

Mobilizing Investors to Protect Climate, Land and Biodiversity

Summary of three key events on Natural Capital investing

Outlook 2020

Executive Summary

The organizations *Environmental Finance*, *Finance for Tomorrow*, *Global Landscapes Forum*, *Mirova* and *IDH - The Sustainable Trade Initiative* organized three important events in November 2019, dedicated to exploring ways of investing in natural capital. These events aimed to create common ground and understanding about natural capital investments, help build a track record for investors, and foster partnerships among stakeholders.

This **Outlook 2020** builds on that experience, in order to share key insights for mobilizing economic actors in building sustainable landscapes and protecting our climate, land and biodiversity. It is part of a collective, sustained effort to bring the natural-capital asset class to maturity.

Investors have the capacity and the responsibility to fund innovative business models building on nature-based solutions, such as agroecology, ecotourism and sustainable forestry, as well as green infrastructures. The UNDP Biodiversity Finance Initiative (BIOFIN) estimates that the annual investments need to protect biodiversity total over US\$400 billion, but we can track only US\$52 billion as of 2019.

To fill the gap and scale-up solutions, a paradigm shift is necessary in our business relationship with nature. Investors are confident that the situation can evolve in the right direction much faster than we think, if there is the right commitment, especially in the coming months at the COP 15 of the UN Convention on Biological Diversity (CBD) in October 2020.

This document provides recommendations for actions that are necessary to enable a systemic change.

We hope these recommendations can help investors and their partners, companies, public authorities and researchers to work together to support natural capital investing in favor of sustainable landscapes.

1. Use innovations and game changers to develop the Natural Capital market

The natural capital investment sector is growing thanks to projects developers, large corporations, and innovative finance vehicles able to build proof of concept. The sector needs coalitions of partners on the ground to deliver on inclusive land-use ambitions at scale, while generating financial returns. It is necessary to leverage on new trends, such as: growing demand for organic products, technology innovations, environmental regulations, global momentum on climate and social pressure for change.

2. Applying landscapes approaches for inclusion and de-risking

A holistic strategy for "investing in nature" is necessary, at the intersection of climate, biodiversity, and poverty reduction. Projects should be co-designed with local beneficiaries to manage risks and leverage opportunities. Social innovations for profit sharing are encouraged within a landscape approach to finance communities.

3. Need for blended-finance

Private capital and debt represent massive financial resources still largely untapped by SDGs activities. Public finance can help mobilizing private capital with de-risking instruments, compensating the perception of high risk. For now, transaction costs remain too high: it is necessary to improve blended-finance access by investors and project developers. To do so, "investment blueprints" that can be scaled and replicated are essential.

4. Harmonizing green finance taxonomy and E&S monitoring

Properly considering land use sectors in green taxonomy development is critical, by including dedicated experts. It would help with the standardization of impact measurement, to reduce deal-by-deal measurement costs. A call has been made to differentiate existing labels for a more concerted approach. Other examples of solutions can be involving local beneficiaries in monitoring and reinforcing natural capital accounting.

To go from billions to trillions in investments, we must shift the system and help the financial sector in this process. Blended finance instruments are needed to support the transition phase to mainstreaming investments in nature. To be able to integrate natural capital and conservation finance into mainstream activities, banks and asset owners must know the specificities of the sector, financing techniques and risk, return and impact profiles. To speed up the transition, the worlds of biodiversity and finance should talk to each other: there is an urgent need for communication between natural scientists, investors and policymakers. **Investors are calling for bold strategies to preserve biodiversity in the post-2020 agenda. All stakeholders must cooperate and raise their voices to sustain the ambition for a "New Deal for Nature".**