

Positive Impact Finance for Business & Biodiversity

Opportunities and challenges on scaling projects and innovations for biodiversity by the financial sector

Lake Stymphalia, a restorative LIFE project by Piraeus Bank



EU Business@Biodiversity Platform

Positive Biodiversity Impact Finance

The purpose of this paper is to provide a brief for financial institutions, businesses and policy makers on scaling projects and innovations for biodiversity. It is based on current work of the [EU Community of Practice Finance@Biodiversity \(CoP F@B\)](#), a forum of dialogue between financial institutions to share experiences, raise awareness and promote best practices on how to integrate biodiversity into financial activities and foster private investments in natural capital.

The WWF [Living Planet Report 2018](#)¹ and a recent [scientific publication in Nature](#)² also underpin a call to action; wildlife population sizes have decreased by 60% globally between 1970 and 2014, while 77% of land on earth (excluding Antarctica) and 87% of the ocean has been modified by the direct effects of human activities, up from just 15% a century ago.

With this paper the CoP F@B examines how Positive Impact Finance can be applied by financial institutions to decrease the loss of biodiversity linked to investment strategies and move progressively towards net positive impact, known as Biodiversity Net Gain. For **companies**, biodiversity net gain may be addressed at a site, project or corporate level, or for a part of their value chain. For **financial institutions**, it may be addressed through pro-biodiversity investment strategies, based on environment, social and governance (ESG) policy.

Positive Impact Finance is defined in UNEP-FI's [Positive Impact Finance Manifesto](#)³ as "that which verifiably produces a positive impact on the economy, society or the environment once any potential negative impacts have been duly identified and mitigated".

Relevant projects and innovations in this context are those that reduce business impacts on nature and/or contribute to the conservation, restoration or enhancement of biodiversity and ecosystems. Scaling such projects and innovations for biodiversity will often also support climate change mitigation and adaptation, enhancing long-term carbon storage and regulation of water and temperature.

Biological diversity (genetic, species and ecosystem diversity) is a key component of natural systems, which are essential to support life on Earth.

The [BBOP Roadmap](#)⁴ describes actions towards a Biodiversity Net Gain approach for business and financial institutions. Insights and examples on pro-biodiversity innovation can be found on the [EU Business@Biodiversity Platform](#).

Policy context

Targets for biodiversity are set at the global level through the [Sustainable Development Goals](#) (Goal [14 Life below water](#) and Goal [15 Life on land](#)) and the [Convention on Biological Diversity](#) (CBD). Meeting these targets will also make a critical contribution to meeting the [Paris Agreement on climate change](#) through nature's capacity to store carbon, mitigate climate change and support climate change adaptation.

Reducing loss of biodiversity and restoring ecosystems and natural capital are integral to a number of EU policies including the [Commission action plan on financing sustainable growth](#), [Biodiversity Strategy to 2020](#), the [Eighth Environmental Action Programme](#), the [Resource Efficiency Flagship Initiative](#), the [Commission action plan on sustainable finance](#) and the [Europe 2020 Strategy](#).

The international process preparing for a post-2020 Global Biodiversity Framework will be launched in November 2018 (at CBD COP 14).

Nature's multiple benefit business case

Ecosystems offer an outstanding multiple benefit business case for Positive Impact Finance; they typically perform numerous functions, delivering multiple services and resulting in multiple socio-economic benefits. Very often these co-benefits accrue to stakeholders other than the business making the investment. For example, organic agriculture captures more carbon and higher soil organic matter content and stores more water, reducing both water demand and energy use for irrigation. Identifying the multiple benefits and beneficiaries related to an investment helps elaborate this multiple benefit business case and the tailoring of blended finance (which can involve both public and private funds).

1 [Living Planet Report 2018](#), WWF, 2018.

2 [Protect the last of the wild](#), Watson, J.; Allan, J.; Nature, 2018.

3 [Positive Impact Finance Manifesto](#), UNEP FI, 2017.

4 [Business Planning for Biodiversity Net Gain](#), BBOP, 2018.

State of Play

What finance is currently flowing to positive biodiversity impact?

The worldwide scale of funding for biodiversity and ecosystem services in 2010 was estimated at USD 51 to USD 53 billion per annum, of which USD 21 billion was spent in developing countries⁵. However, worldwide, CBD estimated that there is a need for between USD150 and USD 440 billion per annum to meet the 2020 Aichi targets set by the CBD. This represents just 0.2 to 0.6 per cent of the estimated USD 73 trillion of global GDP⁶.



Nursery of [coffee producer Casal](#), an end-borrower of the [eco.business Fund](#) in El Salvador

The EU, under its Financial Perspectives 2014-2020, provides substantial finance for actions related to biodiversity, including through: the dedicated LIFE finance instrument for the environment; research and innovation funding under the Horizon 2020 programme; funding under both pillars I and II of the Common Agriculture Policy; regional funds which support, for example, green infrastructure; the Natural Capital Finance Facility, which blends LIFE grant funding and EIB loans to leverage private sector investment in natural capital. This EU funding is complemented by substantial funding by Member State governments.

Worldwide, there is an increasing uptake of blended finance instruments, which apply public funds to leverage private investment for biodiversity⁷.

What action is being taken?

A range of initiatives exist to enhance private Positive Biodiversity Impact Finance to scale projects and innovations in the business and biodiversity arena, notably:

- The development of standards such as the International Finance Corporation's [Performance Standard 6](#) that provides guidance for biodiversity conservation and sustainable management of living natural resources⁸.
- The development of support framework such as the [Finance Sector Supplement](#) to the Natural Capital Protocol that aims at facilitating the integration of natural capital considerations in decision-making in the finance sector⁹;
- The development of public-private initiatives such as the [Coalition for Private Investment in Conservation](#) (CPIC) that is working to facilitate the scaling of conservation investment by creating blueprints for the successful delivery of investable priority conservation projects. CPIC also supports the connection between the providers of such projects with deal structuring support, and convenes conservation project delivery parties with investors to execute investable deals¹⁰.
- The EU Business@Biodiversity Platform which set-up a Community of Practice on Finance@Biodiversity involving 15 FI and facilitates collaboration on [biodiversity accounting](#) metrics for business and finance¹¹. The finance collaboration involves [CDC Biodiversité](#), [ASN Bank](#) and [Actiam](#) supported by [Finance in Motion](#), incorporating considerations of both positive and negative impacts on biodiversity¹². ASN Bank has also set a positive impact target for 2030.
- The set-up of innovative financing instruments and funds, for example: the [eco.business Fund](#) advised by Finance in Motion, Mirova's [Land Degradation Neutrality fund](#), [Commonland](#), the [EU Natural Capital Finance Facility](#) (which has invested in projects such as [Rewilding Europe](#)), or the latest round of EU LIFE funding (2019) that prioritises business innovation.
- The development of metrics and supporting tools to include the benefits of ecosystems into investment decisions such as: the framework for social cost benefit analysis used by The Economics of Ecosystems and Biodiversity approach ([TEEB](#)), IUCN's Biodiversity Return on Investment Metric ([BRIM](#)) metric or [BBOP](#)'s Biodiversity offset cost-benefit handbook.

5 [The Little Biodiversity Finance Book](#), Global Canopy, 2012.

6 [Resourcing the CBD Strategic Plan 2011-2020](#), CBD, 2012.

7 [Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class](#), Credit Suisse/IUCN, 2016.

8 [International Finance Corporation Performance Standard 6](#) (IFC6), 2012.

9 [Finance Sector Supplement](#), Natural Capital Coalition, 2017.

10 [Coalition for Private Investment in Conservation](#).

11 [Workshop and assessment](#) on biodiversity metrics with EU B@B Platform Workstream NCA.

12 Common ground in biodiversity footprint methodologies for the financial sector, Berger, J.; Goedkoop, M.J.;

Broer, W.; Nozeman, R.; Grosscurt, C.D.; Bertram, M., Cachia, F., 2018.

What are the challenges in pro-biodiversity investing?

Both the finance sector and proponents of projects and innovations face challenges in scaling positive biodiversity impact finance.

Investor challenges include

- Insufficient return on investment;
- Insufficient liquidity of the investment;
- Perceived high risk of investment, partly because of a lack of familiarity with pro-biodiversity investing;
- The typically small size of the investment required and the consequent high transaction costs;
- The limited pipeline of investable projects and/or innovations;
- The evolving nature of methods and standards for measuring and valuing nature and the absence of widely accepted methods and standards;
- Limited knowledge and capacities relating to biodiversity in the finance sector;

- Single sustainability focus (e.g. focus only on climate mitigation) may cause negative impact in other areas (e.g. solar panels contributing to urban heat island effect in cities), while a more integral sustainability focus could deliver multiple benefits, including benefits for biodiversity (e.g. combining solar panels with green roofs).

Challenges on the side of investees (innovators/project developers) include

- Difficulty to make a clear and convincing business case for biodiversity;
- Limited knowledge and capacity regarding investor needs (e.g. with respect to return on investment, risk perception, data requirements);
- The high costs of due diligence required by investors;
- The requirement for collateral/guarantees.



Pilot [Rich North Sea](#) by NGO Nature and Environment / Foundation The Nordsea in collaboration with ASN Bank



Shade-grown [coffee production by Tejemet](#), an end-borrower of the eco.business Fund in El Salvador



[Green Deal on Green Roofs](#), building a multiple business case with nature roofs



Eco-tourism as part of the [Rewilding Europe project](#), financed by an [NCFE loan](#) to Rewilding Europe Capital

The Way Forward

What can financial institutions do to accelerate the financing of pro-biodiversity innovation?

Building capacities among financial institutions and businesses

- Building **knowledge and expertise** in financial institutions to better understand pro-biodiversity projects and innovations (hiring, test-driving, leadership buy-in);
- Building **capacities for the co-development** of bankable biodiversity projects and innovations that deliver multiple benefits to multiple beneficiaries;
- Stimulating the emergence of **brokers** (e.g. in new compensation markets) and 'orchestrators' (e.g. of landscape-scale multi-actor, multi-beneficiary projects);
- Building **knowledge and expertise in sectors with highly negative biodiversity externalities** (e.g. intensive agriculture, extraction and construction industries) showcasing more resilient nature-based solutions;
- Building **knowledge and expertise in businesses** (and NGOs) for the design of bankable pro-biodiversity projects and innovations.

Setting targets and establishing standards

- Shifting corporate behaviour by developing positive impact **targets, strategies and road maps** for biodiversity and natural capital and engaging on them;
- Developing **corporate accounting and reporting/disclosure** requirements relating to biodiversity and natural capital, thereby shifting corporate behaviour and stimulating pro-biodiversity action (e.g. innovation in the value chain, ecosystem restoration);
- Establishing **relevant standards, metrics and access to data** to assess pro-biodiversity innovations / projects;
- Applying **innovation frameworks** for product and value chain development that trigger [nature-based solutions](#), green infrastructure, circular economy, resource efficiency and other ecological restoration actions;
- Developing and structuring **financial products** for investing in Positive Biodiversity Impact.

What do financial institutions need from others to unlock the potential for Positive Biodiversity Impact Finance?

Matchmaking and brokering among key players across the innovation and investment landscape

- Expanding **blended finance instruments** (e.g. grant blended with debt-finance such as the EU Natural Capital Finance Facility) to stimulate scaling of bankable projects and innovation for biodiversity and natural capital;
- **Improving links across the innovation and investment landscape** (from innovators / project developers to public grants, angel investors, crowd-funding platforms, accelerators, impact investors, mainstream investors, etc.);
- Convening regular **networking and best practice events** among (ethical) banks, philanthropy foundations and other impact investors.

Developing a more favourable policy and regulatory framework

- Providing clear **definitions, principles and guidelines** for sustainable finance incorporating positive biodiversity impact;
- Strengthening **consideration of biodiversity and natural capital factors in finance risk and opportunities assessment** (possibly linked to climate risk assessment);
- Strengthening **requirements for corporate reporting** on biodiversity and natural capital;
- **Fostering a restoration economy**, creating new markets (e.g. by extending compensation for development impacts);
- Enhancing **use of public funds to share risk** on investments;
- **Adjusting investments and subsidies** having negative impacts on biodiversity, e.g. related to agriculture.

What could the EU CoP Finance@Biodiversity do next to contribute to the above objectives?

- Engage with an increasing number of financial institutions to raise awareness about the potential of Positive Biodiversity Impact Finance;
- Share good practices and co-develop enabling conditions;
- Support the dialogue with business, science, NGOs and governments to act jointly on the identified challenges.

About this briefing note

This brief builds on insights from a [workshop](#) convened by the [Innovation](#) and [Finance](#) workstreams of the [EU Business@Biodiversity Platform](#) bringing together European financial institutions and businesses active in this arena. The brief also benefits from subsequent input from members of the EU Community of Practice Finance@Biodiversity of the Finance workstream and the [Business and Biodiversity Offsets Programme](#).

This brief is edited in close collaboration with the CoP F@B members EIB, Finance in Motion, GLS Bank and Piraeus Bank. It is an interim output of on-going work, open for complementing and challenging insights. Other financial institutions are welcome to join and contribute, co-developing next steps to move investments progressively towards positive biodiversity impact!

About the EU Business@Biodiversity Platform

The EU Business@Biodiversity Platform is a forum for dialogue and policy interface to discuss the links between business and biodiversity at EU level. It was set up by the European Commission with the aim to work with and help businesses integrate natural capital and biodiversity considerations into business practices. Our work focuses on three thematic workstreams: Natural Capital Accounting, Innovation and Finance.

[ICF](#) is supporting the European Commission in running the EU Business@Biodiversity Platform since 2013. [NextGreen](#) is leading the Workstream Finance, including the EU CoP Finance@Biodiversity and GDNatCap Ltd leads the Workstream Innovation.

Further information

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