



State of Finance for Nature

Tripling investments in
nature-based solutions by 2030



ISBN: 978-92-807-3865-0

Job number: DEP/2363/NA

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Suggested citation

United Nations Environment Programme (2021). State of Finance for Nature 2021. Nairobi.



In Support of:



Co-funded by:



Federal Ministry
for Economic Cooperation
and Development



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Environment, Climate
and Sustainable Development

Executive Summary

Nature loss is at the heart of many societal challenges, while nature-based solutions hold the potential to address interlinked crises: The pace of species extinction, global warming, the growing number of extreme weather events and zoonotic diseases like Covid-19, have further reinforced the need to invest in sustainable action that enhances the resilience of ecosystems and addresses societal challenges, such as food security, climate change, water security, human health and enhanced resilience to disaster risk.

Our livelihoods depend on nature. Our collective failure to date to understand that nature underpins our global economic system, will increasingly lead to financial losses. More than half of the world's total GDP is moderately or highly dependent on nature. Agriculture, food and beverages and construction are the largest sectors that are dependent on nature and these generate USD 8 trillion in gross value added.

The integrity of the Earth's ecosystems has been significantly compromised as a result of human activity and the paradigm that has prioritised short-term economic growth. In order to ensure that humanity does not breach the safety limits of the planetary boundaries, we need a fundamental shift in mindset, transforming our relationship with nature. Currently, the majority of the essential benefits of nature have no financial market value, despite underpinning our current and future prosperity. From government policies related to procurement, taxation, trade and regulation, to the way businesses and financial institutions make decisions on investment, risk and disclosure, it is vital that we hardwire into our economic system the value of nature in a profound way.

Knowledge on capital expended and needed for NbS remains limited. Despite the growing interest from governments, businesses and financial institutions, there is typically poor knowledge and understanding as to how much capital is already directed to assets and activities that can be considered nature-based solutions (NbS), how much capital ought to be directed to NbS and what are the clear investment opportunities. This report aims to address these critical knowledge gaps. It analyses current global investment in NbS and estimates future investment needs to meet biodiversity, climate change and land restoration ambitions, as set out in the three Rio Conventions.

The report offers recommendations and lays out opportunities to increase investment in nature-based solutions.

The report finds that approximately USD 133 billion/year currently flows into NbS (using 2020 as base year), with public funds making up 86 per cent and private finance 14 per cent. Of the public funds, which total USD 115 billion/year, over a third is invested by national governments into protection of biodiversity and landscapes. Nearly two-thirds is spent on forest restoration, peatland restoration, regenerative agriculture, water conservation and natural pollution control systems. Private sector finance of NbS amounts to USD 18 billion/year. This spans biodiversity offsets, sustainable supply chains, private equity impact investment and smaller amounts from philanthropic and private foundations. The total volume of finance flowing into nature is considerably smaller than the flow of climate finance.

Looking to the future, investment in NbS ought to at least triple in real terms by 2030 and increase four-fold by 2050 if the world is to meet its climate change, biodiversity and land degradation targets. This acceleration would equate to cumulative total investment of up to USD 8.1 trillion, and a future annual investment rate of USD 536 billion. Forest-based solutions alone would amount to USD 203 billion/year, followed by silvopasture with USD 193 billion/year, peatland restoration USD 7 billion/year, and mangrove restoration USD 0.5 billion/year. This report does not cover all types of NbS, notably those in the marine environment were excluded. These will be included in future editions.

The compilation of data on capital investment in nature across all sectors and for all major economies has proven challenging and the estimates are highly uncertain. This report calls for agreement on a system for labelling, tracking, reporting and verifying the state of finance for NbS. This would improve data comparability and quality, as an input to future decision-making.

The public sector plays a fundamental role in creating opportunities and demand for investment in NbS. First, the public sector brings forward policies and regulations that create a strong and stable revenue stream for NbS activities and assets. Governments and public international organisations can also contribute an enabling environment for project development and for scaling up. The opportunity for NbS to become a formal cross-cutting modality of investment is clear, benefiting from a formalized strategic plan and associated resource allocation.

NbS poses an opportunity for private sector investment in pursuit of sources of revenue, to reap the benefits of increased resilience, to reduce costs and to enhance reputation and purpose. As businesses become more sophisticated in their understanding of NbS opportunities, there will be a role for financial de-risking products such as guarantees and insurance, to create attractive risk-return profiles for large, mainstream investors.

The case studies presented in the report illustrate the business case and the potential for tackling climate change and environmental degradation through NbS. Examples range from the Scottish Government's commitment to spend £250 million on peatland restoration over the next ten years, to the Green Climate Fund in Laos, which supported the implementing agency in the restoration of an urban wetland that was fundamental for ecosystem service provision, such as water flow regulation and flood risk reduction.