

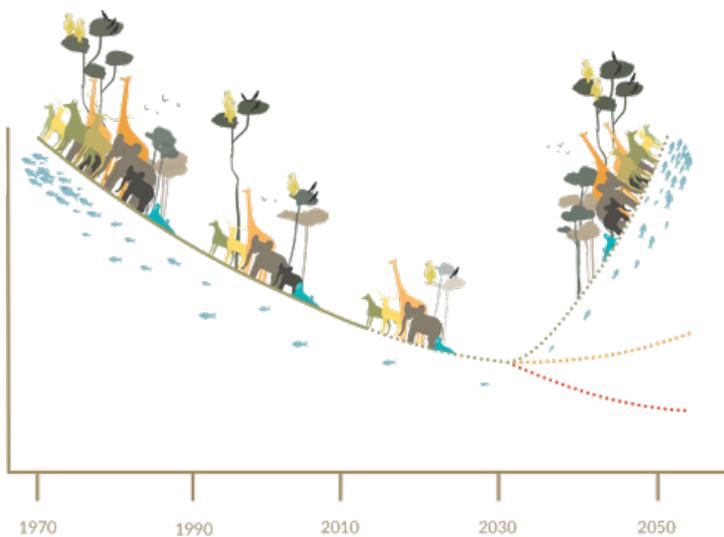
FINANCING AND METRICS OF BIODIVERSITY AND BIO-ECONOMY

10th May 2021



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Biodiversity? Ecosystem Services? Natural Capital?



Provisioning	Regulating	Cultural
Goods produced or provided by ecosystems	Benefits obtained from regulation of ecosystem processes	Non-material benefits from ecosystems
<ul style="list-style-type: none"> • food • fresh water • fuel wood • genetic resources 	<ul style="list-style-type: none"> • climate regulation • disease regulation • flood regulation 	<ul style="list-style-type: none"> • spiritual • recreational • aesthetic • inspirational • educational
Supporting Services necessary for production of other ecosystem services		
<ul style="list-style-type: none"> • Soil formation • Nutrient cycling • Primary production 		

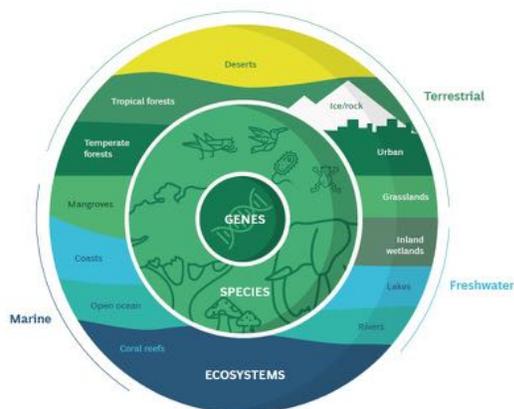


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Categorisation of Biodiversity



Variety of living organisms from all sources including, terrestrial, marine and aquatic ecosystems and the ecosystems they are part of. This includes diversity within species, between species and of ecc



Source: BCG's "The Biodiversity Crisis Is a Business Crisis"

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Biodiversity: Challenge



The global ecosystem is rapidly approaching a **planetary tipping point** – the first of its kind caused by humans (the 'Anthropocene').

The finance sector is not only **contributing** to this, but is also **impacted** because of the increased **financial risk** nature loss represents.

\$44tn

Over 50% global GDP is moderately or highly dependent on nature (World Economic Forum)

83%

Of wild mammals have been destroyed by humanity (Proceedings of the National Academy of Sciences)

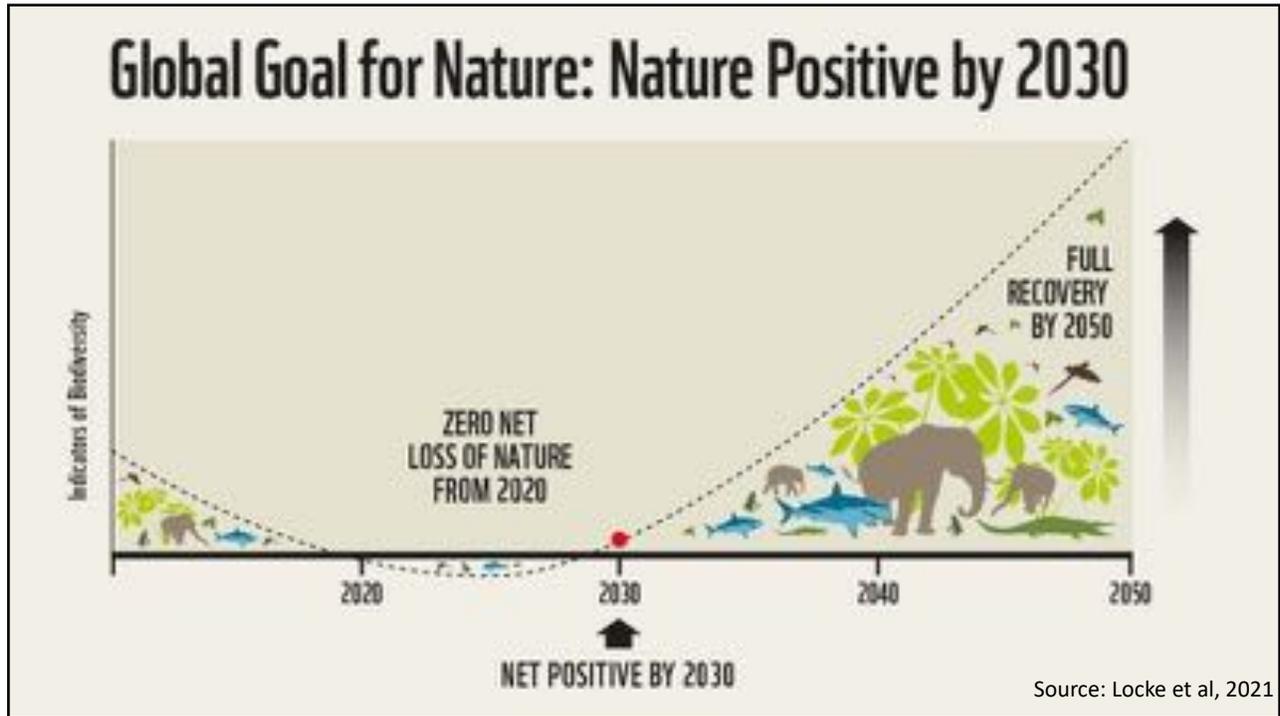
Top 3

'Biodiversity loss' is listed in the Top 3 highly impacted areas by the World Economic Forum

Top 5

'Environment' is listed in the Top 5 global rated risk sectors by the World Economic Forum

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Biodiversity: Finance Opportunities

Addressing biodiversity issues could create **395 million jobs** and unlock new business opportunities worth **\$10.1 trillion each year by 2030 (WEF)**.

An **emergent lending and investment theme** e.g. Natural Capital Investment Alliance, HSBC Pollination with **new product lines** possible for FIs including insurers and reinsurers.

Biodiversity asset value versus current annual investments

Source: adapted from BIOFIN and OECD, 2019

Linked to **climate finance**: Nature could provide 37% of solutions to meet the objectives of the Paris Agreement.

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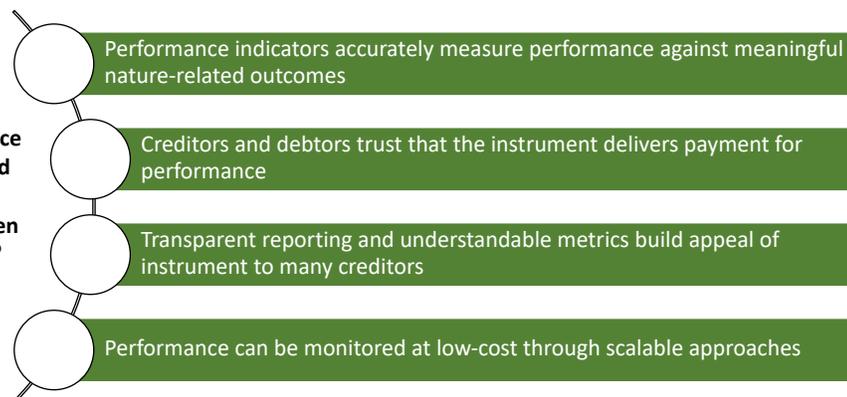
Business Case for Biodiversity Targets



THE PROBLEM

Can biodiversity performance be measured, reported and verified to deliver uncontested payments when performance is achieved?

WHAT IS REQUIRED



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Requirements for Biodiversity Targets



	Requirements	In Practice
Quantifiable	Simple, robust and consistent metric to measure nature performance in real time	Single, clear unit of measurement that can be accurately monitored over time
Externally Monitorable and Verifiable	Transparently monitored, reported and verified by independent evaluators.	Appoint independent third party to oversee reporting and verification
Demonstrate Additionality	Performance is additional compared to performance under current resource planning assumptions.	Agree baseline and business as usual scenario using credible data on past performance
Benchmarkable	Set target with respect to an external reference or definition, such as an internationally agreed standard or metric.	Set indicator against agreed international definition
Align with Pre-defined Timeline	Indicators should be demonstrable according to a pre-defined timeline.	Measure and report performance annually
Spatially Aggregable	Measurable at small spatial scales but easily aggregated to measure overall performance.	Define metric according to consistent spatial unit of measurement
Leakage	Ensure good performance in one location is not offset by bad performance in another	Monitor and report performance nationally
Permanence	Performance achieves lasting impacts	Ongoing monitoring of performance to ensure lasting impact

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Terrestrial Headline Targets: Examples



1. Have all assets under management be aligned with deforestation-free analysis and the EU taxonomy by 2030
2. Increasing the area, connectivity, and integrity of natural ecosystems by at least [X]% through clients in your lending portfolio.
3. Increasing the population of threatened species by [X]% to maintain and enhance species abundance through clients in your lending portfolio.
4. \$1 billion new lending to nature-positive clients and/or activities by 2030

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Terrestrial KPIs: Examples



1. How much does your bank lend to nature-positive / biodiversity-friendly (credibly certified) enterprises or activities? [x bn/mIn]: Lending sum
2. Mobilize [X million USD] for blended finance opportunities to fund conservation and sustainable use of biodiversity projects up to 2050.
3. As a financial institution, by 2030, ensure that [X]% of your portfolio is certified or in the process of certification through voluntary sustainability schemes or industry standards that effectively safeguard biodiversity.
4. How much does your bank lend to enterprises or activities managing species extinction risk? [x bn/mIn]: Lending sum

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Products Available in the Market



	Debt for Nature Swaps	Green / Blue Bonds	Impact Bonds	Blended Finance
How do they Work?	Reduction in debt stock or service for conservation	Use of proceeds targeting green and blue projects	Payments vary depending on achieved impact	Risk reduction through various layers of investment
What are the Pros?	<ul style="list-style-type: none"> Channels funds to nature and climate projects 	<ul style="list-style-type: none"> Funds many types of projects Standardisation and Scalability 	<ul style="list-style-type: none"> Not tied to use of proceeds Pay for achievement/impact 	<ul style="list-style-type: none"> Scalable Attractive private sector return
What are the Cons?	<ul style="list-style-type: none"> limited scalability Funds not available for general purpose use 	<ul style="list-style-type: none"> Use of proceeds not linked to impact 	<ul style="list-style-type: none"> Limited number of applications Limited scalability 	<ul style="list-style-type: none"> Relatively complex Dependent on grants
Examples	\$1.2 billion of funding for conservation projects globally from 1985-2015	€30 billion Green Bund (German government bond)	Enel issued a \$1.5bn bond based on performance against renewable energy capacity	\$217 million Africa Agriculture and Trade Investment Fund