

State of Finance for Nature Report

Scale up finance & investment into nature-based solutions

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Why this report?

NbS can provide 30% **cost-effective solutions** to the **climate crisis**

Costs to tackle **biodiversity loss will double** if action is **delayed** by a decade (Dasgupta review)

Investing in nature can tackle **several inter-linked societal challenges** (food, climate, disaster risk reduction)

Need to put nature much more at the **heart of economic and financial decision-making**

Enhancing capital flows in the net zero transition, nature positive assets

Classification of NbS finance



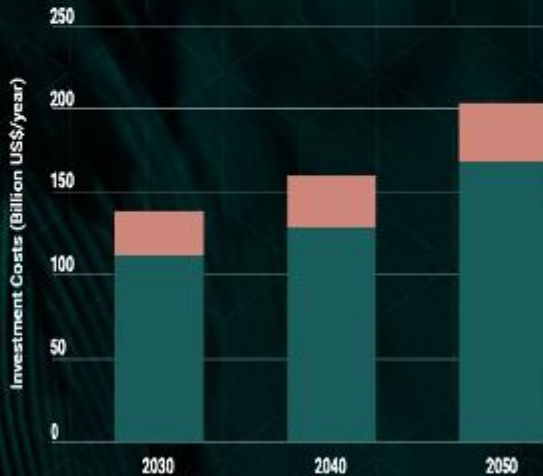
Invest smarter: reimagine, recreate, restore
 Half of the estimated financing needs are for the management, preservation and restoration of forest assets.



Summary of future investment needs

Type of NbS	Total cumulative investment (2021-2050) USD billion	Additional annual investment in 2050 USD billion per year
Reafforestation	4,684	203
Mangrove restoration	15	0.5
Peatland restoration	301	7
Silvopasture	3,130	193
Total investment needs	8,130	403

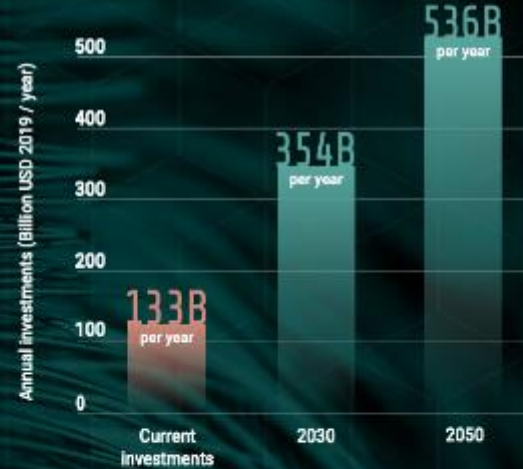
Investment in forest-based NbS under the immediate action scenario



Establishment of managed forest
 Cost of forest management

We need to fill the **USD 4.1 trillion** gap to halt the climate, biodiversity and land degradation crisis by 2050

Investment needs



investment needed by 2030.



investment needed by 2050.



Management, preservation and restoration of forest assets account for 50% of the investment need

Spread out over three decades, total investment needs reach **USD 8.1 trillion**
 At current investment rates we will have a funding gap of **USD 4.1 trillion**



Conclusions

1. Both the **volume of capital** directed to NbS-relevant assets and activities and the **share of private finance**, are insufficient

2. **The investment case needs to be stronger** (return to the investor relative to risk), judging by the small share of private finance compared to public funding

3. **Investment will have to at least triple by 2030** and increase to over USD 536 billion/year by 2050, at least four times the amount invested today

Pathway for public and private actors to scale up investments in nature-based solutions by 2030

Transitioning towards a net-zero, nature positive economy

1. short-term

Actions that can be taken unilaterally, are taking place today



Create a market for NbS investment

- Leverage green recovery packages
- Innovate regenerative business models
- Derisk and aggregate investments

2. medium-term

Actions that require multilateral cooperation and policy processes



Support emerging markets and investment returns

- Improve global metrics and disclosure
- Transform land use sectors
- Align subsidy and incentive regimes

3. long-term

Market led transitions driven by financial viability, instigated by policy environment



Scale up and monitor investment

- Regenerative land use practices outcompete
- Full valuation of nature risks and co-benefits
- Scale finance through mature secondary markets



Recommendations: Governments

1. Align post Covid-19 economic recovery with Paris agreement + anticipated Kunming agreement

- => *Only 2.5% of public stimulus directed to green investment in 50 largest economies (UNEP, 2021)*
- => High levels of debt creates less fiscal space to transition to climate & nature-positive economic system (env, social, financial debt)
- => Embed precise, verifiable targets for nature-based solutions in NDCs. Scope for significant improvement

2. Create economic and regulatory incentives to scale up NbS investments

- => Majority (87%) of USD 540 billion of support to agricultural producers is price distorting or harmful to nature & health
- => “True” price of food (embed environmental & social) in the price of goods we consume daily

3. Strengthen investment case: incl. potential of carbon markets (need robust env & social standards)

- => Corporate commitments to ‘net zero’ should not be a substitute much-needed deep emission reductions
- => Investment in NbS to tackle the climate crisis should also positively impact biodiversity & create other co-benefits
- => Challenging for environmental markets to reach scale, without government intervention



Recommendations: Private sector

4. Ambitious climate & nature commitments (“Race to zero”); need for short-term targets

=> 733 cities, 31 regions, +3000 businesses; 173 investors, etc.

=> Need for Science-based targets for climate & nature.

=> “Net neutral” commitments by 2050 need to be combined with clear targets for the next 12 months; as well as 2025, 2030, etc

5. Develop an asset class for “Nature-based solutions”: common standards, metrics, etc

=> Regulatory efforts (e.g. EU Taxonomy on Sustainable Finance)

=> Voluntary industry standards (e.g. Climate Bonds Initiative)

=> E&S Key Performance Indicators; minimum positive impact; alignment private investment with Rio Conventions

6. Scale up private investment into projects / businesses with positive nature & climate impacts

=> Governments: scale up climate & development funding in the form of (highly) concessional finance

=> Increase number of commercially-viable projects (technical, economic and regulatory incentives)

=> Unlock institutional investor capital (credit ratings, liquidity, listing of funds)



Thank you

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Estimates mitigation potential different NbS

