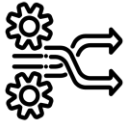


Nature Restoration Financing as a tool for drought risk management

Results and Insights for the State of Finance Report 2023
UNEP - Climate Finance Unit



Nature-based Restoration solutions can address and reduce the impacts of drought



Wetland and watershed conservation and sustainable management – Improve water retention and supply



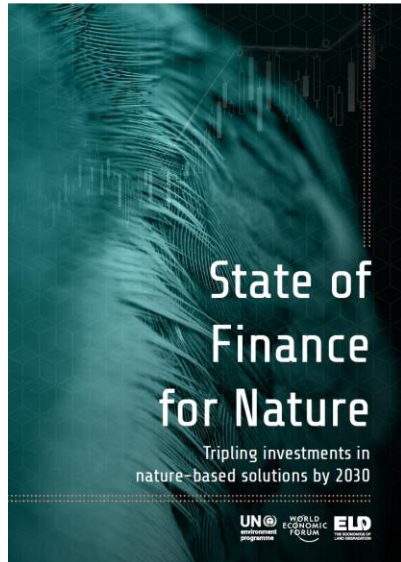
Afforestation, reforestation – Improves soil structure, increases water retention, and enhances local microclimates.



Agroforestry, regenerative agriculture and soil management – Reduce soil erosion, enhance soil fertility and moisture, and improve water infiltration and retention

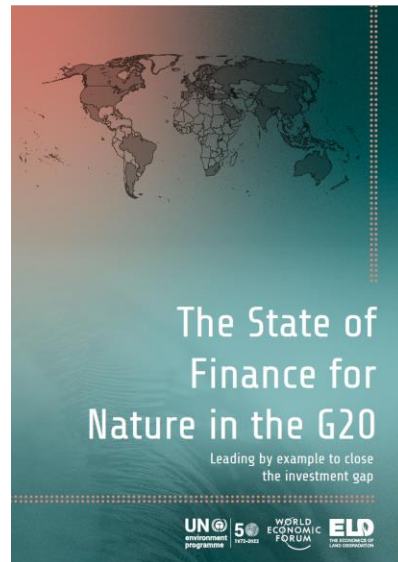


Current NbS finance vs NbS investment opportunities – identifying the finance gap



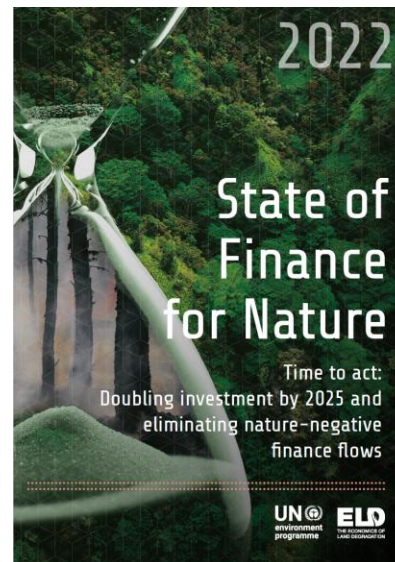
Inaugural report (SFN2021) estimates **global financial flows to NbS** and the **finance gap in terrestrial NbS** to limit climate change to 2°C and reverse biodiversity loss

2021



Builds on SFN 2021 analysis focusing on NbS finance and the finance gap in **G20 countries**

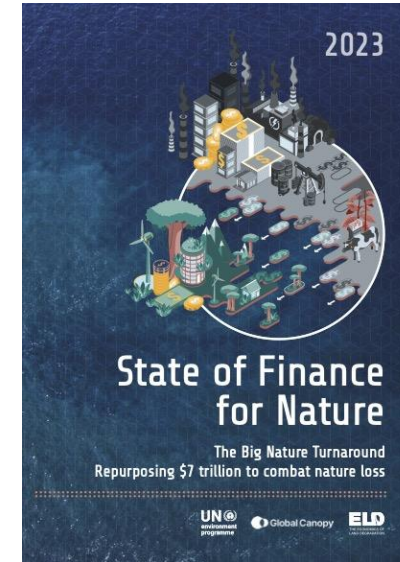
2021



Expands scope to include:

- financial flows to **terrestrial and marine NbS**
- quantifies public **nature-negative financial flows**
- Focus on 1.5C scenario, 30by30 and LDN

2022



Expands scope to include

- **Private nature-negative finance**
- Granular analysis on **restoration finance**
- **Key levers** to scale NbS finance
- **Investment needs** by region, public/private

2023



First country level assessment of finance flows to NbS, nature negative finance flows and investment needs

- To identify NbS finance and nature negative finance
- To identify key investment needs, levers to scale finance, links to bioeconomy

2023/24

SFN – what we measure

Current finance



NbS finance

Annual financial flows to marine and terrestrial ecosystems from:

- Public sources: domestic government expenditures and Official Development Assistance (ODA)
- Private sources: biodiversity offset, impact investing, philanthropy, sustainable supply chains etc



Nature-negative finance

Annual finance flows with direct negative impacts to nature incl

- Govt subsidies harmful to nature
- Private finance flows

Future finance



NbS investment needs

Annual finance needed for NbS under scenarios across:

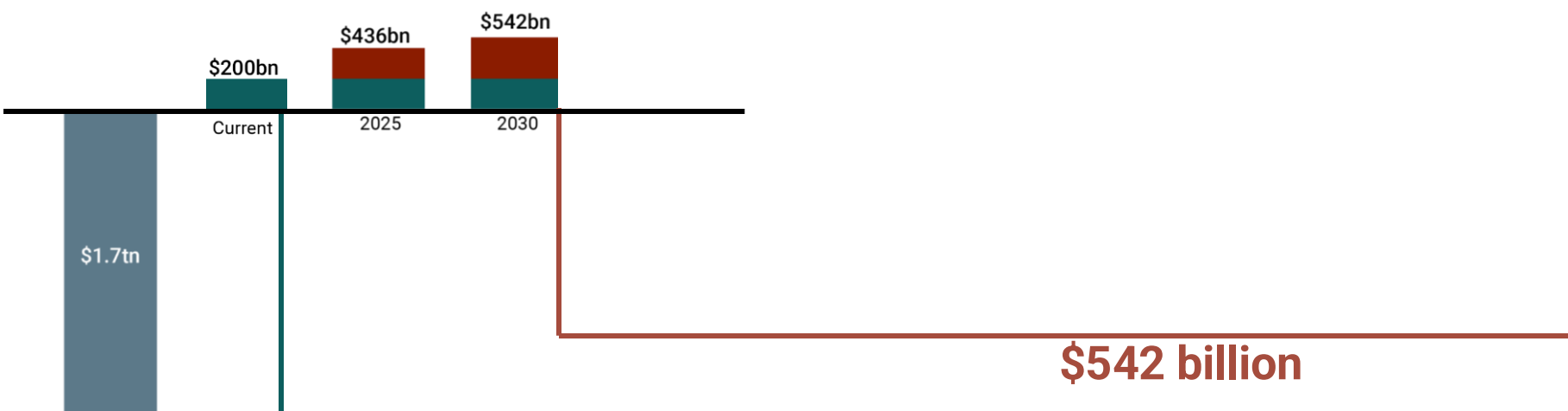
- NbS activities
- 1.5 °C and likely policy trajectory scenario
- Regions
- Public and private



NbS benefits

SFN estimates:

- GHG removals from NbS
- Change in global biodiversity intactness index (BII)



\$1.7tn

\$200 billion

Current NbS finance are **<3%** of nature negative finance flows

\$4.9tn

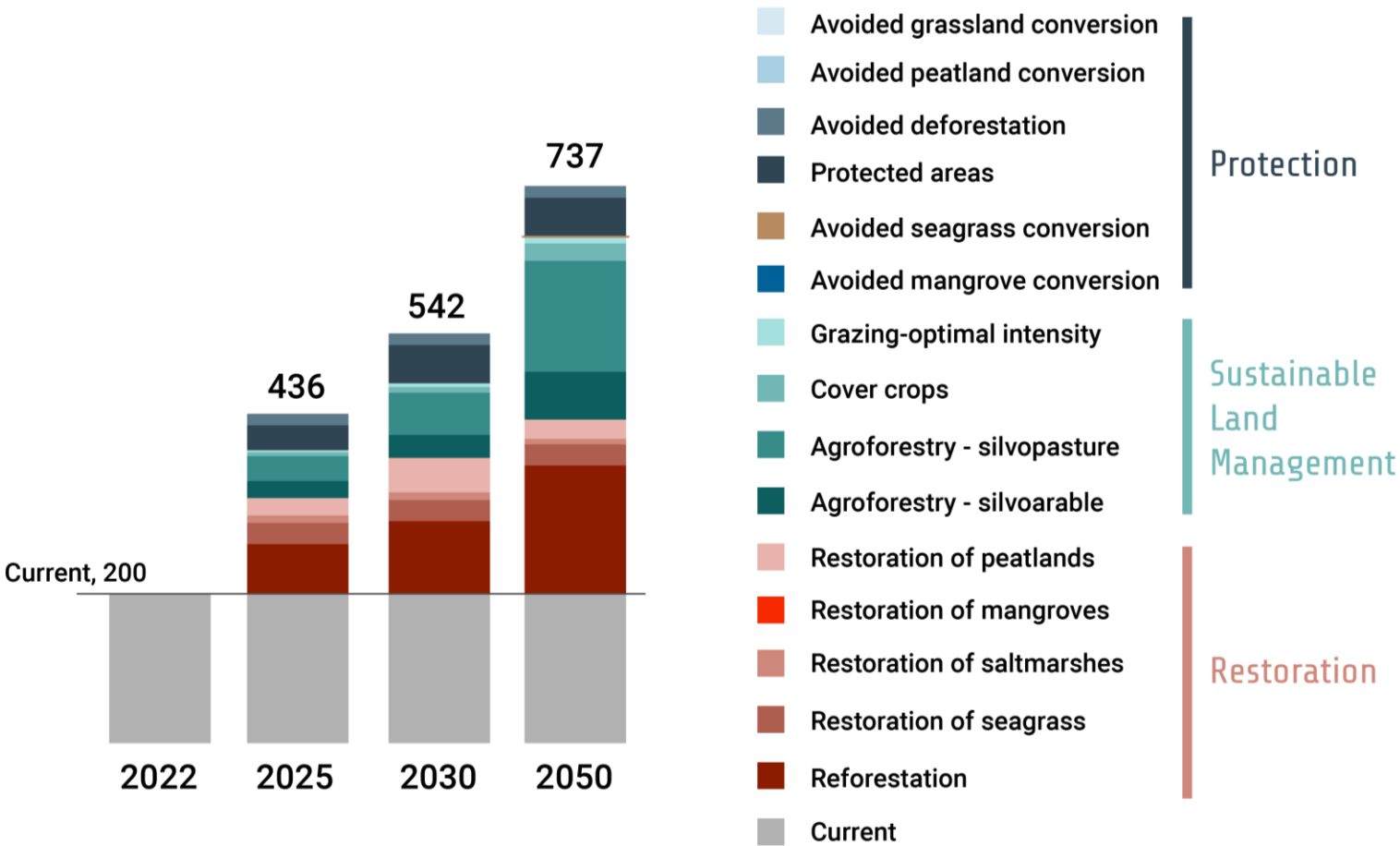
Almost **\$7 trillion**

Nature negative finance flows



NbS investment needs - Rio-aligned scenario

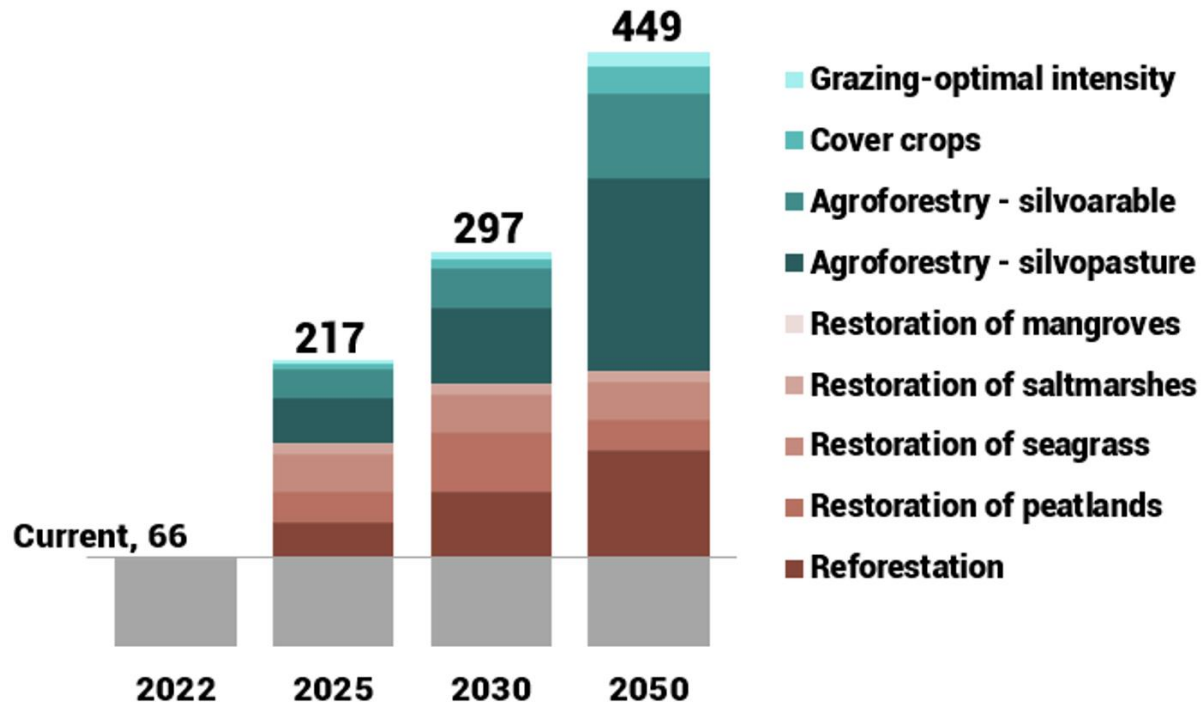
Additional annual finance need, Rio-aligned, 2023 US\$ billions



Finance flows to NbS need to almost triple from current levels (US\$200 billion) to reach **US\$542 billion** by 2030 and to quadruple to **US\$737 billion** by 2050



The State Restoration Finance for Restoration



Annual investment in restoration (including sustainable land management) needs to more than triple by 2025 from US\$66 billion to **US\$217 billion** and to more than quadruple to **US\$297 billion** by 2030 to reach Rio targets



Recommendations for action



Greening finance - eliminating nature-negative finance



Business and finance – Transforming business as usual with assessment and disclosure frameworks



Governments – Realign and repurpose harmful subsidies to become climate, degradation and nature positive (socially just)



Governments – Provide an enabling policy environment for private action to tackle nature-negative finance flows



Financing green – scaling public funding and private investment into nature-based solutions



Private sector action to scale nature-based solutions finance: investing in sustainable supply chains, prioritising conservation and regenerative practices in agriculture, forestry and fisheries



Government action via public finance: Increase domestic expenditure on NbS, particularly on NbS providing public goods, increase ODA and NbS share of ODA,



Government action to catalyse private finance for nature-based solutions: incentives and regulation to scale private investment in NbS



The road ahead won't be easy without collective action



Lack of collaterals: Most NBS are built on nature assets that are not privately owned and therefore are difficult to collateralize to lower risk for investors



Most NBS require long-term investment and patient capital, which goes against the prevailing market short-termism



NBS requires to address well-known environmental market inefficiencies: negative externalities, free riding, tragedy of the commons...



Thank you

Questions and feedback to
nathalie.olsen@un.org

