T20 Policy Brief

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Task Force 02

SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS

Nurturing Innovative Investment in Nature: Nine Recommendations Across Finance and Facilitation

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Abstract

Nature-based solutions are an integral part of meeting climate and sustainable development goals. Nine innovative measures can help, including related to (1) disclosure standards, (2) financial information, (3) debt-for-nature swaps, (4) inclusive and transparent processes, (5) increasing nature-based funding, (6) support for nature-based enterprises, (7) including nature considerations in environmental impact assessments, (8) connecting multinational nature commitments to specific projects, and aligning incentives behind nature-based goals. The G20 can advance this agenda by adopting individual and collective measures that recognize and unlock the potential of a nature-friendly economy to drive a new generation of economic growth.

Keywords: Nature, Investment, Environment, Measures, Investment Facilitation, Finance, G20.

Diagnosis of the Issue

The world must rapidly increase innovative investment in and support for nature-based solutions (NBS) and nature-based enterprises (NBE) to meet climate and sustainable development goals. NBS are "solutions that are inspired and supported by nature, they are cost-effective, simultaneously provide environmental, social and economic benefits and help build resilience" (EC, 2023).[1] An NBE is "an enterprise, engaged in economic activity, that uses nature sustainably as a core element of their product/service offering" (Kooijman et al., 2021). NBE play a vital role in helping to deliver NBS.

Yet NBS and NBE are not widely understood and markets are in their infancy; there still exist barriers to their deployment at scale; and policy measures are not adequately oriented to support a nature-positive climate and business investment.

There is growing recognition of the need for action in this area. The United Nations Environment Programme (UNEP) has called for investments in NBS to triple by 2030 and quadruple by 2050, to meet climate change, biodiversity and land degradation targets (UNEP, 2021). The World Economic Forum estimates that over half of global gross domestic product (GDP) is potentially threatened by nature loss, and transitioning to a nature-positive economy could create $10.1 trillion in annual business value and 395 million jobs by 2030 (WEF, 2020).

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[1] For an alternative definition, see the International Union of Conservation of Nature (IUCN), which defines NBS as "actions to address societal challenges through the protection, sustainable management and restoration of ecosystems, benefiting both biodiversity and human well-being" (IUCN, 2020).

The G20 is uniquely suited to scale up investment in NBS through innovative instruments and support for NBE through policy measures. G20 members include the world's largest capital markets (e.g. United States, China, European Union, Japan) and economies with ecologically significant nature endowments (e.g. Brazil, Africa, Canada, Indonesia).

Yet to date there have been no G20 commitments on nature finance, with a total of 31 since 2008 focused on climate finance (see Table 1). This gap can be filled during Brazil's G20 presidency, given the global role that Brazil plays in advocating for and driving a nature-positive agenda.

TABLE 1. G20 Climate and Nature Finance Commitments, 2008–2023

Summit	Climate Finance and Innovation	Nature Finance and Innovation
2008 Washington–2010 Toronto	0	0
2010 Seoul	1	0
2011 Cannes	2	0
2012 Los Cabos	1	0
2013 St. Petersburg	1	0
2014 Brisbane	3	0
2015 Antalya	0	0
2016 Hangzhou	0	0
2017 Hamburg	6	0
2018 Buenos Aires	0	0
2019 Osaka	1	0
2020 Riyadh	0	0
2021 Rome	5	0
2022 Bali	5	0
2023 New Delhi	7	0
Total	31	0

Source: G20 Research Group (2024).

G20 leaders now recognize of the importance of investing in nature. Their 2023 New Delhi summit called for "improving nature-related data and reporting" in line with the G20 Sustainable Finance Roadmap. G7 leaders in 2023 agreed to "substantially increase our national and international funding for nature by 2025", a commitment that could be confirmed and reinforced by the G20 in 2024 (G7, 2023).

This policy brief proposes concrete actions to nurture innovative investment in nature across two pillars: nature finance and investment facilitation.

Recommendations

This policy brief suggests nine recommendations: five for growing nature finance and four for implementing nature-related investment facilitation.

I) Grow Nature Finance

1. **Extend the International Sustainability Standard Board's Sustainability Disclosure Standards to include climate and nature**

Rationale: The International Sustainability Standard Board (ISSB) references natural resources in its definition of sustainability but fails to acknowledge that these resources are integral healthy ecosystems and climate systems (IFRS, 2022). The ISSB started researching inclusion of climate-related disclosures standards and biodiversity and ecosystem services in 2022 (IFRS, 2022, 2023).The G20 should support the ISSB to fast track and prioritize climate change and nature.

2. **Encourage adoption of the recommendations of the Task Force on Nature-related Financial Disclosures**

Rationale: The TNFD has recommendations that help business and financial institutions integrate nature-related issues into decision making (TNFD, 2024a). At Davos in January 2024, 320 organizations from over 46 countries representing $4 trillion in market capitalization and $14 trillion in assets under management committed to make nature-related disclosures (TNFD, 2024b). The G20 should encourage further adoption of TNFD recommendations by endorsing them, agreeing to implement them domestically, and including them in their financial regulation and supervision.

3. Elaborate good practice guidelines for debt-for-nature swaps

Rationale: Good practice guidelines will help these developing countries benefit from debt-for-nature swaps that protect nature assets in exchange for financial support in the form of debt forgiveness (see countries in blue in Figure 1). Debt-for-nature swaps have been critiqued because benefits have not always accrued to the people living in or near the protected nature areas or has not alleviated debt burdens (Climate Action Network, 2023; Gamso, 2023). The G20 should task its G20 finance ministers, central bank governors and environment ministers to jointly develop good practice guidelines.

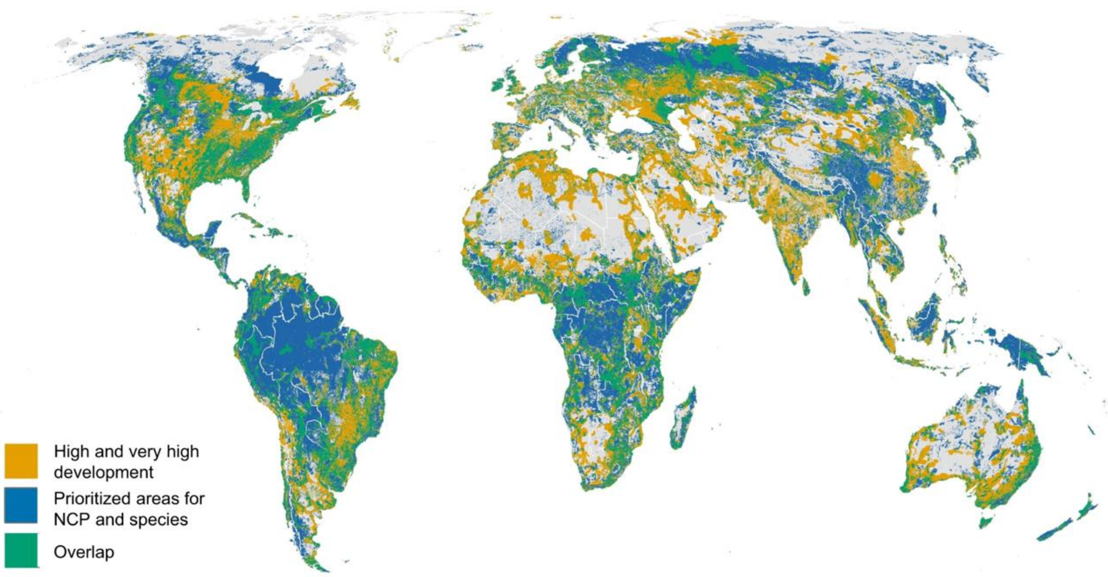

FIGURE 1. Prioritized Areas for Nature's Contributions with High Development Potential. Source: Neugarten et al. (2024).

4. Center Indigenous Peoples in debt-for-nature swaps (stewardship)

Rationale: Debt-for-nature swaps can infringe on Indigenous sovereignty (Aligiri, 1992; Climate Action Network, 2023; Knicley, 2012). The G20 should a) commit to advocate for the respect and inclusion of debtor country and Indigenous sovereignty in debt-for-nature swap guidance; (b) task its environment ministers and finance ministers to jointly explore the concept of debt-for-*stewardship* arrangements with Indigenous nations; and (c) involve Indigenous Peoples throughout negotiating, implementing and monitoring all debt (or stewardship) swaps, which should rely primarily on third-party funding at no or low cost, use grants more than loans, be additional to existing funding, and be conditional only on nature conservation and restoration impacts.

5. Generate new and additional funds for nature-based solutions

Rationale: NBS are underfunded globally, receiving $200 billion per year, less than one-third of what is needed by 2030 to global biodiversity goals (Anderson, 2021). The G20 should increase its funding to existing relevant global funds, such as the UN's Global Biodiversity Fund and the Global Ecosystem-based Assessment Fund implemented by the IUCN and UNEP. The G20 should also create a Green Nature Fund, which can be hosted by UN Biodiversity.

II) Facilitate Nature-related Investment

6. Recognize and support the operations of NBE through measures and resources

Rationale: NBE help deliver nature-based solutions, and thus are essential to deploying NBS, but are not well understood or supported by policymakers. Earlier work has sought to create a typology of NBE (see Table 2).

TABLE 2. Economic Activities of NBE Delivering NBS

NBE organized according to economic activity	
Direct use of nature	**Indirect use of nature**
Ecosystem creation, restoration and management	Advisory services
NBS for green buildings	Education, research and innovation activities
NBS for public and urban spaces	Financial services
NBS for water management and treatment	Smart technology, monitoring and assessment of NBS
Sustainable agriculture and food production	
Sustainable forestry and biomaterials	
Sustainable tourism and health and well-being	

Source: Adapted from Kooijman et al. (2021).

G20 policymakers should ensure that economic development strategies and programs recognize NBE, and through such recognition are eligible to benefit from support measures and other resources, including those from the World Bank Group, other multilateral development banks and national development banks. This will create awareness of the opportunities to provide nature-based goods and services and create nature-based markets.

7. **Ensure environmental impact assessments for investment projects cover nature**

Rationale: The G20 should ensure that environmental impact assessments, used increasingly to evaluate investment projects, fully include nature. Several new resources exist to help, including a handbook on evaluating the impact of NBS, which includes potential indicators (see Figure 2) (EC, 2021).

FIGURE 2. Nature-based solutions impact assessment processes

Source: Dumitru and Lourido (n.d.).

8. **Connect firm nature commitments to nature-friendly investment projects**

Rationale: Multinational enterprises (MNEs) have increasingly publicly committed to decarbonize their value chains and protect nature, and can match them to concrete nature-friendly investment projects. The World Economic Forum is piloting a similar process with the state governments of Bahia and Amazonas in Brazil, expanding on the methodology in the *Guidebook on Facilitating Climate FDI* (WEF, 2023: 21-27). G20 leaders should direct their investment authorities to adopt a similar approach (see Figure 3).

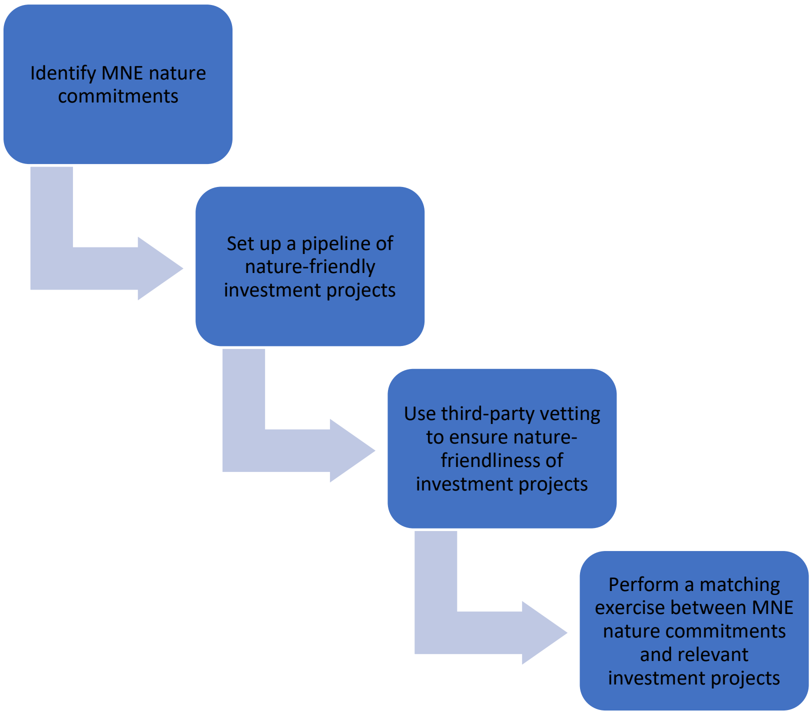

FIGURE 3. Matching MNE Nature Commitments to Nature-Friendly Investment Projects

Source: Adapted from World Economic Forum (2023), p. 22.

9. Link investment incentives to nature goals

Rationale: Governments provide a range of financial and non-financial investment incentives to foreign investors and domestic firms (see Table 3). The G20 should ensure nature-related development goals are actively included in this approach and that nature-based investment projects are incentivized.[2]

[2] New global tax rules, such as those negotiated at the Organisation for Economic Co-operation and Development (OECD) and the UN, may limit countries' scope to reduce corporate tax rates below 15%. In addition, financial incentives (not covered by the OECD process) may become increasingly important as a tool.

TABLE 3. Examples of non-financial incentives

Regulatory incentives: derogations from certain national or sub-national rules and regulations including “red-carpet services” meant to fast-track administrative, bureaucratic and legal processes for climate FDI projects.
Technical and business support incentives: advisory services provided to ease market entry or support the operations of firms, such as arranging site visits, recruitment and immigration services, market intelligence and strategic introductions to potential partners and clients.

Source: Adapted from World Economic Forum (2023), p. 11.

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Scenario of Outcomes

Pessimistic scenario

Excluding nature from global sustainability standards and financial disclosures, and moving too slowly on their inclusion, risks significant negative environmental impacts. Overlooking the value of NBE in economic development strategies decreases opportunities to provide goods and services that promote nature's socioeconomic co-benefits. Development and investment plans without explicit links to nature exacerbate harms to biodiversity and the climate, and thus to humanity. These harms can be avoided or minimized with strong, effective, independent environmental impact assessments, including all stakeholders, that do not exclude any part of the potentially affected ecosystem.

The absence of strong guidelines for innovative financing mechanisms — such as debt-for nature swaps — risks sovereignty infringements on debtor countries and Indigenous Peoples, opaqueness or a lack of transparency, and a failure to reduce lower-income countries' debt burdens. A lack of new and additional funds means these risks cannot be mitigated.

Optimistic scenario

Including nature in global sustainability standards and financial disclosures allows society to align political and economic resources with societal goals and preferences and unlock capital for nature-positive investments.

Clarity on how best to structure debt-for-nature swaps opens up a flow of financial resources to help protect, manage and sustainably develop nature-based assets. Pressures to consume nature assets are redirected to the sound and productive management of those assets.

Inclusive, transparent, consultative and empowering processes increases confidence, interest and funding, which are further amplified by more measures and resources, in a virtuous cycle.

Framing and guiding this process are environmental impact assessments that consistently and thoroughly consider project's impact on nature. These projects multiply

and scale through nature-aligned incentives, and a pipeline of nature-friendly investment projects that are vetted and validated by stakeholders, and financed by domestic, regional and global investors, often through public-private partnerships, mitigating risk and building trust in nature-based economic opportunities.

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