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Investing in the Benefits of Rewilding

Biodiversity Credits: An Emerging Market
to Restore Nature

Green Bonds: Financing Nature's Recovery

The TNFD Framework and Implications for
Ecological Advocacy

Financing Nature's Recovery

Who Invests in Nature and Why?

Supporting Nature North to Deliver Nature Restoration at Scale and at Pace



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“ Nature North is a collaboration working with local businesses, investors and financiers with a material interest in nature recovery. ”

Key words: collaboration, investment and finance, nature recovery, scalable models

We supported Nature North in the development of four of their investable propositions, with insights from nature finance and investment landscape, supporting their strategic and collaborative approach to steer nature finance and investment to

where it is needed most. This work included extensive stakeholder engagement to understand investment mechanisms and scalable financial models for landscape-scale nature recovery.

In the face of unprecedented weather extremes, increasing disease prevalence and supply chain exposure, many asset owners, service providers and businesses in their supply chains are starting to feel the impact of climate change and

biodiversity loss upon their profits. Investment in nature recovery is now a necessity, to safeguard business prosperity and the resilience of our economic infrastructure. According to a recent report by the Green Finance Institute (2024), damage to the natural environment is slowing the UK economy and could lead to an estimated 12% reduction to gross domestic product in the years ahead – larger than the impact from the 2008 global financial crisis or COVID-19.

In the north of England (Figure 1) we have been supporting Nature North to

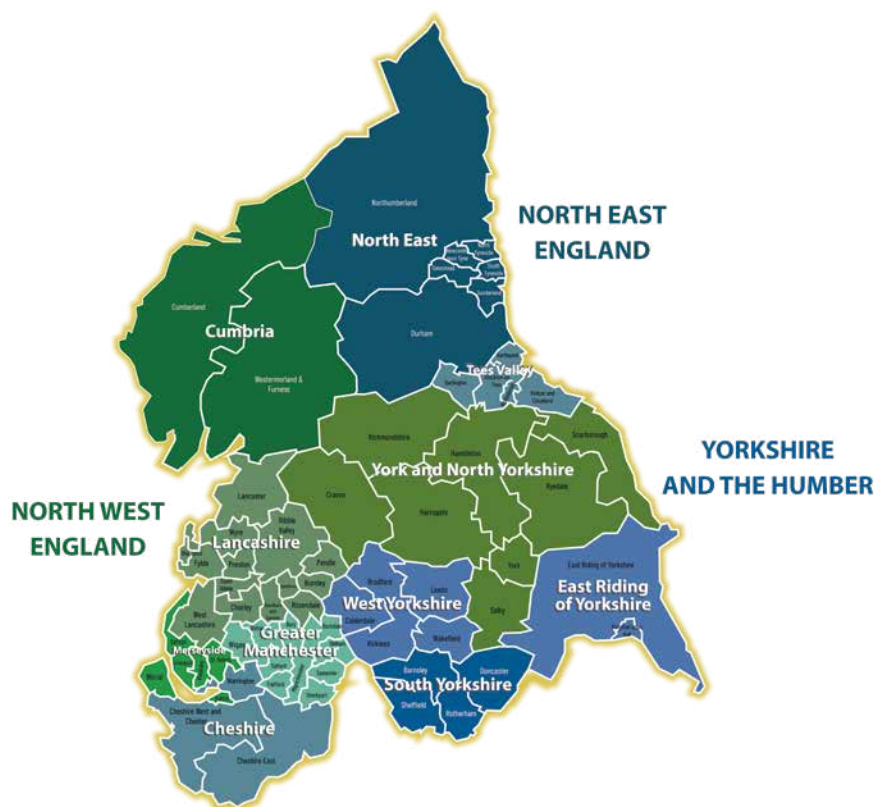


Figure 1. Map of the north – the unitary authorities.

tackle this; to drive nature finance and investment towards nature recovery where it is needed most. Nature North is a collaboration between the nature conservation movement, protected landscapes, government agencies and

funders, working together with local businesses, investors and financiers with a material interest in nature recovery. Ultimately Nature North wants to increase our resilience (societal, economic), recognising how the natural

environment underpins flourishing people, communities and businesses (Figure 2).

Investing in nature is not just about meeting regulatory requirements but about exposing the hidden economic and financial costs we already bear due to a depleted natural environment – through our water bills, food bills, health costs and taxes. For instance, it has been estimated that halving wetland loss in the UK would provide an economic benefit-to-cost ratio of 632:1, based on avoiding costs such as flood damage and water treatment costs (Green Growth Knowledge Partnership 2024). Another study (Royle *et al.* 2020) found that enhancing natural capital in west and north Yorkshire would increase gross value added by £2.3 billion (2.6%) plus £2.2 billion in avoided risk and new opportunity. As such, it is a key time in human history to reverse the trend of investment into nature-depleting activities, and instead to invest in nature-restoring wealth.

Nature North's community of partners bring integrity, expertise and experience in nature delivery. Nature North was shortlisted in the 2024 edie awards for Nature and Biodiversity Project of the Year.

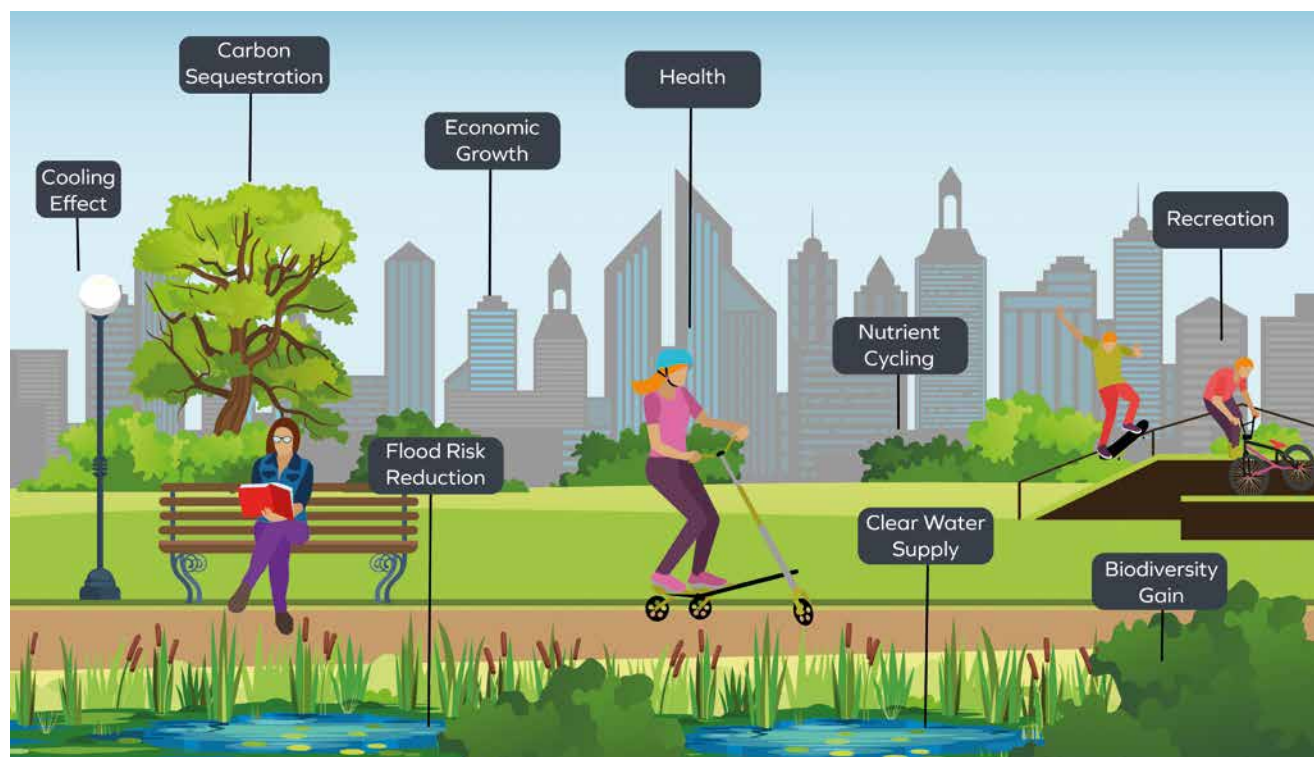


Figure 2. Some of the benefits we receive from nature.



Figure 3. Vision document for the Green Northern Connections IP.

Context

Nature North is working for connected nature recovery and is collaborating with key stakeholders to develop investable propositions (IPs) to draw in finance and investment. Binnies supported Nature North to progress four of its IPs, which seek to channel investment collaboration around specific themes. These are as follows.

1. Green Northern Connections: facilitating nature recovery with infrastructure authorities, primarily transport, energy and water.
2. Northern Coasts and Estuaries, in collaboration with estuary and coastal partnerships.
3. Rivers Nature North: with a focus on river restoration.
4. Urban Nature North: focused on urban green space.

The four developing IPs build on the work of two existing IPs, listed here.

1. Great North Bog (<https://greatnorthbog.org.uk/>): a landscape-scale initiative supported by six leading peat restoration partnerships, restoring 7000 km² of upland peat.

2. Northern Forest (thenorthernforest.org.uk/): a collaborative initiative to create new woodlands and protect ancient ones across the north of England, establishing 50 million trees by 2043.

We worked with Nature North's team and IP facilitators to develop 'vision documents' for each IP (Figure 3), co-crafted with diverse stakeholder groups, through interactive online workshops, one-to-one discussions, webinars and desktop research (for the first three IPs listed above). Overall, we spoke with around 500 people. In the work we sought to understand the scale of opportunity in terms of habitat creation and ecosystem services, such as carbon sequestration, but critically also in terms of job creation, de-risking assets and services, and avoiding costs to businesses. We discussed and agreed spatial principles to help optimise the benefits of investment in nature recovery, via appreciation of trade-offs, risks and synergies. Our work helped to cement relationships between Nature North, its partners and various stakeholders.

Where is investment coming from and why?

Ultimately, for the investors we spoke to the biggest driver of change is a heightened awareness of climate change risks, biodiversity decline and environmental change, and the impacts these are having on assets, supply chains, operations and services. An example was the drought and flood risk involved with accessing raw materials, or disruption to clean water services. In the eyes of corporates and investors, investment in nature's recovery is an opportunity to de-risk assets, to boost resilience for services, cynically to make money, but also to simply 'do the right thing'. Either way, change is happening.

Various policy and legislative commitments, national and global, are changing the investment landscape (see Note). Many of these commitments are captured in a corporate's Environmental, Social and Governance reporting. This may include corporate disclosure reporting (mandatory for larger companies, and under pressure from

lenders for others) around carbon, and more recently nature and sustainability. As such, lenders are now expecting corporates and businesses to understand and disclose their own climate- and nature-related risks, in order to determine the risk of investing in those who have not considered these risks (and their assets). Many corporates are starting to offset any residual impacts in carbon and biodiversity markets. This is all in addition to regulatory drivers, such as the Biodiversity Net Gain (BNG) requirement introduced in the UK government's Environment Act 2021.

Investment for outcomes is another key driver, such as water company investment, for example to restore natural catchment processes to tackle water quality challenges, in the face of changing rainfall volumes and intensity, rising energy costs and the growing demand for clean potable water. The Water Industry National Environment Programme (WINEP) alone is spending £5.2 billion in 2020–25 (to enhance the natural environment through asset improvements, investigations, monitoring and catchment interventions; Defra 2022). Other providers and asset owners, such as transport infrastructure and electricity grid operators, are similarly investing in catchment outcomes to de-risk their assets and services from the impacts of flooding and drought.

Novel investment strategies are starting to blend different credit markets and investment streams at scale, in order to make it easier for investors to facilitate catchment change at pace. These have the potential to be harnessed to rapidly scale up investment for nature recovery. The models are each slightly different, generating a different geography in which they are best suited to collaborate with farmers and landowners. Part of our work for Nature North has been to start to understand this geography, and how each of these models works (the types of credit markets they are using and how, which investment they are stacking, bundling and blending (see Box 1 for definitions) and how they are managing risk across a portfolio).

The nature finance and investment market

The UK government has a target of drawing in £1 billion of annual private investment into nature recovery by 2030, as set out in its Nature Markets Framework (Defra 2023) and supported by the Natural Environment Investment Readiness Fund (NEIRF). NEIRF aims to stimulate private investment and market-based mechanisms that improve and safeguard our domestic natural environment by helping nature projects get ready for investment. So far it has supported 86 projects with another round of funding due this year.

Nature North is working to enable the north to take advantage of these new financial opportunities. For the Northern Coasts and Estuaries, Rivers Nature North and Green Northern Connections IPs, we gauged investor appetite, gathering insights, and framed the findings in a way to make it more accessible for people in Nature North's community of practice to understand. We summarised the types of investment, their drivers, what investors are looking for and the most scaleable nature finance models emerging in the UK; the ones starting to have real traction on the ground. We spoke with:

- financiers developing innovative investment strategies
- large corporates and developers to understand their drivers for nature investment

Box 1. Stacking, bundling and blending explained

Stacking is where buyer(s) make multiple payments for different outcomes from the same intervention to one seller.

Bundling is whereby a buyer, whether explicitly or implicitly, pays for multiple outcomes generated by an intervention in one payment (or under the banner of one outcome).

Blending involves weaving together different sources of funding, investment and finance for a nature enhancement project to manage risk and provide greater surety of returns for investment.

- asset owners and service providers in the transport, water and energy sectors targeting specific outcomes.

For the Urban Nature North IP we conducted a rapid evidence review of potential investment and funding mechanisms for enhancing urban green space, supported with targeted conversations. As a result of this work, Nature North now has relationships with large prospective investors, helping to remove barriers to investment and providing solutions for those who want to support nature and people in the north of England. Our engagement work culminated in a pan-north presentation of all of the above, attended by 160 people, which spurred on collaboration and demonstrated the appetite for this knowledge among practitioners in the north.

We have since completed a deep dive into the potential for public capital programme spend (e.g. the Environment Agency's National Flood and Coastal Erosion Risk Management (FCERM) programme) to unlock the BNG market at scale and at pace, with a focus of river restoration and watercourse BNG for the Environment Agency and Nature North.

What did we learn?

For ease, we have split our findings into financiers, corporates/developers and service providers (Figure 4). However, please note, this is not so clear cut (e.g. financiers and service providers may also be corporates). This is a crude split to communicate some of the key messages.

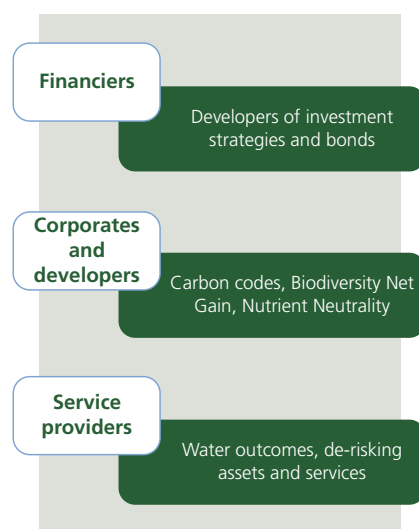


Figure 4. Investors in nature recovery by type.

The financiers

Financiers are looking to weave together different verified credit markets with finance (loans) in novel ways, to create viable financial models for landowners and investors alike, to enact change at scale. These models are important as they help spread the risk of individual projects across a portfolio of different types of nature recovery projects in different contexts. They are needed to connect those with investment, such as institutional investors, pension funds, high-net-worth individuals, to suppliers of verifiable units and catchment outcomes (providers of nature recovery projects, e.g. landowners).

They are looking to do this in various subtly different ways. Most are looking to use credit markets (various Carbon Codes, biodiversity metrics, now BNG) because these generate assured and verifiable units. Others are focusing on investment for outcomes (water quality, water regulation) and some are looking to use habitat banks as the building blocks of their financial model. Some are doing a combination of these. They are more than brokers and are looking to generate a return on investment, either for their investors or to re-invest into their model. But, crucially, financiers spread the risk of projects across investment portfolios in scalable, replicable models.

The corporates and developers

The corporates and developers we spoke with are looking beyond the footprint of their assets to understand how they can most efficiently meet planning conditions such as BNG, as well as deliver social and environmental gain. Their drivers were mainly about satisfying regulatory requirements, but also going beyond this to deliver gain for the communities and clients they serve. Most who engaged with this work were operating on the basis of delivering a positive social and environmental legacy to maintain their 'social licence to operate'. Part of this was also a growing understanding of de-risking the assets and services they provide (but this was less of a focus).

The service providers

The service providers we spoke to are exploring how best to invest in nature's recovery primarily to de-risk their assets, their supply chain and meet sustainability and the requirements of BNG. They have considered how much BNG is needed and how it might be delivered. They were focusing on improving the resilience of their high-priority assets to environmental change, taking a strategic approach to collaborate and co-deliver at a landscape or catchment scale.

Scaling investment at pace

Our conversations identified what are felt to be the key scalable investment models for landscape-scale nature recovery in the UK: the UK Nature Impact Fund, the Environment Bank, the Rivers Trust Natural Flood Management model, the Wildlife Trust's Wilder Carbon and Regenerate Outcomes. There are likely to be others, but these are the five that came through in our discussions and which are already delivering change on the ground. It is important to say that there is scope and a place for all of them, but they will not all necessarily work everywhere: their geographies do not always overlap. Some are more suited to some contexts than others; for example, they may depend on demand for BNG or water outcomes, or potential for soil carbon gains facilitated by transition to regenerative farming. And there will be gaps, with some areas not covered by any of the above. Part of our future work with Nature North will be about understanding this, piecing the puzzle together and identifying where there are gaps, to help ensure everywhere can benefit.

Nature North's current work

Building on the work to develop the IPs, the Nature North collaboration are working to develop a Strategic Investment Plan for Nature Recovery in the north of England. The plan will be developed with key stakeholders to secure political and cross-sector support, and reflect the Local Nature Recovery Strategies, highlighting nature's role in supporting the north's priorities such as well-being and health, climate resilience and adaptation, meeting net zero and economic development.

Note

For example, United Nations Sustainable Development Goals, Environmental, Social and Governance, Target 15 of the Global Biodiversity Framework, Taskforce on Nature-related Financial Disclosures (TNFD), Taskforce on Climate-related Finance Disclosures (TCFD), Corporate Sustainability Reporting Directive and Science-Based Targets Network, along with many more.

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