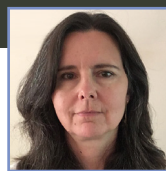


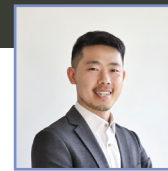
# Mobilising finance for nature and biodiversity gain

Karen Ellis, WWF and Jonathan Ho,  
UN Principles of Responsible  
Investment (UNPRI)

Westminster



Karen Ellis



Jonathan Ho

## Introduction

The **UK's commitments under the Kunming–Montreal Global Biodiversity Framework**, the forthcoming Environmental Improvement Plan update, and recent consultations on biodiversity net gain and transition planning signal a period of active policymaking. Successfully conserving 30% of land and sea by 2030 – the headline goal under Kunming–Montreal – depends on government action but also the mobilisation of private investment and business contributions.

The **urgency is clear**: over half of global GDP depends on ecosystem services. Meanwhile, the UK is in the lowest 12% of global countries and territories for 'biodiversity intactness', with species abundance down around 19% since 1970. These losses undermine pollination, water regulation and soil health. Water scarcity is indicative of the dangers: England faces a multi-billion-litre daily shortfall by 2055, with electricity generation already the largest abstractor, creating a structural risk to energy security and industrial output.

The discussion centred on aligning policy ambition with market innovation, strengthening carbon and biodiversity markets, and developing clear sectoral pathways to guide business action. Biodiversity is fundamentally a public good, typically **lacking a straightforward transaction between investment and return**. Participants focused on overcoming this collective action problem, while highlighting practical opportunities for investors, businesses and local authorities to share in the economic and reputational benefits of successful nature recovery initiatives.

## Key takeaways

### Sectoral pathways can guide a nature-positive transition

- Given the cost of nature loss and the interrelationship between biodiversity and climate, nature-positive sectoral transition pathways, serving as a counterpart to net zero pathways, are essential.
- To meet the UK's nature goals, “we don't just need to invest in nature itself, but also to align the whole economy and the private sector with those nature goals”.
- These pathways would define what good practice looks like for different industries, map milestones against the UK's legally binding environmental targets, and provide clarity on risks, opportunities, and direction of travel.
- Pathways could also help identify where further policy intervention, blended finance, or incentive schemes are needed to fill gaps in the enabling environment.

### Public policy is essential to unlock private investment

- “Market forces rarely are sufficient to incentivise and empower businesses to tackle nature degradation, and that's why we need public policy”.
- Participants stressed that nature is a public good prone to market failure, meaning businesses are rarely motivated to act unless environmental risks directly affect their own operations. Companies may only respond when they are “sawing off the branch that they're sitting on”.
- Public policy has a critical role in setting guardrails on land use, pollution, and resource consumption, ensuring activity stays within planetary boundaries.
- Disclosure mandates would provide visibility on corporate dependencies and impacts, making nature-related risks less abstract and more financially material.
- However, in a climate where the appetite for non-financial regulation and ESG mechanisms appears to be waning, there's an imperative to focus more directly on impacts. Risks like flooding and drought should be linked to an asset's resilience, thereby strengthening its relevance for investors.
- Disclosure and due diligence requirements should be phased in to mitigate burden on businesses – e.g. the EU's Battery Passport.

## **Building investable pipelines and blended finance**

- A recurring barrier is the “limited pipeline of investable nature projects”. Much current funding depends on philanthropy or development finance rather than institutional capital.
- Scaling will require blended finance, innovation, and commercialisation of nature-positive solutions, such as circular cooling systems and precision agriculture.
- Carbon and biodiversity markets have significant potential, but they must be underpinned by government oversight and linked directly to national biodiversity strategies, not left solely to voluntary standards.
- The UK’s financial sector could play a global leadership role in shaping Article 6 under the Paris Agreement – the framework for international carbon market cooperation – by helping to define high-integrity standards and linking credits to national and local biodiversity strategies.
- Doing so would ensure biodiversity credits deliver local as well as national benefits, while also building investor confidence by capitalising on the UK’s financial expertise in London.

## **Local approaches and stackable models**

- Local authorities underlined that biodiversity action must provide tangible community benefits such as reduced flooding, lower urban heat, and improved wellbeing.
- In dense boroughs with limited green space, biodiversity net gain often fails to apply: “We simply don’t have sites...it has to be retrofitting nature back into the streets.”
- Stacking credits – e.g. carbon, BNG – on top of one another could play a pivotal role in making projects with diverse nature-positive characteristics appealing to investors. A new park could cut carbon, reduce heat, and improve wellbeing.
- A key test is additionality: credits should only be issued for benefits that would not have happened anyway. Stacking raises risks of double-counting, while many investors prefer simple, fungible instruments, limiting appetite without clear standards.
- Addressing additionality will require stronger frameworks and oversight. Linking stacked credits more clearly to national targets, local recovery strategies, and Article 6 standards could give investors confidence that benefits are real, measurable and not being claimed twice.
- SMEs, which make up 90% of UK employment, often want to act but lack in-house expertise and accessible routes to invest. Regional biodiversity trusts or community foundation models could channel their contributions into local projects with measurable outcomes.

## Issues raised

### Short-termism in key sectors

There's a sharp contrast between sectors in their approach to nature-related risks. Utilities in general are required to think longer term. In the case of water, following a series of scandals, the sector is now subject to particularly high levels of regulatory oversight. Food and agriculture are lagging by comparison. "The food sector is inherently short-term in its whole perspective at the moment, it seems to be nowhere on resilience planning." This divergence suggests a need for policy interventions, such as mandatory stress testing for food and agriculture, similar to frameworks already applied in financial services.

### Loss of momentum and capacity

There is a worrying loss of political and corporate momentum. "The political world has broken away," said one participant. Another commented: "What I've seen is quite frightening...skills and talents that have been hired historically into the sector are now being lost at scale." Companies that had previously built sustainability teams are retrenching, leaving a gap in expertise and slowing progress. This reversal could make it even harder to meet biodiversity targets within the critical 2030 timeframe.

### Lack of revenue models for investors

Reliable income streams from nature projects are lacking. "There is essentially a wall of money saying this is a really exciting new sector...but they simply can't make the business case, because there's no revenue model." This absence of payment-for-outcome mechanisms has led to frustration among investors who are willing to deploy capital but unable to justify long-term commitments without predictable returns. Because biodiversity is a public good, the challenge is fundamentally a collective action problem: the benefits are widely shared, while individual firms struggle to capture direct financial value.

## Recommendations

- **Integrate nature into financial regulation** – nature should be embedded in fiduciary duty and investment decisions, framing nature risks as asset resilience and long-term value.
- **Phase in disclosure and due diligence** – introduce requirements gradually to ease burdens, while linking risks to financial materiality (because they are).
- **Collaborate on sectoral transition pathways** – work with businesses to define milestones and align corporate plans with national climate and biodiversity targets.
- **Strengthen credit markets** – tie biodiversity and carbon credits to national and local strategies, giving investors confidence in their integrity and impact. Establish a plan for robust frameworks that address additionality and enable stacking.

- **Create local biodiversity funds** – channel contributions from the local business community, giving SMEs and councils straightforward ways to back projects with measurable outcomes.
- **Prioritise food sector resilience** – introduce stress testing and other measures to address this strategic sector's high exposure to nature-related risks.

## Links

- WWF, 'Business Investment in Nature: Supporting UK Economic Resilience and Growth'
- United Nations PRI, 'Nature Policy Roadmap: Policy Recommendations for Scaling up Investor Action for Nature'
- IFC, 'IFC's Approach to Biodiversity and Nature Finance'
- See also, previous roundtables on [COP15](#), [voluntary carbon markets](#) and [TNFD/nature-positive pathways](#)

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