillion](#) or more per year. Lose these and it will destroy the viability of global investment portfolios.

Yet, mitigating a risk that financiers don't instinctively see or feel is not the most compelling of rallying cries. Just ask climate scientists. Extreme weather events have already cost the United States [over \\$100 billion](#) this year. Yet, climate finance is way behind the curve.

A more likely way to win the ear of investors is to focus in on what they do best; namely, selectively allocating capital to assets or projects that carry a solid prospect of generating a positive financial return.

Nature is no San Francisco start-up, capable of a ten or twenty-fold returns. But nor is it an investment black hole, ready to swallow up buckets of philanthropic dollars and development finance.

Contrary to prevailing market opinion, moves to conserve, protect, or regenerate the natural world can produce viable commercial returns. It already is, in fact. Sustainable resources management (such as fisheries and forestry), carbon sequestration, and eco-tourism represent cases in point.

In the climate jargon of the UN climate process, such projects are typically referred to as 'nature-based solutions'. Healthy forests, grasslands, peatlands, and other so-called 'carbon sinks' can play a dual role, sequestering carbon on the one hand and conserving biodiversity on the other.

At the Green Purposes Company, we [recently analysed](#) 200 such projects and found strong evidence of their long-term economic viability. The grounds for [nature-based solutions](#) as an emerging asset class are strong. The challenge is how to achieve scale. That will take a massive injection of capital, and encouragingly the appetite among private investors is there. Take the UK government's recent issuance of an innovative £10 billion [green bond](#). It was hugely over-subscribed, and marks one of the first sovereign bonds to expand beyond a narrow focus on climate to also include specific objectives on biodiversity and nature restoration.

But as we heard at a recent Green Purposes Company hosted event of leading investors and other market actors, it is essential to build a pipeline of investable projects to match the significant flows of capital available. As with renewable energy before, policy makers can help build confidence in this nascent market by helping de-risk early-stage transactions to create bankable returns. Setting standardised methodologies for measuring and valuing biodiversity would offer a similar impetus.

With a thriving investment market for nature-based solutions, project size and quality would rapidly improve, leading to an exponential escalation in positive outcomes both for the climate and biodiversity. And let's not forget, for people. As well as providing humanity's life support system, access to more green spaces can improve our physical and mental wellbeing, vital as we emerge from a global pandemic.

Left to its own devices, this asset class will continue to evolve and mature. Yet with [one million animal and plant species](#) already threatened with extinction, a surplus of time is not something we or nature presently have.

In those occasional moments of despair it can be tempting to see the challenges facing the planet as insurmountable. Yet, a growing body of nature-based solutions already exists. Their impact depends on scaling fast. All market actors must collaborate and grasp this nettle. In Glasgow, climate delegates have an opportunity to do just that.

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