How can the UK implement the finance-related goals of the Post-2020 Global Biodiversity Framework?

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Introduction

Finance is a major structural driver of biodiversity loss but could also be a big part of the solution.

Around $7 trillion pa of financial flows are damaging the environment, including via harmful subsidies (UNEP 2023). There is also a significant 'nature-finance gap', estimated at 5-7 times current spending on biodiversity conservation globally (approx. $200 billion pa; Deutz et al. 2020). This is acknowledged in the Kunming-Montreal global biodiversity framework (GBF) with targets for tackling harmful subsidies, the need of businesses and financial institutions to assess and address their impacts, risks and dependencies on nature, and upscale nature-positive investment.

Reducing harm and addressing the nature finance gap will require a mix of 'greening finance' and 'financing green' approaches. However, these goals are aspirational, with critical evidence gaps about how to achieve them in practice.

This Sprint aims to address three major evidence gaps, through research conducted in collaboration with policymakers:

1. **how to reduce the biodiversity impacts of UK foreign investments** and align UK international financial flows with the ambitions of the GBF through greening finance
2. **how to scale up private finance for financing green** to help close the 'nature-finance' gap and achieve these overall goals
3. **how interventions aimed at greening finance and financing green can work synergistically together** to achieve overall goals of the Kunming-Montreal agreement.

Methods

With partners at Defra and the Oxfordshire Local Nature Partnership, we are:

Assessing the footprint of UK-financed activities on biodiversity and the potential impacts of interventions to align the UK's international finance flows with commitments embedded in the GBF.

- To assess global footprint of UK financed activities for the 6 largest banks, we switched from loan only data from Pillar 3 reports to loan, bond and equity data from Bloomberg.
- Using remote sensing and GIS to enhance granularity of risk and impact assessment

Addressing how to scale up private finance for nature through nature markets by conducting a comprehensive case study of nature finance in Oxfordshire.

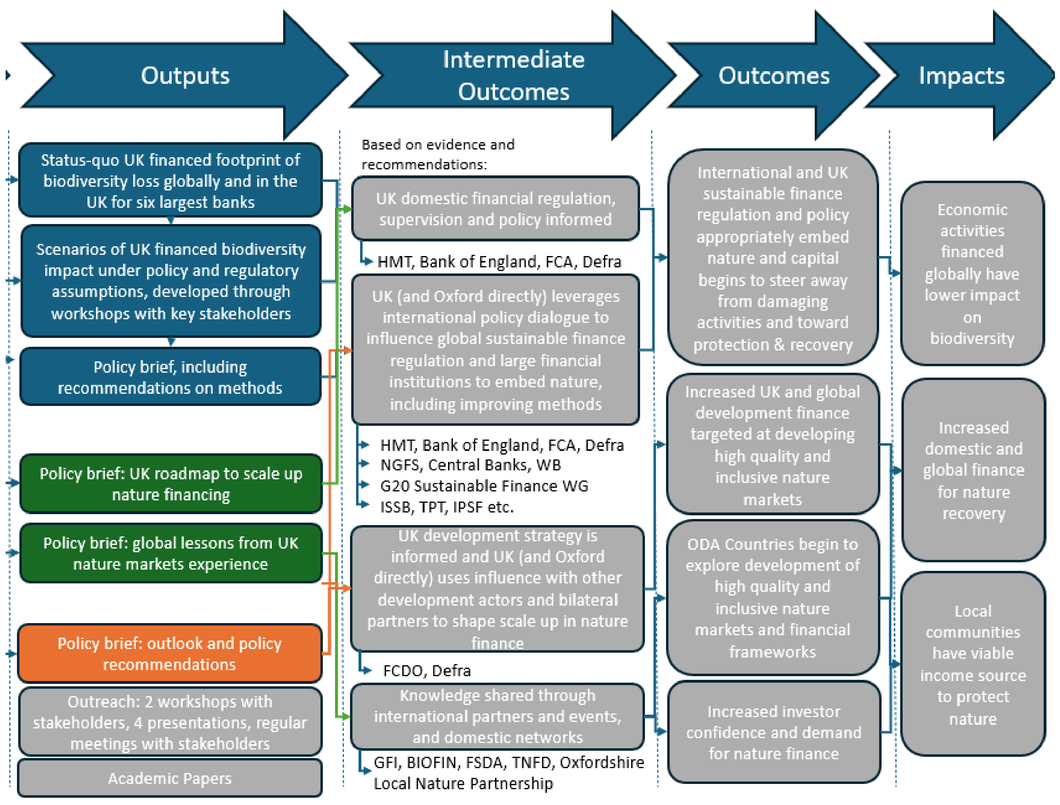
- Collected data on projects in Oxfordshire financed through England's nature markets to estimate the total volume of private finance moving into nature investment
- 15 interviews with stakeholders throughout the Oxfordshire nature finance ecosystem to explore who engages with nature finance and why, and explore underlying dynamics in the early stages of the rollout of the BNG market
- Developing a modelling framework for estimating the potential profitability that could be generated by BNG in Oxfordshire, which habitats would be incentivised, and to what degree these habitats align with the democratic nature conservation objectives in the Oxfordshire Local Nature Recovery Strategy

Bringing the findings together to elucidate how actions for 'greening finance' and 'financing green' can be combined to achieve finance-related goals of the GBF.

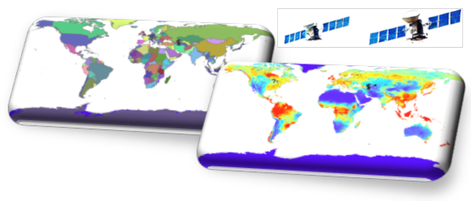
- Workshops with key stakeholders to outline different scenarios for the future of nature finance
- Exploring which policies could be implemented under the scenarios and as far as possible quantify the impact on nature. These policies will include interventions for greening finance (e.g. mandatory disclosure under the TNFD, efforts to regulate against investments that cause deforestation) and financing green (e.g. changing BNG to create more demand for BNG credits).

Outcomes

The figure below sets out how we anticipate the research approach and activities will deliver results for policy and practice.



Enhancing data granularity



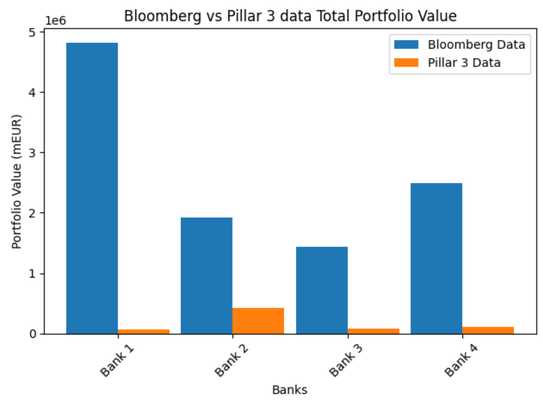
Data Improvements

- Improve Granularity
  - Transition from country-level to subnational resolution (5 Arcmin)
- Leverage Satellite Data
  - Inform high-resolution risk and impact metrics
- Improve indicator chain relationships
  - Enhance indicator chain relationships using hazard, exposure and vulnerability chain frameworks.

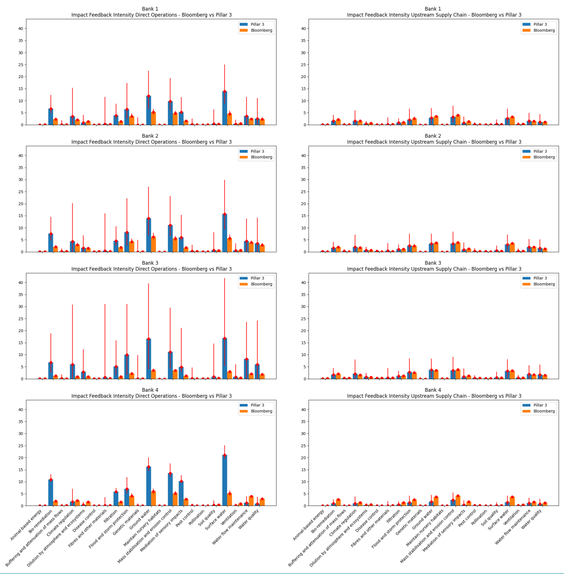
Supply Chain Improvements

- Link to Country Level Supply Chain
  - Identify subnational land-use/production zones to link risks and impacts associated with specific commodities and industries in specific locations.
  - Aggregate location, commodity and industry-specific risks and impacts in the country to inform national environmentally-linked supply chain models.

The improved coverage of Bloomberg (blue) data compared to Pillar 3 (orange) for portfolio data



The change in the endogenous risk exposure (overlap between impact and dependency) with Bloomberg (blue) and Pillar 3 (orange) data



Revolutionising how research responds to the urgent needs of policymakers on critical environmental issues through rapid research projects called Sprints.

The Agile Initiative at the Oxford Martin School

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Prompts for reflections

How can the UK implement the finance-related goals of the Post-2020 Global Biodiversity Framework?

The Topic

What is the most interesting or surprising aspect of this research to you?

What other questions or issues should this research team consider in their next steps?

If you could change one thing about this research or its approach, what would it be?

Do you have any examples of similar work or experiences that might help inform this research?

Outcomes

Does this solution effectively address the issue presented? Why or why not?

What potential challenges or barriers do you foresee in implementing this solution?

How could this solution be improved or adapted to different contexts?

Do you see opportunities for collaboration or integration with other research or initiatives? What additional evidence or data would make this solution more convincing?

The Method

What aspects of this Sprint's research approach seem most effective?

Were there any gaps or limitations in the research process that you think should be addressed?

How could this method be improved for future research projects?

How well does this approach balance speed and robustness in generating evidence-based solutions in this sector?

What else could the Sprint be looking at? Who else could we be working with?

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