Market Insights
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Key takeaways from COP16 for natural capital investors

Gwen Busby, PhD
Head of Research and Strategy, Nuveen Natural Capital

Nick Moss
Head of Nature Based Solutions Nuveen Natural Capital

SUMMARY

COP16 marked the largest gathering ever of the UN Convention on Biological Diversity (CBD) – bringing together diplomats from nearly 200 countries alongside representatives from conservation organizations, Indigenous Peoples groups, academic institutions, and the business sector. The meeting in Cali, Colombia was the first since the world's biggest commitment for nature – the 2022 Kunming-Montreal Global Biodiversity Framework (GBF), anchored by the 30x30 commitment to protect 30% of the Earth's land and waters by 2030.

Achieving the ambitious targets set out in the GBF will require both public and private investment as well as supporting policies that encourage private landowners and land managers to take action. And while many member countries have begun to translate GBF commitments into action, the meeting concluded with just 44 of the 196 member countries submitting National Biodiversity Strategy and Action Plans (NBSAPs) and 119 member countries with national biodiversity targets.

Though public action plans were not delivered in the numbers many had hoped, progress was made on other fronts and engagement by the private sector throughout the 12-day event was impressive.

KEY TAKEAWAYS

Given the critical importance of biodiversity to the sustainability and long-term performance of farmland and timberland investments, here are our key takeaways from COP16 for natural capital investors:

1. CORPORATE ENGAGEMENT TO ADDRESS IMPACTS ON NATURE HAS INCREASED SIGNIFICANTLY, A TREND WE EXPECT TO CONTINUE

There were more corporates at COP16 than any previous CBD event, reflecting growing recognition of nature as a material issue in terms of both business risks and opportunities. Companies are not only looking to identify supply chain risks but actively seeking to combat biodiversity and nature loss through a range of tailored approaches. For example, corporates in food and agriculture supply chain are engaging directly with farmers and farmland owners to support adoption of practices that have potential to improve biodiversity, soil health, climate, and water quality. These programs include, for example, per acre payments, long-term offtake agreements, and price premiums for implementation of nature positive practices and quantifiable benefits.

2. ENVIRONMENTAL MARKETS ARE INCREASINGLY SEEN AS A TOOL TO SCALE NATURE-BASED SOLUTIONS WITH BIODIVERSITY BENEFITS

There is growing recognition that public and philanthropic funding alone will not be sufficient to halt and reverse biodiversity loss. Market-based approaches designed to incentivize the protection, improved management and restoration of nature is needed to catalyze private investment. To that end, there were many examples shared of market-based crediting frameworks for carbon and restoration that are accelerating private investment in nature-based solutions.

For example, revenue from carbon credit sales is protecting natural forests from conversion to development in the U.S. and funding restoration of native species in Latin America. Carbon credit buyers continue to seek out high-quality credits, increasingly with certified biodiversity co-benefits. Also in the U.S., for several decades, mitigation bank credit markets have funded restoration of wetlands, streams, and endangered species habitat. Several voluntary biodiversity crediting frameworks are now being developed and may build on the success of the U.S. experience.

3. INNOVATIVE FINANCING MECHANISMS DESIGNED TO "CROWD-IN" PRIVATE CAPITAL ARE EMERGING

A range of innovating financing and direct funding mechanisms are emerging to support nature-positive land management practices. For example, financial institutions are addressing nature in fixed income instruments through use of proceeds (e.g., green bonds for corporate and sovereign issuers) and sustainability-linked bonds (SLB) in some cases with adjustable terms tied to biodiversity KPIs. In agriculture, to support the transition to regenerative practices, some lending institutions are offering refinancing at longer tenure and/or at lower rates. And in both agriculture and forestry, development finance institutions (DFIs) are increasingly looking to place concessional capital to accelerate the scaling of investment in nature-based solutions.

4. LOCAL COMMUNITY ENGAGMENT AND BENEFITS ARE CRITICAL FOR THE LONG-TERM SUCCESS OF INVESTMENT IN BIODIVERSITY

The negative impacts of nature loss are often felt most acutely by local communities and Indigenous Peoples. Because of direct economic ties and spiritual connection to lands, these groups often disproportionately bear the costs of biodiversity loss. Land-based investments that seek to protect and restore nature must also contribute positively to local livelihoods, through sustainable employment opportunities, for example, in order to deliver enduring benefits.

LOOKING AHEAD: EXPANDING OPPORTUNITIES FOR PRIVATE CAPITAL

While there is still significant work that remains to be done in order to halt and reverse nature loss, real progress is underway. In Cali, we saw stakeholders coming together from across the public and private sector to develop and execute on innovative approaches to incentivize land management practices that benefit biodiversity. We saw this in terms of companies seeking ways to address nature and biodiversity within their supply chains, market-based frameworks enabling investment in nature positive land management practices, and financial institutions' innovative approaches to financing nature-based solutions. All together, these advances create credible pathways for private capital to contribute to solutions for nature and combat biodiversity loss through land-based investments.

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