

SPARK WEBINAR SERIES

Understanding Environmental Finance

Webinar 3: Introduction to Nature Finance

16 April 2024, 12-1pm EAT.

Webinar Report

Introduction

The ongoing impacts of climate change are placing increasing pressure on biodiversity and pushing many species to the brink of extinction. To address these challenges, global environmental frameworks such as the Rio Conventions offer guidance to both the public and private sector on a roadmap to mitigate climate change, biodiversity loss, and pollution. The fifteenth Conference of Parties (COP 15) to the Convention on Biological Diversity, held in December 2022, adopted the Kunming Montreal Global Biodiversity Framework (KM GBF), which sets out an ambitious roadmap for achieving a world living in harmony with nature by 2050. However, to reach the goals and targets outlined in this framework, there is a significant financing gap of \$700 billion for biodiversity conservation. Additionally, the United Nations Environment Programme (UNEP) adaptation gap report identifies a \$387 billion per year financing gap for implementing domestic adaptation priorities, and UNEP's State of Finance for Nature identifies an imbalance in investment, with nature-negative flows from the private and public sector reaching almost \$7 trillion per year, with only \$200 billion per year is invested in nature-positive projects and activities. Addressing these financing gaps requires significant increases in funding and realigning financial flows from both the public and private sectors to support environmental objectives and priorities.

Against this backdrop, the Environmental Policy Unit within the Law Division of UNEP organized a Spark Webinar Series on Understanding Environmental Financing. The aim of this series is to enhance understanding to non-experts on the various components of environmental financing, including principles, approaches and terminologies, to better integrate them into program/project design and implementation to achieve global environmental goals.

Introduction to Nature Financing

Almost half of the global domestic product (GDP) is dependent on nature and well-functioning ecosystems, yet humanity continues to jeopardize its existence through unsustainable activities. Nature-based solutions (Nbs) present an avenue to address global challenges in climate change, biodiversity loss and land degradation. Effective designing and implementation of Nbs have the potential to unlock a range of co-benefits aligning with the Sustainable Development Goals (SDGs) and the Rio Conventions, while mobilizing engagement with the public and private sectors.

Despite the critical role of Nbs, current investments are insufficient to meet the goals outlined in the Rio Conventions under the the United Nations Framework Convention on Climate Change (UNFCCC), United Nations Convention on Biological Diversity (UNCBD), and the United Nations Convention to Combat Desertification (UNCCD). While most funding originates from

the public sector, there exists untapped potential within the private sector. Hence, necessitating leveraging on innovative financing mechanisms to attract investments from both sectors to effectively address existing and predicted environmental social challenges.

Nature financing provides a crucial avenue to mobilize the private and public sector investment portfolios into nature initiatives and projects. By exploring innovative financing mechanisms, such as fixed income instruments, debt conversions, private equity and venture capital, actively managed funds, exchange-traded funds, and carbon and biodiversity credits, nature-investments can be mobilized to support national, regional, and international environmental goals for biodiversity and nature. Such financing is pivotal in achieving commitments to biodiversity conservation and sustainable use of natural capital. Additionally, it contributes positively to the attainment of country-led environmental initiatives like the domestication of set Nationally Determined Contributions (NDCs) under the Paris Agreement and National Biodiversity Strategies and Action Plans (NBSAPs), which align with the goals and targets of the Rio Conventions.

Given the urgency of achieving Rio Conventions goals, nature financing emerges as crucial strategy to advance global, regional, and environmental objectives. It is essential to actively engage local communities as custodians of nature, the financing institutions, governments, and relevant stakeholders integrating their knowledge and perspectives into decision-making processes. The inclusive approach ensures sustainable climate action across the public and private sectors, thereby fostering a holistic approach to environmental conservation and sustainable development.

Challenges in Nature Finance

While the trajectory of nature finance is promising and contributes to nature-positive investments its current momentum remains insufficient to meet international and national environmental goals. There are several challenges hindering the effective mobilization of nature finance at various levels.

Below are some key challenges leading to suboptimal mobilization of nature finance in different geographical locations.

- Institutional gaps in understanding the nature finance landscape including its structure, how it should be led, arrangement, and coordination.
- Lack of standardized, verifiable, and comparable data, along with limited access to high quality and affordable data for analysing associated risks of nature investments.
- Nature-related investments often are assumed to yield low returns or have extended timelines for financial return.
- Limited scalability and pipeline of nature investments, coupled with high transaction costs that deter private investment.
- Inadequate policy support to promote nature-positive investments, including insufficient policy reforms to regulate harmful subsidies.
- Inadequate involvement of industries and local communities in the implementation and domestication of nature-related investments to drive transformative change.

Opportunities in Nature Finance

Addressing the pressing challenges in advancing nature finance requires collective action and coordination among the public and private sector, with the inclusion of the financing sector and relevant stakeholders, to enhance nature-positive financial flows and impacts.

- Improved understanding of the nature finance landscape among stakeholders.
- Enhanced monitoring and reporting mechanisms for nature finance to access reliable data.
- Building capacity within governments, organizations, and local communities to plan and mobilize nature finance effectively.
- Aggregating nature-related projects to increase their scale and attractiveness to institutional investors.
- Utilizing blended finance models to de-risk nature-related investments and attract private finance.
- Creating an enabling policy environment, such as policy coherence, to institutionalize support for nature-related investments and achieve environmental targets.

Highlights and Recommendations from Plenary

- Emphasizing the inclusion of local communities in nature-financing investments and increasing their access to financing opportunities.
- Realignment and transition from nature-negative financial flows towards more sustainable investments
- Governments to create an enabling policy environment to support both private and public actions in addressing nature-negative financial flows.
- Scaling up and supporting the adoption of innovative financing mechanisms for example blended finance, to facilitate financial investment in nature.

Participants

A total of 94 participants joined the webinar within and outside of UN.

Annexes

Annex 1: Agenda

Topic	Presenter	Time
Welcome remarks	Pamella Njeru Project Support Officer UNEP-EPU	5 mins
Introduction to the 3 rd webinar series	Dr. Balakrishna Pisupati Head, Environmental Policy Unit	5 mins
Understanding nature finance	Jessica Smith	15 mins

	Nature Lead UNEPFI	
Examples and experiences from nature finance	Pamella Njeru Project Support Officer UNEP-EPU	15 mins
Emerging issues and opportunities	Mwambanga Mwangemi Julius Associate Program Officer UNEP-ROA	5 mins
Question and Answer session	Facilitators: Jessica Smith Nature Lead Fredrika Sweno Project Support Officer UNEP-EPU	5 mins

Annex 2: Upcoming Webinar

Webinar 4: Introduction to Ocean Finance

Join: 23rd April 2024, 12-1 pm (EAT)

Link: [MS TEAMS](#)

Contact Information.

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