FINANCING AND METRICS OF BIODIVERSITY AND BIO-ECONOMY
10th May 2021

Biodiversity? Ecosystem Services? Natural Capital?

- **Provisioning**
  - Goods produced or provided by ecosystems
  - Food
  - Fresh water
  - Fuel wood
  - Genetic resources

- **Regulating**
  - Benefits obtained from regulation of ecosystem processes
  - Climate regulation
  - Disease regulation
  - Flood regulation

- **Cultural**
  - Non-material benefits from ecosystems
  - Spiritual
  - Recreational
  - Aesthetic
  - Inspirational
  - Educational

**Supporting**
Services necessary for production of other ecosystem services
- Soil formation
- Healthy cycling
- Primary production

Natural Capital
- Environmental assets
- Natural resources
- Ecosystem services
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 ecosystems.

Source: BCG’s “The Biodiversity Crisis Is a Business Crisis”

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.
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.

Linked to **climate finance**: Nature could provide 37% of solutions to meet the objectives of the Paris Agreement.
### Requirements for Biodiversity Targets

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

**Terrestrial KPIs: Examples**

1. How much does your bank lend to nature-positive / biodiversity-friendly (credibly certified) enterprises or activities? [x bn/mln]: 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/mln]: Lending sum
# Products Available in the Market

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<th>Debt for Nature Swaps</th>
<th>Green / Blue Bonds</th>
<th>Impact Bonds</th>
<th>Blended Finance</th>
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<tbody>
<tr>
<td><strong>How do they Work?</strong></td>
<td>Reduction in debt stock or service for conservation</td>
<td>Use of proceeds targeting green and blue projects</td>
<td>Payments vary depending on achieved impact</td>
<td>Risk reduction through various layers of investment</td>
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<td><strong>What are the Pros?</strong></td>
<td>• Channels funds to nature and climate projects</td>
<td>• Funds many types of projects</td>
<td>• Not tied to use of proceeds</td>
<td>• Scalable</td>
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<tr>
<td></td>
<td></td>
<td>• Standardisation and Scalability</td>
<td>• Pay for achievement/impact</td>
<td>• Attractive private sector return</td>
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<td><strong>What are the Cons?</strong></td>
<td>• limited scalability</td>
<td>• Use of proceeds not linked to impact</td>
<td>• Limited number of applications</td>
<td>• Relatively complex</td>
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<tr>
<td></td>
<td>• Funds not available for general purpose use</td>
<td></td>
<td>• Limited scalability</td>
<td>• Dependent on grants</td>
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<td><strong>Examples</strong></td>
<td>$1.2 billion of funding for conservation projects globally from 1985-2015</td>
<td>€30 billion Green Bund (German government bond)</td>
<td><strong>Enel</strong> issued a $1.5bn bond based on performance against renewable energy capacity</td>
<td>$217 million Africa Agriculture and Trade Investment Fund</td>
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