Rebalance
EARTH

The Nature Opportunity

Investing in our most valuable asset – Nature.

“We aim to enable the flow of private capital to protect and restore Nature.”

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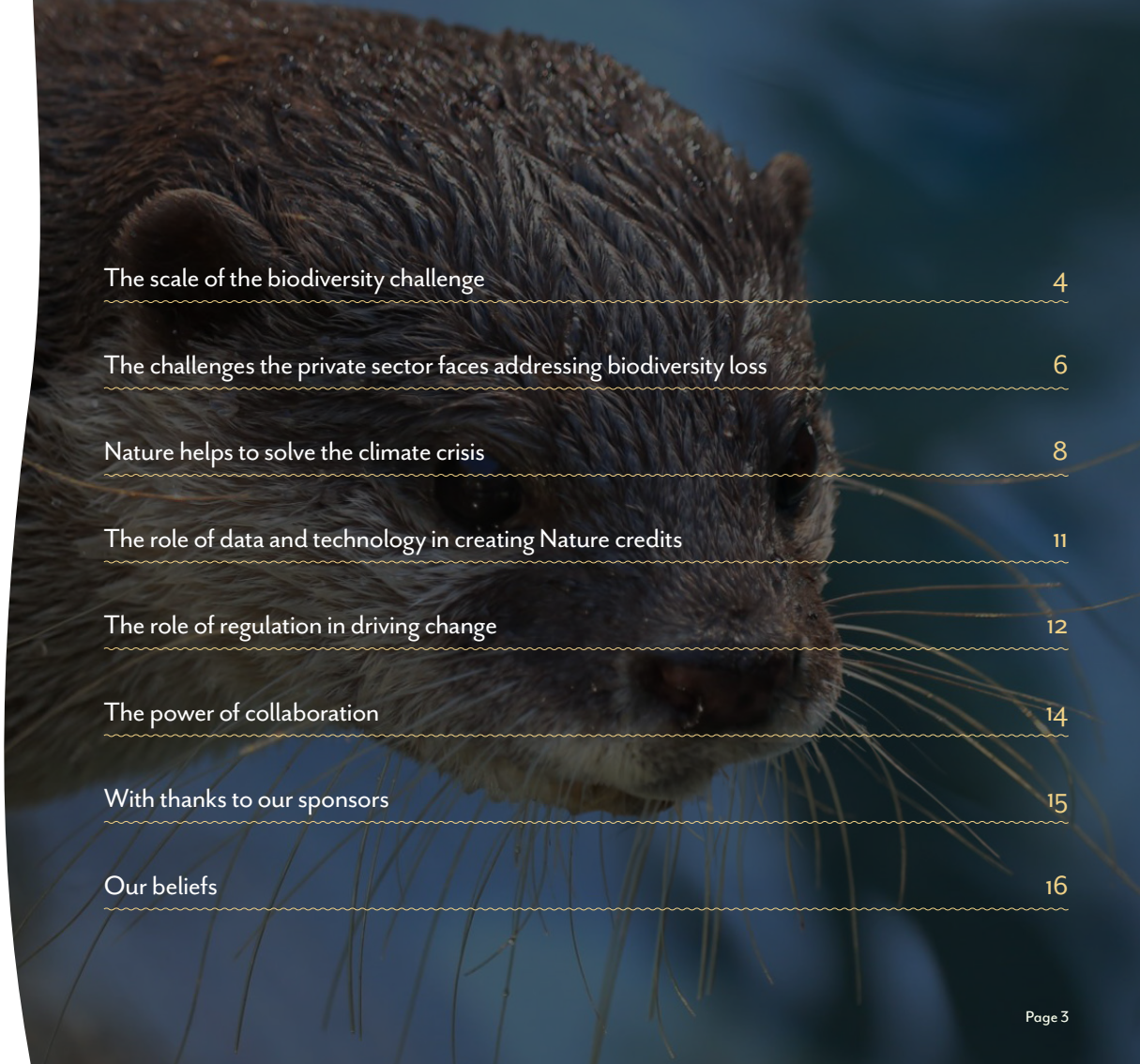


The scale of the biodiversity challenge

The threat to the world's biodiversity is extreme. ***Over the last 50 years,*** *we have witnessed close to a* ***69% fall in wildlife populations.*** *In the same period,* ***fresh water populations have fallen by an average of 83%.***

The next generation will be born into a world where ***one million species are threatened with extinction.*** *Grandchildren of Generation X could find habitat loss on unimaginable scale.*

Speaking at Rebalance Earth's Natural Capital Conference earlier this year, John Glen MP, Chief Secretary to the Treasury, said: "We are to blame for this alarming loss of biodiversity – human activities such as land use changes, pollution and climate change are bringing some species to the brink of extinction."

If the moral argument is not enough to persuade people to act, then the economic impact of these changes should provide the right incentives, he added.

For centuries, meadows, woodlands and wetlands have been allowed to degrade, as an accepted cost of economic growth. But this is a false dichotomy; the environment is the foundation for our economy and society.

Failing to act risks long-term prosperity. "Around 54% of global GDP is either moderately or highly dependent on Nature," said Glen

Successive governments, both in the UK, and around the world have failed to put in place the measures demanded by our collective responsibility for this loss. "We need to act now, urgently, to protect ecosystems," he added.

"We are to blame for this alarming loss of biodiversity – human activities such as land use changes, pollution and climate change are bringing some species to the brink of extinction."

John Glen MP,
Chief Secretary to the Treasury

The scale of the biodiversity challenge

It starts at home

While biodiversity loss is a global issue which requires a global solution, the UK can lead by example. Glen said: "The government has a target to halt all species decline by 2030 and to reverse this decline by 2042."

Policy makers have also announced goals to reduce the risk of species extinction by 2042 as well as restoring or creating more than 500,000 hectares of wildlife rich habitat. In addition, the government is investing £750m in tree planting and peatland restoration.

The Species Survival fund will create, restore and extend around 70 areas for wildlife, protecting 30% of our land and sea for Nature. It will also incentivise farmers to adopt more Nature friendly farming practices.

This action will work in conjunction with international efforts which include agreeing a new global deal at COP 15 where 196 Nations signed up to the Global Biodiversity Framework.

The role of private sector

The government is currently the largest investor in restoring Nature in the UK. "But as our economy – and indeed the global economy – is dependant on Nature, it makes sense for private capital to also play its role," said Glen.

To encourage UK investors to play their part, the government has announced a target to raise at least £500m in private finance every year by 2027, rising to £1 billion by 2030.

For such investment to become a reality, however, the UK will need a robust and stable market framework. To this end, the government will have a new policy framework for Nature market. In September, the global Taskforce for Nature-related Disclosures published its final framework.

The government has also announced it will invest £30m into a new private sector blended finance impact fund for domestic Nature recovery, the Big Nature Impact Fund.

Glen said: "This will be managed by Federated Hermes and Finance Earth and will invest in projects such as carbon sequestration, biodiverse woodlands, restoring peatlands and improving water quality."

Private finance investment by 2027

£500m
per annum

Private finance investment by 2030

£1bn
per annum

The challenges the private sector faces addressing biodiversity loss

"A study published at COP 15 suggested only 5% of companies had done a science-based assessment of their risks and opportunities when it comes to biodiversity."

Abyd Karmali,
Managing Director and ESG Advisor to the Bank of America

At first glance, it can seem overwhelming. Not only are private investors trying to grapple with funding the green transition to mitigate climate change but they now must also deal with biodiversity – and with great urgency.

But there are advantages to tackling twin challenges – there is less need for investors to re-invent the wheel. They can apply many of the lessons they have already learnt from addressing climate change to protecting biodiversity.

For example, now businesses are starting to understand the financial cost of inaction on climate change and compare that to the financial cost of action as well as the benefits, they are incentivised to move their business to net zero.

Speaking at the Natural Capital Conference, Helen Crowley, managing director of Pollination, said: "Climate has provided businesses with the models needed to tackle biodiversity by providing the frameworks for companies to think about how they get to net zero."

Biodiversity is, however, far behind climate change. Abyd Karmali, Managing Director and ESG Advisor to the Bank of America, said: "A study published at COP 15 suggested only 5% of companies had done a science-based assessment of their risks and opportunities when it comes to biodiversity."

But hopefully help is on the way to address with the Taskforce for Nature-related Financial Disclosures, he added.

Regulators have learnt their lesson

Different stakeholders have pushed for companies and investors to take climate change more seriously including company leaders, employees, consumers and community groups. But the group which has been most effective has been regulators.

Requiring institutional investors, like pension schemes, asset managers and businesses to take the risks of climate change seriously has been the biggest driver of change.

The challenges the private sector faces addressing biodiversity loss

Simon Weaver, ESG transformation lead at KPMG, said: "Regulation in the UK has enabled a different conversation at the board level and moving issues previously considered a corporate social responsibility to a question of resilience and making these a strategic conversation."

It took some time, however, for regulators in the UK and Europe to get to grips with climate change. And things are still being adapted and changed – for example, the recent refinements to the Article 8 and Article 9 funds announced by the EU.

But like companies and investors, regulators have taken on board the lessons from climate change, and reacted more rapidly to the biodiversity challenge.

For example, the Taskforce for Climate-related Financial Disclosures was established in 2015 and only came into force in April 2022.

In contrast, the movement on the Taskforce for Nature-related Financial Disclosures was initiated in June 2021 and the final framework went live in September 2023.

Weaver said: "We've been carrying out scenario analysis on the climate for the last couple of years, driven by the TCFD and now we are bringing Nature into that scenario analysis which we wouldn't have dreamt of doing two years ago."

Reality is hard

While the lessons learnt by climate change will help companies and investors to address the biodiversity challenge, mitigating the effects of global warming is still nascent and will require tough talk in coming years.

Weaver said: "Over the next six to 12 months, we will need to have bold conversations with boards and remind them of their goals. We need them to know it will be hard to achieve their ambitions."

Collaboration is key. Khadija Ali, Partner in Financial Services Climate Change and Sustainability Leader at EY, said: "I'm amazed the number of times I have the same conversations with executive boards."

Rather than being afraid to talk about sustainability issues, if boards were more transparent it would open up dialogue for collaboration. There is strength in numbers, he added.

Attitudes are starting to change. David Craig, Co-Chair of the TNFD, said: "Two and half years ago, a lot of financial institutions said: 'We'll get round to Nature when we have fixed climate.' No-one is saying that anymore; they realise they need to do both together."

TFND website 'Getting Started' click here...

Taskforce on Nature-related Financial Disclosures

Nature helps to solve the climate crisis

Tackling the climate crisis will require the human population to both reduce their emissions of greenhouse gases as well as offsetting carbon dioxide.

Speaking at the Natural Capital Conference, Ralph Chami, Assistant Director at the IMF & Co-Founder of Rebalance Earth, said: "It is not enough to cut off emissions, we also need to drain the tub – we need to pull the carbon out of the atmosphere." While there has been much discussion about the development of carbon capture technology, Nature is one of the most powerful ways to reduce CO2 in the atmosphere.

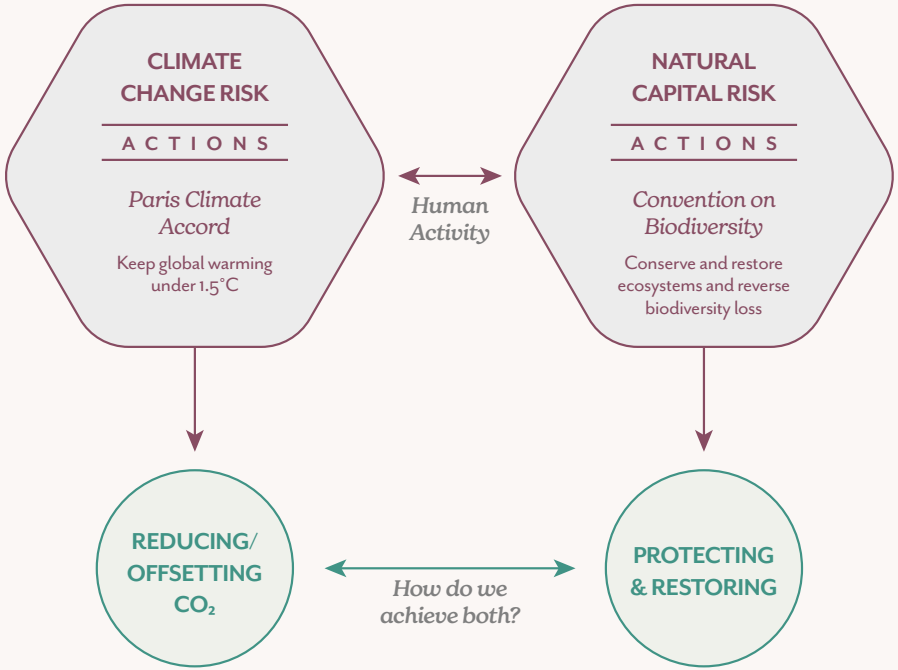
***Chami said:** "The latest IPCC report says if Nature is protected and rejuvenated then not only do you reduce biodiversity loss but it will also help you to reduce climate change by at least 38%."*

In other words, not only do we need to tackle the climate change and biodiversity challenges together because we are running out of time but also because Nature will help us to mitigate global warming.

Getting Nature to help us to mitigate climate change is not just about reforestation. Chami says: "Oceans play an important role in sequestering carbon as do phytoplankton, salt marshes, sea grass and mangroves."

Fauna also has an important role to play in carbon capture. "Great whales' bodies also collect carbon," said Chami. When they die, their bodies are so heavy they sink to the bottom of the ocean sequestering carbon on the ocean floor, he added.

Humanity is Facing Twin Risks

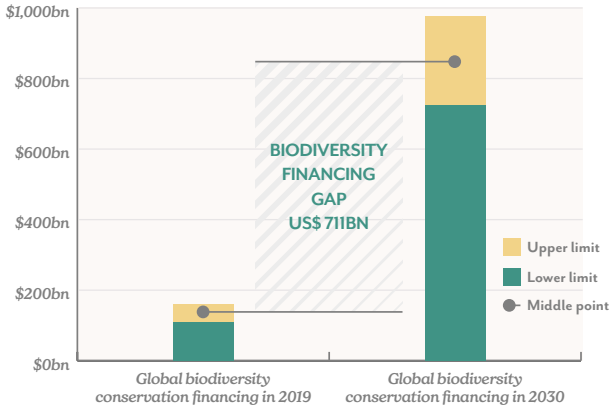


Nature helps to solve the climate crisis

Can we put a price on Nature?

If we want to protect Nature to protect biodiversity and maximise the role it can play in mitigating climate change, how will we fund it?

But, protecting and restoring nature lacks funding!
...and, philanthropy only goes so far...



"At the moment philanthropy helps fund conservation but we need another $700bn a year to do the job properly," said Chami.

Rather than trying to increase the amount given to philanthropy, the solution might be to create a motive for us to invest in Nature. The challenge is to put a price on Nature.

Carbon markets give us a way to do that. "Europeans trade carbon with each other at a current price of over $100 a tonne," said Chami.

This allows to value the carbon sequestration of a pachyderm. "The lifetime expected discount earnings of an elephant is $2.6m, which is equivalent to a lifetime salary of $50,000," says Chami

It is not just fauna which can be valued but also flora. Chami said: "Seagrass's extraordinary ability to sequester carbon means it is worth at least $1 trillion."

Using scientific estimates of the ability of oceans as well as flora and fauna's ability to capture carbon mean these can be given a value which gives us a mechanism for us to invest in Nature or for a business to mitigate its impact on biodiversity.

Creating Nature credits

While carbon credits were created to allow companies and investors to stick to a particular carbon limit by trading these credits, Nature credits play a different role. Chami said: "The asset remains domiciled in its country."

Instead of being exchanged, a Nature credit enables a government to protect its seagrass, it looks after the sea turtles, protect elephants by paying the park rangers.

Nature helps to solve the climate crisis

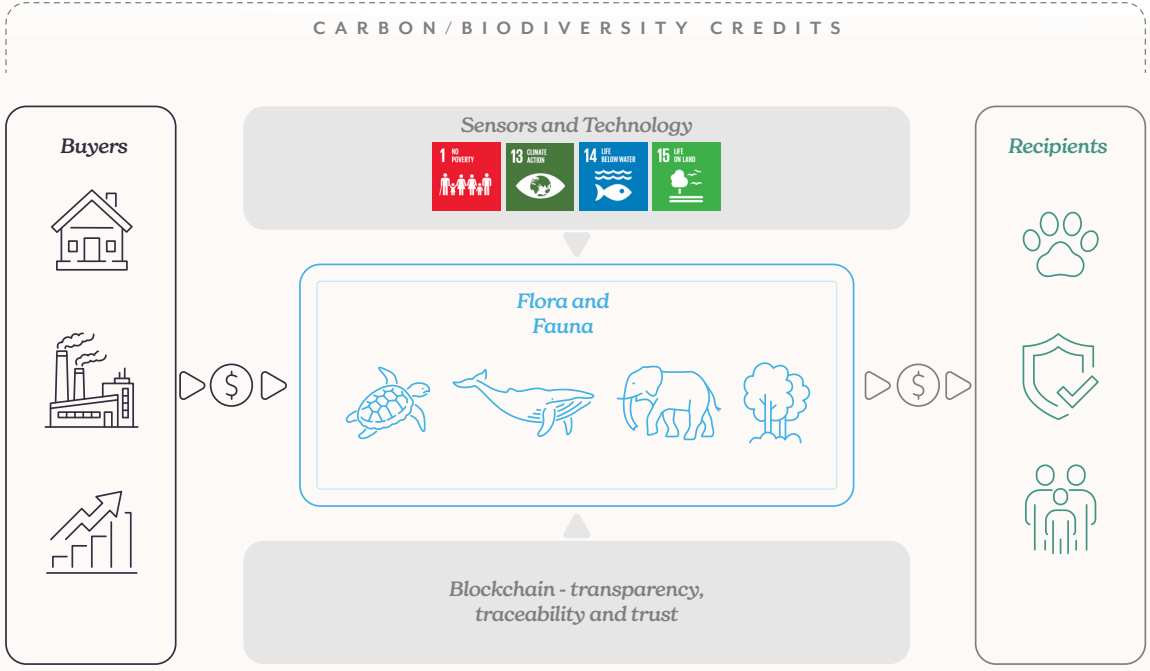
Nature positive economy

These natural credits help governments to create a Nature positive economy. The money flows as long as these natural assets are protected, they can provide revenue to a nation.

Chami said: "By providing this money we are helping investors to hit their sustainable development goals and encouraging governments to protect Nature and reduced climate change."

In other words, the natural credits bring about a behavioural change – moving from one of short-term consumption to long-term investment in the planet.

Transparency, Accountability, and Verifiability in Nature Markets



The role of data and technology in creating natural credits

To turn Nature into a financial asset requires both data and technology. The global challenge of biodiversity loss is immense, and harnessing these tools is vital in creating Nature credits that can fund conservation and restoration efforts. A major hurdle is measuring and tracking the impact of activities on intricate natural systems. As Adam Gibbon, Natural Capital Lead at AXA Investment Managers, explains, while scientific knowledge is extensive – with over 34,000 papers published annually on monitoring carbon and biodiversity – translating this into on-the-ground intelligence remains difficult. Nature tech companies are taking the lead, turning complex data into practical insights for positive outcomes.

As Murray Collins PhD, CEO and Co-Founder of Space Intelligence, discusses, digital monitoring, reporting and verification of Nature-based solutions investments is essential. By analysing extensive satellite imagery, we can ensure transparency and integrity in emerging biodiversity and carbon markets.

To monitor changes effectively, Stefanie Kaiser, Sector Head for Nature-based solutions and carbon markets at Nature Metrics, an eDNA company, emphasizes the need for robust baselines. These assess shifts in biodiversity over time, providing data to participate in crediting programs. She highlights that biodiversity has immense scope – from endangered gorillas to soil biodiversity, which is vital for land health but overlooked. Technology choices depend on goals – whether tracking elephants or changes in insect populations. Defining objectives first leads to the most relevant tech solutions.

While advanced technologies abound, Adam Thompson, IBM Consulting - Global Sustainable Finance and ESG Leader, notes we don't always need to reinvent the wheel. Instead, predictive analytics can guide decisions on aspects like suitable tree species or agroforestry techniques for specific climates and needs.

Financial tools are also evolving to leverage tech. As Robert Heilberg, Head of Growth at dClimate, explains, in disaster-prone regions parametric insurance uses AI for automated underwriting and blockchain for efficiency. This enables affordable coverage for farmers globally and rapid digital payments when catastrophes occur, building trust.

Stefanie Kaiser stresses the need to align tech with clear goals. With clients new to biodiversity, she advises first understanding project aims before utilizing data and tech solutions. Setting objectives leads to optimal biodiversity monitoring.

In summary, as Murray Collins states, robust carbon credits require integrating and analyzing vast amounts of data. While technology provides unprecedented tools, pairing them with clear conservation goals and science is key. Collaboration with local communities also bridges traditional knowledge and tech, generating valuable insights. By bringing together data, technology and human understanding, we can make progress in protecting and restoring biodiversity worldwide.

"We want to act in this space between Nature, which is crazy, it's a lot of things, it's very emotional, and data for your boardroom."

Stefanie Kaiser,
sector head for Nature-based solutions and carbon markets at Nature Metrics

The role of regulation in driving change

"The framework is a risk management and disclosure framework which has been inspired by our sister organisation, the Taskforce for Climate-related Financial disclosures."

Emily McKenzie,
Technical Director for the TNFD

While pressure groups, chief executives, internal cheer leaders and external stakeholders all have a role to play in making companies address the biodiversity challenge, as already noted, nothing is as affective as regulation.

And while many asset owners and managers are still getting to grips with the scale of the biodiversity challenge, regulators have the bit between their teeth.

The most important piece of regulation is the Taskforce for Nature-related Financial Disclosures, which published its final framework in September 2023.

Speaking at the Natural Capital Conference, Daniel Craig, co-chair of the TNFD, said: "We need to do what financial markets are very good at – that's breaking down complexity to make it manageable and harnessing data to do good."

Emily McKenzie, technical director for the TNFD, added: "The framework is a risk management and disclosure framework which has been inspired by our sister organisation, the Taskforce for Climate-related Financial disclosures."

The TNFD has been supported by governments, the G7 finance ministers as well as being part of the G20 working group. It works closely with leading science organisations and standard bodies to ensure what is being developed is science-based.

Craig said: "The G7 has endorsed the TNFD as well as HM Treasury said it will support adopting the framework when it comes out." All governments are now demanding more assessment and disclosure, he added.

There are three components. The first set of core concepts and definitions, which aim to draw up a consistent language for talking about biodiversity.

The second will be a set of recommended disclosures, which outline how corporates and financial institutions interact with Nature as well as the risks and opportunities which emerge from that.

The final component is something the market told the taskforce was needed – an assessment framework.

McKenzie said: "We have developed the LEAP approach which takes an organisation through some simple phases for assessing its dependencies and impacts as well as the risk and opportunities which then emerge."

The role of regulation in driving change

Not only has the TNFD consulted with scientists but it has put through rigorous beta-testing every three months. The final beta version came in late March and the framework was implemented in September 2023.

But a framework will only be helpful if it is adopted. This is where regulators and standards bodies can play their part.

Craig said: "Nature and biodiversity is being demanded by these bodies. The International Sustainability Standards Board will start looking at biodiversity and consider implementing the TNFD."

For those who – quite rightly – criticise the alphabet soup of biodiversity and climate change standards, this is great news because it heralds the emergence of something more global and uniform that is easy to implement, he added.

There are four steps to an investor integrating natural capital into investment strategies. First, they need to build natural capital into core risk and investment strategies along with climate.

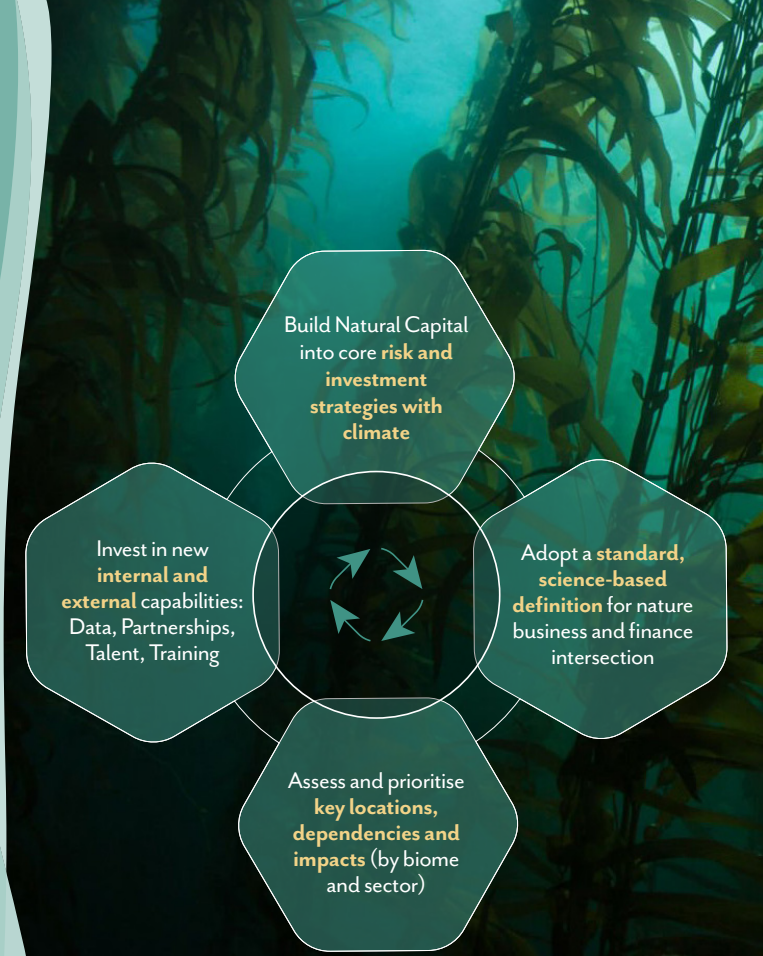
Then organisations need to adopt a standard, science-based definition for intersection between Nature and finance. The third is to assess and prioritise key locations, dependencies and impacts. And lastly firms will need to invest in new internal and external capabilities.

Organisations need to take a new approach to Nature. Craig said: "Rather than viewing natural capital as a reputational issue, like a chemical spill, which should be managed by the corporate social responsibility team, the new way is to integrate Nature and business into the core strategy."

Instead of focusing on the value of Nature – which is very hard to do – an organisation can look at where are their dependencies on ecosystems are and where will they have an impact on Nature.

Craig said: "Companies then need to think how those dependencies and impacts create risks and opportunities. These should then be mapped into their business values and flows."

While this approach is scientifically informed, it is a pragmatic approach which does not have to be overly precise, he added.



The power of collaboration

As the success of Climate Action 100+ has proved, change really happens when people work together rather than when we go it alone. That's true not only of individuals and organisations but also of different sources of capital.

Until recently we have thought of natural, social, human and produced capital as separate entities but this ignores how these different resources influence one another.

Speaking at the Natural Capital Conference, Mark Gough, CEO at Capitals Coalition, said: "We need a system to be able to look at these capitals in an interconnected way."

The Capitals Coalition was established to enable collaboration between different people with different expertise and skill sets, he added.

The importance of experts in different types of capital in working together is illustrated by the recognition that climate change and biodiversity needed to be tackled together, he added.

But there is a steep learning curve. Natural capital is a new concept to both companies and investors so collaboration is vital to ensure biodiversity can be saved before time runs out.

How standards and ratings drive collaboration

Without standards, definitions and ratings it is very hard for investors to address any issue like climate change or natural capital.

Sinclair Vincent, Director, Sustainable Development Innovation and Markets at Verra, said: *"For environmental markets like carbon or Nature to really work and to scale, we need a shared understanding of what that tradable unit or asset is, what it represents and what it doesn't."*

Once standards and metrics exist, these enable the power of collaboration with multiple stakeholders to come up with a better understanding of a problem.

For example, because of these standards and metrics EY could work with the Natural History Museum and an asset manager on biodiversity and intactness indices. The standards enabled multiple stakeholders to work together.

Working with local communities

Collaboration is not only necessary when thinking about impact and the best way to invest but also once companies get to the nitty gritty of working with local communities to protect biodiversity. That doesn't happen at the moment.

Speaking at the Natural Capital conference, Abi Gatty Irving, Executive Director at the Thin Green Line Foundation UK, said: "The knowledge of indigenous communities – and their rangers – is not listened to in board rooms."

That needs to change. It is not just about providing financial incentives to local communities so they continue to protect the natural habitat but about including them in the decision-making process.

Including members of the local communities in the decisions ensures the financial incentives are tailored to enable them to continue to protect that natural environment.

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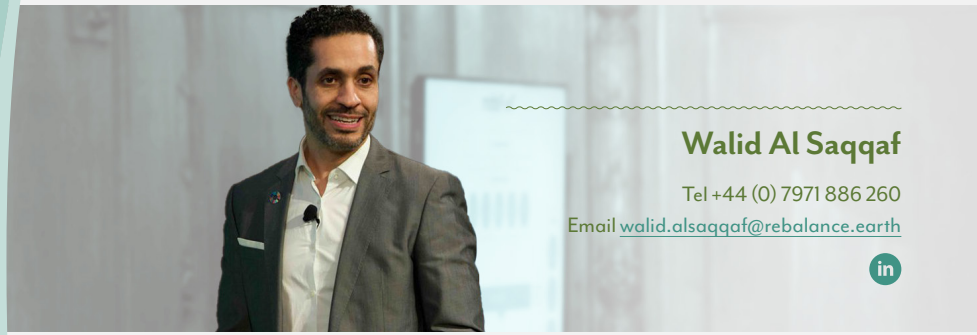
We would love to hear from you.

Whether you want to join us as a volunteer or have a suggestion for a project, wish to donate or just are curious about what we do and why, please get in contact with the team via email.



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Our beliefs

Capital and Nature are cast as opposing forces.

Demand – infinite. Nature – finite.

Leaving planet Earth out of balance.

But this doesn't have to be the case.

Lets redirect the flow of capital

To invest in our most valuable asset – Nature.

In its regeneration.

In the transition to a Nature-based economy.

For a world worth living in.

Together we can restore Nature.

Without compromising on returns.

It's time to Rebalance Earth.

What is your view?

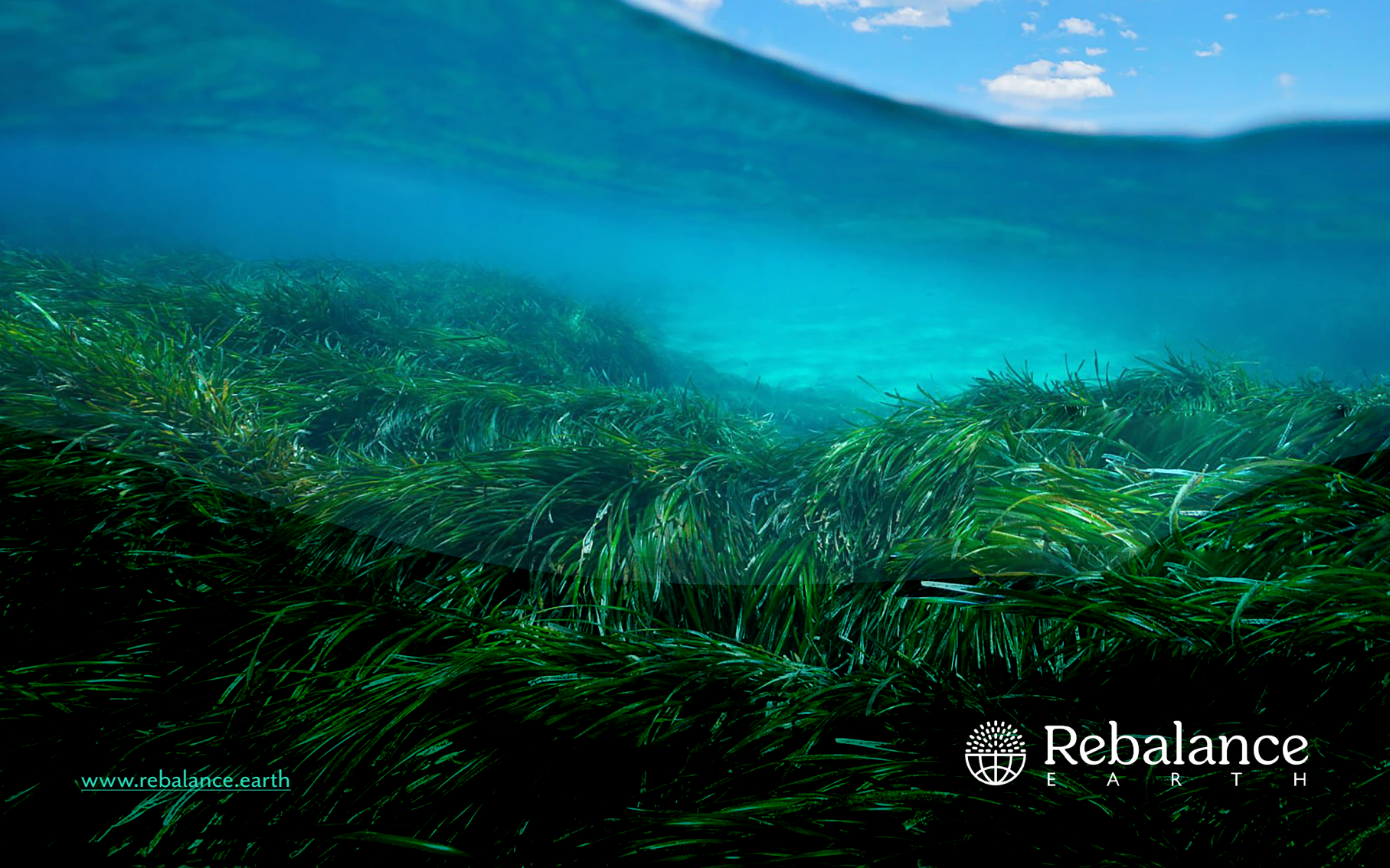
Thanks for reading our white paper! Please take our anonymous question survey by scanning the QR code below.

Your insights will help shape our collective approach to investing in Nature. Results will be shared on our website.

Scan. Share. Shape the future.

We look forward to seeing you next year for our next conference, where we continue the discussion to enable the flow of private capital to protect and restore Nature at scale

2024 Natural Conference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