



BETTER NATURE

The State of Conservation Finance

A Better Nature Long Read

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Overview

This paper provides an analysis of the state of conservation finance, and a proposed new approach to realising the level of disruptive action needed to transform our financial sector in support of nature.

It identifies the prevalence of perverse financial flows is one of the main drivers of the degradation of our natural world, and goes on to evidence that while efforts to expand existing conservation finance efforts are welcome, it is clear that this will not be nearly sufficient to turn around the negative trends on biodiversity and ecosystem loss.

The vast majority of action around conservation finance to date is focused on generating conservation-friendly investment, with a small but increasing element focused on changing the enabling conditions to improve finance flows to conservation. However, this too is insufficient to bring the scale of change required at the speed demanded by the challenges of natural world degradation.

Disruptive interventions that challenge the underlying paradigms governing finance are wholly missing from the field of conservation finance. Significant effort needs to be focused on developing this area of activity.

A focus on developing these disruptive rule-changes, alongside continued efforts to develop the first two streams, could change the dynamic in the relationship between investors and conservation forces, and lead to structural changes in our social, economic and political systems.

Part One: The State of Conservation Finance

Introduction

Conservation finance is a growing field, mirroring efforts to increase finance flows across sustainable development in general, and climate finance more specifically.

However, sustainable development – and by extension conservation and improvement of nature – will not be achieved unless the financial system is aligned with nature's requirements. Indeed, financial flows are, to a large extent, responsible for the major impacts on nature, whether positive or negative.

Multiple efforts are underway to improve that alignment.

These efforts fall into three broad streams of activities:

1. Generating considerably greater financial support to conservation organisations and activities

2. Addressing the many obstacles that currently impede the flow of funding to conservation activities, and
3. Disruptive action targeting the current status quo whereby investment is rewarded without consideration of its negative impacts on nature.

Over the last decade, much of the effort linked to conservation finance has fallen into the first of these categories. Increasing efforts, driven in part by impact investing's gradual move into the mainstream, is starting to yield results, for example in geographically-specific and thematic investment funds.

Efforts to remove obstacles to financial flows are nascent at best with, to date, no systematic effort to build a roadmap or strategy around the possibilities. There is no [Taskforce for Climate Related Financial Disclosure](#) (TCFD) for conservation, little more than 'opt-in' standards, and no attempt to systematically address transparency.

And while notable disruptive forces that could affect the broader financial landscape are coming into play across the wider environment and sustainable development agendas, conservation finance has yet to begin exploring these issues, either in terms of the threats they may pose or of the opportunities they could represent.

Analysis identifies that genuine success in the first category depends on paying serious attention to the second and to the range of issues that must be addressed in order to boost success. Finally, a genuine transformation will require that the third stream of activity is actively and successfully pursued.

Definition: Conservation Finance

The term conservation finance describes the mechanism through which a financial investment into an ecosystem is made – directly or indirectly through an intermediary – that aims to conserve the values of the ecosystem for the long term. This definition mirrors mainstream definitions used by organisations such as WWF and Global Canopy Programme.

Unpacking the Three Categories

Funding for conservation efforts globally are broadly acknowledged as insufficient. Currently, global conservation efforts are funded by around USD \$52 billion annually, with the majority of this from public sources and around 20% from market based activity.¹ This is woefully below the estimated annual requirement of \$300 - 400 billion needed to finance conservation.²

¹ Multiple sources aggregated in the Stanford Social Innovation Review article [Making Conservation Finance Investable](#)

² Multiple sources aggregated at the Credit Suisse report [Conservation Finance Moving beyond donor funding toward an investor-driven approach](#)

Part of the response to this funding gap has been an increase in efforts to bring private finance to the table. This is being done through increasing activity related to green commodities flows, carbon offsets, payments for ecosystem services, and adaptations of impact investment approaches such as debt for nature swaps and social impact bonds. And while between 2014 and 2016 there was a 62% increase in private capital allocated to conservation efforts it still cumulatively only amounted to \$8.2 billion between 2004 and 2015.³ Importantly \$3.1 billion of this figure remained undeployed at the end of 2015, perhaps indicating the transaction challenges related to conservation finance, (more below).

As financial actors increase efforts to channel investment capital into projects that respect conservation values or even advance them, conservation communities are increasingly accepting that financial flows are responsible for the major impacts on nature, whether positive or negative. This movement began and has grown swiftly in the field of climate finance, leading to initiatives such as [Divest-Invest](#) and the TCFD, which while its focus was exclusively climate change was a genuine attempt to take a comprehensive look at the reforms needed to make the financial system sustainable. This is just beginning in the field of conservation finance and, as such, represents a unique and time-limited opportunity.

Combining all finance flows, covering philanthropic, government and private, including corporate support for conservation activities, as well as market based (direct and indirect) and non market based funding, analyses arrive at high estimates of around \$120 billion revenues to conservation by 2020.⁴

Even if this growth across all forms of finance continues, including a doubling of public finance into conservation, as some commentators have proposed, the funding gap will continue to be in the region of \$200 - 300 billion annually.

Add to this an underlying economic system that incentivises and facilitates flows of finance towards environmentally destructive behaviour. For instance, for every dollar provided to projects reducing emissions from deforestation, \$150 is channeled to activity that drives deforestation.⁵ Let that sink in: Over 99% of our economic engagement with forests is destructive. So even if annual finance flows were increased eight-fold to meet the recommended \$400 billion target, it changes the ratio of bad money to good from 150:1 to around 18 or 19:1. We will never succeed by only increasing financing for afforestation and restoration without reducing the overwhelming trend for our broader economic activities to be destructive.

Challenging our definition of conservation finance adds another layer to this enquiry. The broadly accepted definition of conservation finance, as articulated above, provides for only a narrow range of activities where conservation is the main aim, and, arguably, where finance may never play a major role. If the definition is changed to include sustainable land use with conservation implications, then the field widens to include a

³ [State of Private Investment in Conservation 2016](#)

⁴ [The Little Biodiversity Finance Handbook 2012](#)

⁵ [Progress on the New York Declaration on Forests Goals 8 and 9 Assessment Report, October 2017](#)

broad range of viable revenue generating activities, including much destructive land use activity. It should be noted, however, that with such a change in definitions, important conservation activities that are not suitable for private finance (for instance capability building work or engagement with governments) are at risk of being lost in the widening of scope.

Clearly, profound change to the underlying mechanisms that facilitate the interaction of finance, conservation and the drivers of ecosystem degradation is required, as perhaps is a change to the definition of conservation finance. Further, the nature of these changes will define the conservation outcomes that are achieved alongside the health of the sector overall.

If the priority needs of the conservation sector are activities that do not generate cashflows (for instance advocacy, public information and education, and institutional strengthening) but the finance available requires repayment, then funds will flow to areas not considered priorities, leaving areas such as capacity building, communications and policy reform weakened, with impacts on the whole sector. This issue can be viewed through a different lens, one of expected internal rate of return (IRR). Of not-for-profit organisations making conservation finance investments, 83% expected IRRs of 0-5%, while 88% of for profit organisations making conservation finance investments expected IRRs of 5-15%, which provides a basis from which to argue that conservation activity can be negatively impacted by for-profit motives.⁶

It is from this set of observations that our hypothesis emerges: that genuine success at the intersection of biodiversity and finance will require disruptive action to transform the rules of the game, and that, without significant change to the current social and economic status quo, this situation will continue. Or to express this in different language: the points of leverage that have been identified by incumbent conservation and finance sector actors are the wrong ones.

Qualitative Research: Conservation Finance Meetings in New York

Three meetings were held in New York in January 2019 that highlighted the state of conservation finance and the gaps that remain in bringing it to scale: the annual Crédit Suisse Conservation Finance conference (the sixth of its kind), the Coalition for Private Investment in Conservation's (CPIC) semi-annual meeting, as well as an informal meeting of MAVA conservation finance grantees. Mark Halle, from Better Nature, attended all three meetings. This section is a summary of his observations, following detailed team discussions.

Reflecting on what was presented, it is clear that both the present reality and the trends in the first stream of conservation finance offer grounds for concern. Currently, the world of conservation finance is concentrated in a narrow band of activity, with a focus

⁶ [State of Private Investment in Conservation 2016](#)

on deal flow, risk management (largely to boost deal flow) and replicability (also to facilitate deal flow).

There is a clear tension between financial return and ecological benefit, and trade-offs appear to be largely in favour of ensuring the former. The trend is for conservation to incrementally accept that success requires conforming to the needs and demands of the investors and, increasingly, structuring deals that fully meet their risk-adjusted, rate-of-return requirements. This mirrors the experience of investment into the field of social entrepreneurship from 2001 onwards.

Impact is desirable; but meeting the classic requirements of investors is an obligation. Thus, the world of impact investment as it relates to conservation is very heavily transactional, based mostly on specific investments, and increasingly oriented towards meeting the requirements of investors.

State of Play in Stream One: Increasing Financial Flows to Conservation Activities

Structural Impediments

Originating in the US around 25 years ago, and more recently shifting focus to developing countries, conservation investment is still relatively new. Unlike climate finance, it is still at an early, experimental stage, and it is beset with several additional challenges:

- Biodiversity is, by definition, location-based, making it challenging subject matter for an industry that wants its investments to be large-scale and hyper-transferable
- In addition, conservation success often requires strong local knowledge and expertise. These are scarce resources in the finance industry, which is often not wired into conservation-related investment, and
- Further, deal size is still generally modest, which leads to higher transaction costs relative to the investment that, in turn, pushes costs up and risk appetite down.

In response to the complexity of this transaction-based challenge an impact investment advisory industry has sprung up to identify and develop investment-grade projects that also advance conservation values, though anecdotal evidence suggests that generally conservation that loses out where there is a trade-off. For instance, for profit investors expect a significantly higher IRR than not-for-profit investors, suggesting that conservation impact is sacrificed for financial return,

While there is clearly a market for such advisory services, they add another layer to the completion of transactions and thereby boost costs and, in some cases, further delay the realisation of the conservation benefit.

Emerging Models for Financial Vehicles

Attention is also being paid to the design of particular financial vehicles. For instance, trust funds aimed at providing sustainable support to particular protected areas are a relatively simple example. An example is the [BACoMaB Trust Fund](#), which aggregates “capital from... sector support fisheries agreements between the Mauritanian government and the European Union, of the [German Financial Cooperation](#) (KFW), of the Swiss Foundation [MAVA](#), of the [French Development Agency](#) (AFD) and the [French Global Environment Facility](#) (FFEM). This capital is invested in ethical and socially responsible financial markets, generating profits that are used to sustainably finance conservation and sustainable development activities for the benefit of Marine Protected Areas in Mauritania”.

More complex are funds that aim to rehabilitate large areas of degraded land, both to restore these to productivity but also to restore them to a higher level of biodiversity and ecosystem health on a sustainable basis. The techniques for doing this are well known and are being implemented at scale by the [Evergreening Global Alliance](#), as an example. One notable initiative they are implementing is the [AFR100](#), which is leveraging a variety of financial instruments, including grants, equity investments, loans, risk management guarantees and funds for specific interventions. Other examples of such funds include [Althelia’s climate and ocean funds](#), [Ecosystem Investment Partners](#), [Encourage Capital](#) and [Conservation Capital](#).

While there is a fair amount of literature reviewing and analysing the field, much of which can be found on the [Coalition for Private Investment in Conservation](#) (CPIC) website, an extensive literature review does not yield any detailed analysis of the range of type, size, level of deployment, or supply-demand fit of types of finance and financial vehicles across conservation finance. In short there is no clear landscape map of the field and little sector wide coordination, even when considering CPIC and the Credit Suisse gatherings.

In an attempt to tentatively sketch out what some of the issues emerging from such an analysis might be, early research from the field of social investment in the UK was identified as a potential proxy, due to similar characteristics in terms of the state of the field and the level of research, coordination and capacity building that historically occurred. A 2011 paper published by [Nesta](#) and [New Philanthropy Capital](#) identified key characteristics of social investment as being:

- By far the majority of demand for soft, patient capital, rather than commercial or near commercial terms
- A profound lack of intermediary structures to facilitate transactions, and
- A supply-demand mismatch, with a high level of equity offerings from investors and a high level of debt required by potential recipients.⁷

⁷ Understanding the Demand and Supply of Social Finance, Nesta and New Philanthropy Capital, 2011

The fact that the authors had looked at a different emerging asset class from nearly a decade ago indicates that new research with this focus would be a useful tool for stakeholders operating right across the field and for the supply-demand value chain of conservation finance. The UNDP's [Biodiversity Finance Initiative](#) (BioFin) may be the best starting point for such an activity. BioFin have developed a comprehensive taxonomy of financial instruments alongside the results they produce and the economic sector in which they are most prevalent. They publish the [BioFin Workbook](#), the latest edition of which is from 2018. However no aggregation and subsequent analysis of this data is published in the workbook.

A Lack of Market Development Functions

While a comprehensive landscape map, detailed needs assessments, and sector wide coordination are all limited in scale and scope, it appears that the many different initiatives around investment for conservation are beginning slowly to fill the gaps in the continuum. Activity is underway in all three stages, from enabling, through incubation, to the asset itself. This means that conservation finance is no longer simply dependent on the whims of the last stage, namely the decision to invest or not to invest in a project or deal as presented.

The downside is that, absent a large scale risk-sharing mechanism (for instance junior positions taken in funds by development banks), many potential conservation-friendly investments end up being considered overly risky by investors, resulting in no finance being deployed, or being deployed on terms that reduce or even move conservation impact completely to the sidelines. This is especially true in the developing world where other forms of risk - security, political, etc. - may be more significant and so increase the overall risk assessment of projects. This is a particular challenge for biodiversity, for which conservation or restoration projects are by definition local, and the greatest need for these is often in developing countries with higher risk profiles.

And while there are of course variants along the spectrum, there is a basic trade-off between the level of perceived risk and the standard that needs to be met to release the investment. Classic risk-management and risk-sharing approaches, like development funding and blended capital are available, but blended finance tends to be complex and slow and is clearly in the early stages of development across conservation finance.⁸

The result is that the supposedly vast pool of capital seeking responsible or impact investment outlets ends up chasing safe projects in low-risk countries or environments, leaving the vast bulk of conservation-friendly investment projects falling short of the conservative and traditional requirements of investors. This means that, when the two do manage to meet, it is generally the conservation side that has done all the bending, and the investment side that has imposed its obligations on the conservation project. Interestingly, this mirrors the experience of the wider, and older, social investment field in the UK, Europe and the US over the last 15 years.⁹

⁸ Reports from the UNDP Finance for Nature Global Summit in Edinburgh 20 - 21 May, 2019.

⁹ <http://socinvalternativecommission.org.uk/>, 2015

Still, conservation-friendly investment is something new and unfamiliar for most investors, institutional and private. Achieving conservation success is complex, multi-dimensional, and often plays out over longer time horizons than most investors tolerate. The investor and conservation networks that gather for the [Credit Suisse](#) and [CPIC](#) events are on a steep learning curve, each side learning from the other. The resulting relationships and networks are a vital foundation for expanding investment in conservation impact, as well as the development of coherent (and useful) market development infrastructure, the strongest of which appears to be CPIC, though it is unlikely to be successful on its own.

The Role of HNWIs

Further, there is clear evidence that conservation impact is of primary importance to an ever-wider range of high net worth individuals (HNWIs) and family offices. Forest Trends' bi-annual review of the state of private investment in conservation saw a 200% increase in HNWI and family office respondents between their 2014 and 2016 reports.¹⁰ In general these are demonstrating a deeper tolerance for risk and are placing achievement of the impact strongly ahead of the returns generated (for example [Spring Point Partners](#) – an investment fund of the Berwin family), which appears to be an encouraging trend.

Concluding Observations of Stream One

The research and participation in events undertaken by the Better Nature team provide a 'binocular view' of the conservation finance field, confirming a range of observations related to Stream One activity:

Lack of Coordination and Mapping of the Field

As already explained, there is a lack of coordination across conservation finance. Similarly, the limited scope of market development functions, and the role these functions have played in the development of similar sectors, suggests that such a function would be welcome and would facilitate improved development of the field overall. The existing efforts of CPIC, which provide some coordination, may be a good place to build from.

Transaction Trumps Context

Through extended observation of the conservation finance community it is apparent that much of the field is locked into a transactional culture and does not appear to focus on the context in which the transactions take place and the potential for influencing these so that they might be made more amenable to conservation. Conservation players are learning what investors already know – that it is very difficult to structure deals, even more so when the territory is unfamiliar and where absorbing risk often means a leap in the dark.

¹⁰ http://cpicfinance.com/wp-content/uploads/2017/03/doc_5474.pdf, page 8

The limitations of the transaction-based approach is that it plays to the strengths of the investment community, often at the expense of the desired conservation impact. While what is sought are win-win outcomes, the wins are likely to be bunched at the end of the spectrum at which investor interests are concentrated.

A Mismatch Between Supply and Demand

Research suggests that supply and demand are mismatched. While this would require further study to confirm, a working multi-part hypothesis might be:

- Debt is needed to finance conservation activities, while the predominant capital on offer is equity
- Patient capital of 10+ years is needed, but repayment terms rarely extend beyond five to seven years
- 'Missing middle' finance, perhaps ranging between \$50k and \$2m, is needed, but deals above \$5m are the norm
- A combination of transaction cost ratios to size of deal, and desire to maximise conservation impact, drives the aspirations of beneficiaries for 0-5% annual returns, while for profit investors prefer returns in the range of 5-15%, and
- Risk pricing is under-developed and does not take into account the range of risks with conservation related projects.

A Mismatch Between Conservation Finance Initiatives and Key Drivers of Biodiversity Loss

Most conservation finance initiatives are focused on specific geographies, species and ecosystem services. The overlap between fund focuses and the main drivers of terrestrial and marine ecosystem degradation, listed here, are limited:

- Increasing the extent and management of protected areas
- Restoring degraded / depleted land and marine resources
- Increasing landscape scale conservation
- Sustainable intensification of agriculture and aquaculture
- Increasing, and reducing negative, beneficial trade
- Limiting the impacts of climate change
- Reducing fishing pressures
- Reducing marine pollution
- Reducing food waste, and
- Reducing animal-derived calories in human diets.¹¹

A field-wide review of conservation needs compared to finance supply, alongside an aggressive programme of dissemination, may be a useful mechanism to 'course correct' the field.

¹¹ Vivid Economics research, map of initiatives and frameworks, April 2019

- Metrics and Measurement are Insufficient

In view of the nature of investment, it is important that claims for conservation finance be based on solid indicators. However, the tools to separate the real green from the fake green are not yet sufficiently robust.

Further, the metrics underpinning conservation finance remain underdeveloped, creating uncertainties that translate into greater perception of risk attached to conservation investments. There is strong evidence that the metrics most commonly-used are chosen for ease of monitoring rather than the fact that they offer the most accurate and reliable indicators relating to the investment at hand.

State of Play in Stream Two: Addressing Obstacles That Impede Funding Flows

Overview

As evidenced in the above section, there is a clear need to address obstacles that impede funding flows to conservation activities. However, from the available evidence it is unclear:

- What is the scale of capital that might be unlocked, and over what timeframes, and
- Whether this will be sufficient to meet the identified need.

This section details the evidence available, and draws analogies from similar fields. It concludes that while it appears unlikely that addressing obstacles impeding increasing funding flows will be sufficient, further inquiry is needed to ascertain what this approach might achieve, and how to best go about eliminating the obstacles that currently slow or impede this growth in funding flows.

Existing Efforts

Efforts to address obstacles that impede funding flows are beginning to stir. As noted above, there is a small overlap between impact investment activity and the increasing attention paid to influencing the incentives and disincentives that drive investor behaviour, alongside the rules that govern capital and financial markets. On the conservation radar, dim blips begin to appear relating to some of the factors affecting success, though these are far from representing a coherent agenda for action.

Examples of efforts to address these factors that have been identified during this research include:

- Convenings and networks, especially the [CPIC](#) and [Crédit Suisse](#) events, which play an important role in **community and network building and information exchange**

- Organisations engaged in **building knowledge bases and providing tools** to facilitate improved conservation finance related activity, including the [Natural Capital Finance Alliance](#), [Forest Trends](#), [Global Canopy](#) and the [Biodiversity Finance Initiative](#).
- **Landscape mapping initiatives**, most notably the Forest Trends authored [State of Private Investment in Conservation 2016](#), Global Canopy's [Little Biodiversity Handbook](#) and the various publications that are commissioned by and cluster around the CPIC and Crédit Suisse events.
- **Data provision**, such as the [UN Biodiversity Lab](#), [Global Forest Watch](#), [ENCORE](#) from the Natural Capital Finance Alliance, the work of [CDP](#) and [integrations into mainstream data providers](#) such as Bloomberg from organisations such as [Sustainalytics](#).
- **Guidelines, commitments and standards**, such as the [New York Declaration on Forests](#), and the [ZUG Faith Consistent Investing Guidelines](#).
- **Fund building efforts**, for instance numerous existing funds such as [Althelia](#) and [Mirova](#), [Conservation Capital](#) or [Encourage Capital](#).
- **Fund aggregation functions**, such as the [UNDP Finance for Nature](#) team's efforts to build an Exchange Traded Fund (ETF), or the UK Government's exploration of interventions to build the field (via the [International Climate Finance](#) team at the Department for Business, Energy and Industrial Strategy - BEIS).
- **Intermediary creation and development**, for instance The Nature Conservancy's [NatureVest](#).

While what emerges from this partial review of the field appears to be a rich mix of field-building plays across conservation finance, action in Stream Two is sporadic and disorganised. Activity is minimal and coordination is limited, and where they exist, most efforts focus on building financial inflows, and so are really focused on Stream One.

Drawing on Other Fields

In addition, much of the infrastructure being built for broader green finance is relevant and may be useful for the development of the conservation finance field. For instance, the development of infrastructure to support the growth of [Green \(or Climate\) Bonds](#), the initiation of the FSB's [Task Force on Climate-related Financial Disclosures](#) (TCFD), and the rise of the [Divest-Invest movement](#) are all examples of very different types of infrastructure put in place to support green financial development.

Building from this, opportunities exist to learn from the development of other socially and environmentally focused investments. Mistakes have been made and successes achieved, with much of this experience and useful lessons to be learnt easily applied to conservation.

Possibly the most comprehensive set of efforts to develop a new field of social of environmental finance occurred during the first 15 years of the emerging social investment sector in the UK. As such, this is a good field to learn from. The sector's development is well documented and efforts to build the field were well funded for over

a decade. Issues that were central to the field's development, and that match to the identified needs of conservation finance include:

- The provision of “missing middle” finance
- Transaction costs
- Development of an intermediary sector
- Development of a full range of products, across the entire capital spectrum, and
- Approaches to mainstreaming.

Initiatives such as the [Social Investment Taskforce](#), [Big Society Capital](#), [Flip Finance](#), and the [Alternative Commission on Social Investment](#) all make good starting points for exploration of this field, with a view to applying lessons to the development of conservation finance at its current state of development. A study along these lines should be a priority focus of those wanting to build the field, as there are significant opportunities to leapfrog much of the social investment's developmental teething pains.

Lessons could also be learned from the [UNEP Inquiry into the Design of a Sustainable Financial System](#), a four-year initiative that focused on the reforms needed to permit financial and capital markets to align better with the needs of sustainable development. Its success is now legendary – including securing a Green Finance Working Group in the Finance Stream of the G20 and changing the way the world views sustainable finance – moving it from boutique operations to mainstream or, better, setting it up as a “new” stream – a strategic opportunity for the financial community. Such an approach, replicated in conservation finance could yield significant field building results.

Next Steps

Clearly, the issues raised here dictate that significant additional work is needed to remove the obstacles that impede funding flows to conservation finance. Critically, those supporting the sector's development need to coordinate to ensure:

- A systematic and cross-sector effort develops a roadmap or strategy around the possibilities for the field's development
- The functions detailed in the “Existing Efforts” section above are supported and become adequately mature, and that
- Significant new field-building efforts are initiated, for instance an effort analogous to the TCFD. While challenging from a data perspective, such an effort could form a central part of the field-wide move to improve transparency, measurement, and metrics necessary for a step change in the field's activities.

Importantly, this all needs to be developed for both financial players as well as the corporations whose business depends on natural resources and ecosystem services.

Of particular importance are emerging opportunities (and challenges) such as how to deal with - and harness - tech-enabled super-transparency. For now, regulators are far behind the curve, leaving scope for the unscrupulous.

Finally, there is a need to conduct a serious and strategic examination of the incentives dictated by the rules and regulations governing financial and capital markets – for example those that reward short-term investments or serve as obstacles to institutional investment in sustainable assets. Such a systematic assessment should have the aim to identify where reform is possible, and where such reform would have a significant positive impact on directing financial flows away from harmful investments and towards those that advance sustainable development.

The rules and practices that need to be assessed include trade, competition and fiscal practice, e.g. BEPS ([Base Erosion and Profit Shifting](#)) programmes underway in the OECD and in the mining sector. Securing a solid revenue stream for the public sector in developing countries could go a long way to enabling them to provide public investment in natural infrastructure. This study would act as segue for existing activity focused on removing obstacles to move on to the subject of Stream Three: the disruption of conventional investment paradigms.

Stream Three: Disrupting Conventional Investment Paradigms

There is growing evidence – for example in the [#FridaysforFuture](#) movement inspired by Greta Thunberg – that the harmful activities of investors and corporations may be headed towards a tipping point in terms of public and consumer acceptance. With the right mobilisation, this could become a serious “licence to operate” issue. It is also clear that there is much to be done in mobilising the public to demand conservation results, which would greatly increase the risk attached to ignoring conservation impact and the reward for being perceived as a conservation leader.

Confirmation of this hypothesis was found in the February 2019 convening hosted by the [Green Economy Coalition](#) exploring strategies for biodiversity finance. The synthesis arising from this convening proposed “an overarching goal of seeking to contribute to achieving ‘no loss’ of biodiversity by focusing on rule-making that internalises biodiversity at scale into financing decisions”... through a work programme centred around use of narrative to mobilise people in a way that is location-specific and combines with finance sector risk exposure to influence rule-making.¹²

The briefest of enquiries identifies the range of disruptive tools available - divestment movements, shareholder action, public information campaigns, etc. - are significant, and that these have barely begun to be explored, much less built into a concerted movement focused on conservation.

Of these mobilisation tools, [divestment](#) is best understood. Here it is used to sketch out what just one disruptive tool might look like when deployed in support of “rule-making that internalises biodiversity at scale into financing decisions”. Other examples, such as

¹² GEC Convening Report, Investing in Green Finance,, February 2019.

implementation of a TCFD framework, shareholder activism or consumer campaigns could all be used as additional examples of disruptive action.

Efforts by campaigners targeting mainstream financial actors to divest of fossil fuel assets are symbolic of what is required. The role that divestment has played in the development of the TCFD, [climate risk assessment analyses being adopted by central banks](#) and the inclusion of climate change in the [stress testing of banks](#) are all examples of paradigm disruption that has the potential to transform the relationship between finance and climate.

Divestment might be extended to corporations that have a particularly poor record of ecosystem management, or who decline to disclose their ecological footprint or that of their supply chains. This could be accompanied by concerted attempts to strand or render worthless assets that are associated with a particularly egregious impact on nature and natural resources.

However, divestment strategies in support of conservation face unique challenges. Company ownership across sectors that exploit natural resources for [the production of soft commodities are mainly in private hands](#). [Supply chains are complex and opaque](#). Disclosure is the exception not the rule. Base Erosion and Profit Shifting (BEPS) is likely to materially effect finance flows, making them harder to map. [Finance often flows through tax havens](#), compounding the lack of transparency and BEPS issues.

To be successful in this endeavour, there needs to be a solid foundation of data of the sort that the different initiatives addressing GHGs produce ([Carbon Tracker](#), [Influence Map](#), and [CDP](#) to name just three). How this data is then 'animated' needs to be explored. An initial analysis of a meaningful divestment strategy targeting natural resource extraction suggests indirect divestment will be required. This means divestment strategies that target the providers of finance to the companies causing the damage, as well as downstream and upstream of their value chains.

The role of animator needs to be taken on by a range of actors in the social realm. Media, campaign organisations, the general public, active and activist investors all have a role to play. Understanding what these roles are and what they need to become active requires investigation beyond the scope of this paper. It is clear, however, that these campaigns can be very effective, especially when combined with shareholder activism and action in the courts. As a new mechanism to disrupt financial flows away from harmful activity as well as towards beneficial activity they need to be explored as a matter of urgency.

The scope for action extends to sectors, for example [insurance companies declaring that they would not invest in fishing companies who engage in IUU fishing](#) (Illegal, Unreported and Unregulated fishing). Coordinating campaigns with insurance and reinsurance companies both as insurance providers, underwriters, and as institutional investors could be very effective in acting at scale. The same is true, with limitations, for pension funds. All of these financial actors are organised into networks for sustainability, but few include a special focus on nature and natural resources. Creating this focus would not be difficult – for example working with the [Sustainable Stock](#)

[Exchange Network](#) to include nature-based indicators in the requirements for listing of equities. Or with the [UN Principles for Responsible Investment](#) to elaborate a broad set of principles aimed at improving the conservation impact of investment and the attention paid to it by investors.

Divestment is just one example of an approach that might be taken to disrupt conventional investment paradigms to make them in support of nature. Clearly, significant effort is needed to explore this and other approaches that hold potential to transform finance.

Conclusion

The prevalence of perverse financial flows is one of the main drivers of the degradation of our natural world.

While efforts to expand existing conservation finance efforts are welcome, it is clear that this will not be nearly sufficient to turn around the negative trends on biodiversity and ecosystem loss.

The vast majority of action around conservation finance to date is focused on generating conservation-friendly investment, with a small but increasing element focused on changing the enabling conditions to improve finance flows to conservation. However, this too is insufficient to bring the scale of change required at the speed demanded by the challenges of natural world degradation.

Disruptive interventions that challenge the underlying paradigms governing finance are wholly missing from the field of conservation finance. Significant effort needs to be focused on developing this area of activity.

A focus on Stream Three, alongside continued efforts to develop the first two streams, could change the dynamic in the relationship between investors and conservation forces, redressing the balance in favour of the latter. Real success in Stream Three might begin to introduce a new social expectation. Like child labour or smoking in public places, we need to reach the tipping point at which serious damage to nature caused by investment or corporate activity becomes socially and politically unacceptable, leading to structural changes in our social, economic and political systems.