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# Finance Solutions for Nature: Pathways to Returns and Outcomes

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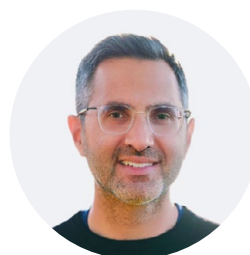
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# Foreword



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In recent years, nature finance has moved from the margins of sustainable investing into a critical area of focus for investors, corporates and policy-makers alike. Growing scientific clarity on the material risks of biodiversity and nature loss, coupled with greater momentum towards global nature goals through the Kunming-Montreal Global Biodiversity Framework (GBF), has led to the emergence of a dynamic set of financial innovations for nature. Yet markets still struggle to consistently reward positive nature outcomes. Unlike climate finance, which has advanced significantly through decades of policy alignment and standardization, nature's challenges are starker – it remains underpriced, undervalued and underfinanced.

The landscape of nature finance is rapidly evolving. From sovereign debt instruments and blended capital platforms to biodiversity credits and emerging asset classes, a growing range of mechanisms is being deployed to fund, finance and de-risk nature-positive action. These span both concessional and returns-seeking capital, involve public and private actors, and are designed for multiple purposes – from funding high-integrity

conservation to building regenerative business models. This diversity is a strength, but it also presents a challenge: stakeholders must now evaluate this ever-expanding toolkit to select and scale up the most fit-for-purpose solutions.

This report aims to support that effort. We examine the financial mechanisms that enable specific projects or nature-positive interventions – the transaction structures and capital flows that can unlock investment at scale. The goal is to provide a practical framework to help institutional investors, banks, asset managers and development actors identify the right finance solutions for the right context and strengthen the enabling environment around them. This report is the work of a productive collaboration between the [Global Future Council on Natural Capital](#) and [The Nature Markets and Biodiversity Credits Initiative](#) that is supported by McKinsey & Company.

Achieving a nature-positive economy requires coordinated action. We hope this work contributes to the shared effort required to build financial systems that value, steward and regenerate the natural world.

# Executive summary

## Ten finance solutions can mainstream nature in capital markets.

The landscape of nature finance is growing, but complex. Nature is rapidly emerging as a strategic investment frontier and more institutional capital is flowing into new business models and projects. Yet the underlying complexity remains: nature-related data is fragmented, ecosystem outcomes are hard to price, financial markets are only just starting to embed nature into decision-making frameworks, and the links between climate and nature finance are nascent. This is compounded by varying advice on a growing universe of finance solutions.

This report consolidates available guidance into 37 financial solutions to mobilize capital for nature. These include financial instruments, funds and facilities, enabling mechanisms, and fiscal and regulatory measures. Some operate at the scale and familiarity required by institutional investors, while others are still early-stage or need catalytic funding to achieve scale.

**Ten priority financial solutions can be considered for their ability to deliver nature outcomes – at sufficient scale, with investable returns:**

- 1. Sustainability-linked bonds (SLBs):** Commercial bonds tying coupon rates to nature-related targets for corporates or governments. To scale up, SLBs need stronger triggers, clearer metrics and closer alignment between issuers and investors.
- 2. Thematic (or use-of-proceeds) bonds:** Bonds with proceeds earmarked for nature projects. Scaling-up requires clearer guidance and aggregation to improve outcomes for issuers and investors.
- 3. Sustainability-linked loans (SLLs):** Flexible debt, linking interest rates to nature-related targets. SLLs need simpler verification, standardized metrics and stronger triggers to drive nature-positive lending.
- 4. Thematic (or use-of-proceeds) loans:** Loans for specific nature-related projects. Greater clarity on taxonomies and aggregation is needed to enhance capital flows.
- 5. Impact funds:** Funds investing in nature-positive outcomes, often accepting higher risk or longer pathways to returns. Scaling-up requires a stronger pipeline of investable projects and better governance.

- 6. Natural asset companies (NACs):** Publicly and privately listed companies that convert the full economic value of nature into financial flows via equity models. NACs hold significant potential but need more transactions for price discovery and replicable investment blueprints.
- 7. Environmental credits:** Tradeable certificates for verified environmental benefits, used in compliance or voluntary markets. Scaling-up needs integrity principles, unified standards and stronger local community engagement.
- 8. Debt-for-nature swaps (DNS):** Mechanisms to restructure sovereign debt in exchange for conservation or restoration commitments, with investable components including bonds and loans. DNS need better governance and standardization, plus an expanded pipeline of eligible debt to deliver conservation funding.
- 9. Payments for ecosystem services (PES):** Contracts rewarding conservation for specific ecosystem services, driven by the public sector. Private sector schemes require longer contracts, aggregation and supply chain integration to scale up.
- 10. Internal nature pricing (INP):** Unexplored, voluntary shadow pricing or fee-based tools to incentivize nature-positive performance in companies or across investment portfolios, similar to internal carbon pricing (ICP).

A flexible toolkit that deploys these solutions across contexts is essential to shift markets, as nature finance will not scale up through one “perfect” solution. Moving from a fragmented landscape of transactions to mature global markets will depend on scaling-up the best of both worlds: the familiarity, liquidity and simplicity of general-purpose finance combined with the outcome credibility of nature-specific models that deliver positive results for ecosystems.

**To get there, five enabling actions are essential:**

- 1. Standardize decision-relevant data for investors:** Scaling-up nature finance requires high-integrity, decision-ready metrics. Standard-setters can drive alignment on KPIs and natural capital accounting methods to translate nature’s full value into financial decisions, supported by auditors, data platforms and academic partners. Credit rating agencies can also play a key role in pricing ecosystem risk into creditworthiness.



2. **Strengthen structuring approaches and de-risking mechanisms:** Bankable nature transactions must embed nature outcomes into familiar structures, offer clear return pathways and share risk transparently between public and private actors. Multilateral development banks (MDBs) and development finance institutions (DFIs) can expand access to catalytic capital and co-develop scalable blended finance platforms that lower risk, improve deal flow and crowd-in investment. Donors and philanthropies can provide first-loss capital, while institutional investors can help develop replicable transactions.
3. **Expand the investment-grade pipeline of nature projects:** The pipeline of investable nature projects remains challenging to access. From the supply side, many are early-stage, fragmented and lack development capabilities or investment-grade metrics. At the same time, investor demand remains hesitant due to persistent perceptions of risk. The public sector and non-profits can improve enabling conditions such as tenure, concessions and project preparation support. Accelerators, venture studios and impact funds can help source, de-risk, scale up and aggregate local nature models, especially those overlooked by traditional finance. Identifying and scaling-up hybrid models that align expectations of returns with environmental outcomes could help accelerate investor momentum.
4. **Build market demand through an enabling environment:** A stable enabling environment to capture the nature-positive economic prize is essential to anchor real-economy action and mobilize private capital. Governments can strengthen long-term commitments on nature through cross-ministerial engagement and economic transition plans that embed GBF-related nature targets on conservation, restoration and fiscal policy. Central banks and supervisors can look to integrate nature into macroprudential frameworks, while MDBs and donors can support capacity building.
5. **Shift market norms and incentives to recognize nature's full value:** Long-term investment in nature requires updated market norms. Asset owners and boards should integrate nature and biodiversity into mandates and adopt a "3D lens" – balancing risk, return and impact. Public sector investors and MDBs can embed nature in regional and national accounting systems. Meanwhile, credit rating agencies and asset managers can evolve risk models to reflect nature-related dependencies in corporate and sovereign credit ratings.



Credit: Martina Beshparova

# Introduction

“ While produced capital per person rose by over 47% from 1995 to 2020, renewable natural capital per person declined by 20%.

## Nature is undervalued in the global economy

**The case for investing in the full value of nature remains as urgent as ever.** While some components of nature – such as food, timber and ecotourism are priced and traded in global markets, the value of many critical ecosystem services remains undervalued. Carbon sequestration, water filtration, flood protection and pollination are often treated as “free” inputs, despite underpinning our economies and societies. The result is a persistent gap in how nature’s most critical functions are valued in economic and financial decisions.

**The consequences of this imbalance are severe.** The World Bank estimates that while produced capital per person rose by over 47% from 1995 to 2020, renewable natural capital per person declined by 20%, reflecting sharp falls in biodiversity and ecosystem services.<sup>1,2</sup> Over half of global GDP is

now at risk of significant disruption from nature loss.<sup>3</sup> In 2022 alone, nearly \$7 trillion flowed into nature-negative activities, including \$1.7 trillion in harmful public subsidies and \$5 trillion in private-sector impact – far outpacing the \$200 billion invested in nature, of which less than 20% was from private sources.<sup>4</sup>

**A new paradigm is emerging to combat this challenge.** The natural capital approach extends the economic concept of capital to the environment, conceptualizing stocks of natural resources as conventional goods worth restoring, maintaining and enhancing for their productive flows.<sup>5</sup> This approach includes both accounting – embedding nature in national and corporate balance sheets – and valuation – pricing nature’s contributions into cost-benefit and investment analysis. Over 90 countries and 100 global businesses are now integrating these tools to help manage long-term risks, boost resilience and align investment decisions with the real economy’s dependency on nature.<sup>6</sup>

“ Private finance for nature has surged eleven-fold to over \$102 billion in the four years leading up to 2024.

The Kunming-Montreal Global Biodiversity Framework (GBF) reflects broader international goals to realign financial flows towards nature-positive outcomes. Target 19 calls for the mobilization of at least \$200 billion per year for biodiversity by 2030, through a mix of domestic, international and private sources.<sup>7</sup>

## Traditional finance will play a critical role

**The finance sector has a critical role to play in delivering global goals.** Progress hinges on the financial system’s ability to recognize and reward investments that protect, restore and sustainably use natural capital. However, translating this to a clear agenda remains a challenge – markets are designed to favour short-term financial gains over long-term growth that weighs ecological and economic goals together. Asset owners and managers in turn struggle to find robust finance solutions with reliable cashflows tied to real environmental outcomes.

**However, there is a clear economic and financial opportunity.** Research shows the nature-positive economy could be worth an additional \$10.1 trillion in annual business value in 2030, with at least 60 clear opportunities across every sector of economy.<sup>8</sup> Recent estimates suggest that the green economy more broadly accounted for nearly \$8 trillion in listed equity market value in 2024 and has outperformed global equities by ~59% since 2008 – underscoring its investment potential.<sup>9</sup>

**Traditional finance is rising to the challenge.** New nature-linked investment models – grounded in risk-return-impact frameworks – are gaining traction, supported by a growing ecosystem of ecologists, economists and innovators.<sup>10</sup> Institutional investor interest is growing, with new nature-focused funds emerging from venture capital and private equity firms and pilot instruments being tested by corporates and multilateral development banks (MDBs).<sup>11,12</sup> Private finance for nature has surged eleven-fold to over \$102 billion in the four years leading up to 2024.<sup>13</sup>

## Investors need clear guidance to navigate a shifting landscape

**Investors face difficulties navigating the evolving investment landscape for nature.** This is understandable, but investors are not monolithic – their objectives, constraints and mandates vary considerably. While some seek nature-aligned products with scalable, risk-adjusted returns, others are constrained by fiduciary interpretations, data gaps and mandates. Persistent perceptions of risk and ecosystem fragmentation continue to limit capital flows into nature-linked opportunities, particularly in emerging markets.<sup>14</sup> Meanwhile, unfamiliar instruments that require bespoke structuring struggle for mainstream uptake against familiar tools such as loans, bonds and equity.

**This report helps address the knowledge gap.** Chapter 1 consolidates available guidance on the evolving landscape and prioritizes 10 finance solutions for nature that can deliver returns, nature-positive outcomes and unlock capital at scale. Chapter 2 explores each solution in detail, outlining their investment and impact objectives, pathways to mainstreaming and case examples.

**However, financial innovation alone will not unlock the full potential of these solutions.** The right enabling conditions – achieved through public-private collaboration and including credible metrics, bankable structures, appropriate de-risking measures and institutional alignment – can spur demand for nature finance and incentivize action across the economy. Chapter 3 provides a broad set of actors with key recommendations that can develop the institutional infrastructure for nature finance.

**This report is an important step, but not the final word.** Many of the finance solutions featured are nascent, with limited data on real-world performance. While this report prioritizes solutions based on design features and expert insight, a key next step is empirical validation – tracking financial flows and nature outcomes over time using consistent, comparable metrics. Future research must build a stronger evidence base to assess which solutions deliver the greatest impact and value, moving from promising models to proven strategies that can shape mainstream investment.

1

# Prioritizing finance solutions for nature


Ten finance solutions for nature could deliver a combination of returns and impact, while unlocking capital at scale.





The landscape of finance solutions for nature is evolving. Traditionally, financial resources for nature have been mobilized mostly through public, multilateral, philanthropic and concessional funding.<sup>15</sup> Private sector financing for nature


remains nascent and often reliant on blended structures. The sector has struggled to mobilize significant institutional capital, whether from pension funds or sovereign wealth funds.

## BOX 1 Definitions

 **“Nature”** – includes both biodiversity (i.e. living organisms and their ecosystem services) and geological processes and systems.<sup>16</sup>

 **“Natural capital”** – comprises the world’s stock of natural resources, both renewable and non-renewable, and its flows of ecosystem and abiotic services. The natural capital “approach” refers to the connected processes of natural capital accounting and valuation.

 **“Finance solutions for nature”** – refer to all tools, mechanisms, instruments, capital sources and approaches designed to mobilize, allocate or manage financial resources for nature-related initiatives.<sup>17</sup>

 **“Nature-related initiatives”** – include those that improve outcomes for nature relative to a baseline, through activities in conservation, restoration, regeneration, mitigation and sustainable usage. They cover at least one natural capital asset (e.g. forests, land, water, species) and typically include social and cultural co-benefits.

**“ Finance solutions have become increasingly innovative and market-based. However, guidance is fragmented, with limited clarity on performance or applicability.”**

Recently, the universe of finance solutions has become increasingly dynamic and flooded with innovative, market-based approaches.<sup>18,19,20</sup> However, guidance is fragmented, with inconsistent methodologies and taxonomies, and limited clarity on performance or applicability.<sup>21</sup> This makes it difficult to facilitate strategic engagement and informed decision-making by investors to identify which solutions align with their mandates.

This report identifies 37 finance solutions for nature across four key categories (see Figure 1). Definitions for each solution are available in [Appendix B](#). The list consolidates various guidance and organizes solutions by how capital is deployed and how payment terms are structured, rather than splitting them by their use or application. For example, standard commercial instruments such

as loans and bonds are listed separately from their sustainability-linked counterparts. However, green bonds and blue bonds featuring use-of-proceeds are grouped together into “thematic” bonds.

Prioritization can help investors focus market development activities and capital deployment. Each solution in Figure 1 is valuable and built to unlock capital for nature in different scenarios. However, not all solutions are ready for deployment at commercial scale or are effective at delivering nature-positive outcomes – both key drivers of capital allocation decisions. To identify priority solutions, this analysis scores each solution based on its potential for scale and nature impact, breaking these down into six criteria, outlined in Box 2 and Appendix A.



FIGURE 1 | 37 finance solutions for nature

● Financial instruments		
1. Sustainability-linked bonds	10. Bridge financing	<ul style="list-style-type: none"> <li>– Commercial contracts with monetary value.</li> <li>– Can generally be traded or held by both public and private investors with the expectation of competitive returns.</li> <li>– Can be used exclusively for returns and to facilitate nature-positive investments in corporate supply chains.</li> <li>– Can also include blended finance or be policy-based.</li> </ul>
2. Thematic bonds	11. Debt-for-nature swaps (DNS)*	
3. Commercial bonds	12. Natural asset companies (NACs)	
4. Impact bonds	13. Commercial equity	
5. Conservation notes	14. Private equity	
6. Sustainability-linked loans	15. Impact equity	
7. Thematic loans	16. Payments for ecosystem services (PES)*	
8. Commercial loans	17. Environmental credits*	
9. Impact loans		
● Funds and facilities*		
18. Impact funds	21. Commercial funds	<ul style="list-style-type: none"> <li>– Pools of financial capital that can be deployed to financial instruments.</li> <li>– Can be structured as fully commercial to deliver returns.</li> <li>– Can also feature elements of blended finance or policy support.</li> </ul>
19. Thematic funds	22. Corporate funds	
20. Venture capital	23. Crowdfunding	
● Enabling mechanisms		
24. Green securitization	29. Public grants	<ul style="list-style-type: none"> <li>– Solutions that support, de-risk, aggregate or otherwise facilitate investment in instruments or funds.</li> <li>– Do not raise or deploy capital on their own.</li> </ul>
25. Risk insurance	30. Conservation easements	
26. Credit guarantees	31. Advance market commitments (AMCs)	
27. Internal nature pricing (INP)	32. Jurisdictional approaches	
28. Philanthropic finance		
✘ Fiscal and regulatory measures		
33. Ecological fiscal transfers	36. Betterment levies	<p>Fiscal policy tools that can be deployed by governments to:</p> <ul style="list-style-type: none"> <li>– Raise capital for conservation and restoration activities.</li> <li>– Create new markets for regenerative business models.</li> <li>– Incentivize nature-positive activities.</li> </ul>
34. Environmental/externality taxes	37. Incentive mechanisms	
35. Environmental subsidies		

**Notes:**

\* Solutions that can be structured as either commercial, blended or policy-based, depending on context.

● Coloured blobs are used in subsequent figures to denote finance solution types.

✘ Not explored further in this research.

Sources: See endnote.<sup>22</sup>



## BOX 2 | Six criteria for scoring finance solutions

Six criteria across two dimensions are used in this analysis to “score” finance solutions for nature. Each solution receives a score of low (1), medium (2) or high (3) on each criterion, based on the best available evidence (see Figure 3).

### Dimension #1: Capacity of each solution to unlock capital for nature at scale

- **Ease of structuring:** The ease and speed with which investment can be mobilized. Commercial loans, bonds and equities score high, given their dispersed market expertise; risk insurance and advance market commitments (AMCs) score lower, given the time and bespoke structure of each transaction.
- **Applicability:** The versatility of each solution. Sustainability-linked and thematic loans score high, given their applicability across sectors, regions and project sizes; conservation notes score low, given the narrow use case.
- **Capital unlock:** The scale of capital that the instrument can unlock at full potential. Equity and bond structures score high, given their market familiarity and commercial scale; donor-based mechanisms generally score low, given the limited pool of funding relative to markets.

### Dimension #2: Capacity of each solution to generate nature-positive impact

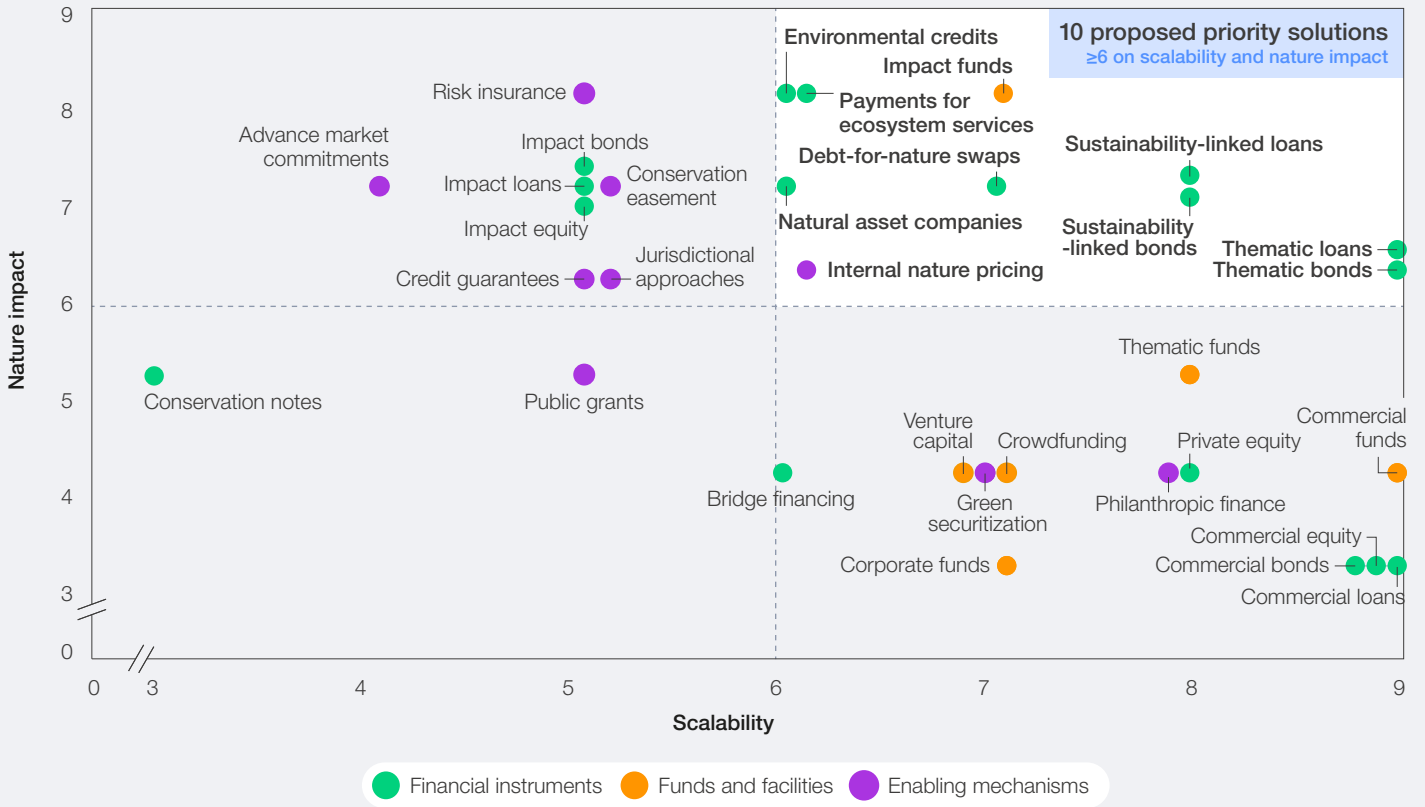
- **Track record:** Evidence that past transactions created measurable nature-positive outcomes. Impact funds and risk insurance score high, but few other instruments do; new instruments such as natural asset companies (NACs) and internal nature pricing (INP) score low, given they have not yet been deployed.
- **Outcome-based structure:** The degree to which returns or capital unlock depend on measured nature impact. Sustainability-linked instruments score high, as payout terms are linked to outcomes; standard commercial instruments without such conditions score low.
- **Nature valuation:** The extent to which pricing captures the full value of ecosystem services. NACs and payments for ecosystem services (PES) score high, as natural capital valuation is core to pricing; standard commercial instruments score low, as valuation plays no such role.

Prioritized solutions score 6 or higher on both dimensions, out of a maximum score of 9 per dimension. The full rationale for scoring each solution can be found in Appendix B.

The scoring analysis yields 10 priority solutions – as depicted in Figure 2, which features scalability on the x-axis and nature impact on the y-axis. Eight of the priority solutions are financial instruments. Unsurprisingly, the four which score highest on scalability for nature finance are those with significant commercial scale across all purposes today, while four others score higher on nature impact as they are designed outcome-first. When applied to funds and facilities, the analysis yields one priority solution – impact funds; when applied to enabling mechanisms, it yields another – internal nature pricing (INP). The relative scores of all 10 priority solutions, measured against their capacities to unlock capital for nature at scale and to generate nature-positive impact, are presented in Figure 3.

Additionally, while not prioritized in this analysis, many other solutions play a critical role in mobilizing capital for nature. For instance, credit guarantees and grants are critical to enable market creation in sectors and regions where commercial returns may not be viable. Risk insurance (particularly parametric insurance)<sup>23</sup> is essential for de-risking investments in vulnerable landscapes, incentivizing preventative action while reducing exposure to catastrophic loss. Venture capital is key to scaling-up early-stage, high-risk enterprises driving innovation in nature markets. Their compatibility with priority solutions is highlighted in subsequent chapters.

FIGURE 2 | 10 priority solutions, based on impact and scalability



Source: World Economic Forum and McKinsey & Company analysis.

FIGURE 3 | Deep dives into the 10 priority solutions

Priority solutions /scoring criteria	Scalability			Nature impact		
	Ease of structuring	Applicability	Capital unlock	Track record	Outcome-based structure	Nature valuation
1 Sustainability-linked bonds	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
2 Thematic bonds	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
3 Sustainability-linked loans	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
4 Thematic loans	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
5 Natural asset companies (NACs)	Low (1)	Medium (2)	High (3)	Low (1)	High (3)	High (3)
6 Environmental credits	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
7 Debt-for-nature swaps (DNS)	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
8 Payments for ecosystem services (PES)	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
9 Impact funds	High (3)	High (3)	High (3)	High (3)	High (3)	High (3)
10 Internal nature pricing (INP)	Low (1)	High (3)	High (3)	Low (1)	High (3)	High (3)

Note: For more detail on the scoring methodology, see [Appendix A](#).

Source: World Economic Forum and McKinsey & Company analysis.



## 2 Understanding the 10 priority solutions

Deep dives into each priority solution reveal pathways to mainstream adoption.



This chapter contains deep dives on the 10 priority solutions identified in Chapter 1 (see Figure 3). Each deep dive opens with a short overview of the solution, then analyses the following three critical factors:

- Potential to mobilize capital for nature
- Ability to price nature into markets
- Pathways to mainstream

In this chapter, “pathways to mainstream” are actions specific to each solution, while Chapter 3 contains five action areas that apply across all 10 solutions. Each deep dive finishes with some examples.

Deep dives also consolidate guidance and facilitate comparison between similar instruments, for example, combining sustainability-linked bonds with thematic bonds; and sustainability-linked loans with thematic loans. For more insight into the suitability of these instruments for different organizations, see Box 3. Figure 4 contains available evidence on estimated transaction range and global market size by solution.

### BOX 3 Comparing sustainability-linked and thematic instruments for nature finance

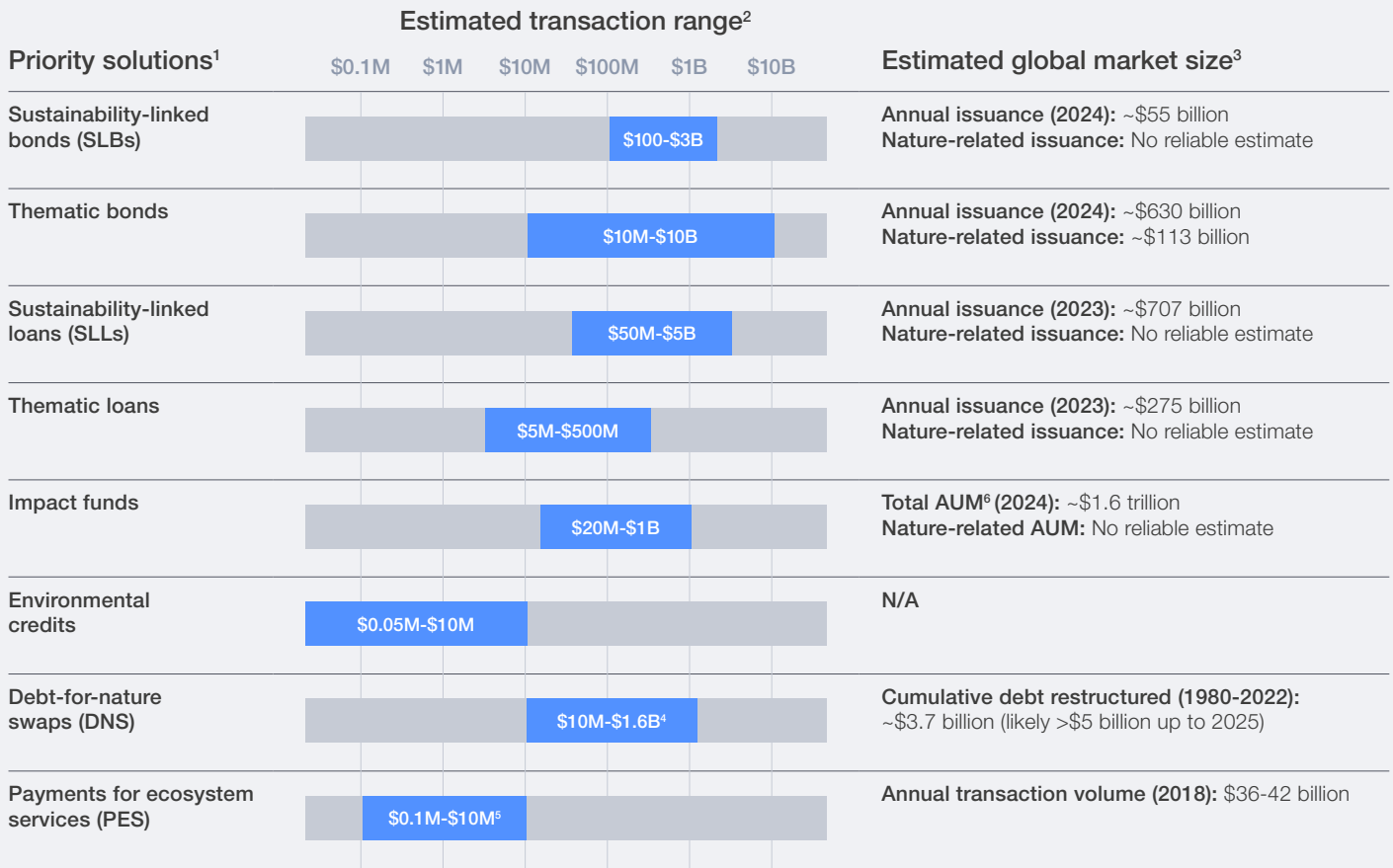
Both sustainability-linked and thematic (“use-of-proceeds”) instruments are important tools for scaling-up finance for nature. Each offers distinct advantages depending on the issuer’s nature strategies, project pipeline, investor priorities and capacity to monitor and report on outcomes.

**Thematic or use-of-proceeds bonds or loans** (green, blue, social and sustainability/sustainable etc.) are instruments whose proceeds are used for clearly defined projects with measurable outcomes, such as ecosystem restoration, regenerative agriculture or sustainable watersheds.

**Sustainability-linked bonds or loans** are instruments whose financial terms are tied to entity-level KPIs, not specific projects. They allow broader use of proceeds – useful for companies without mature green capex pipelines, those in nature-intensive sectors (e.g. agribusiness, mining) or those with diffuse impact (e.g. energy, manufacturing). These instruments are often used as part of “transition finance” strategies that strengthen the credibility of issuers’ targets.



FIGURE 4 | Estimated transaction range and global market size by solution



**Notes:** 1. This figure excludes natural asset companies (NACs) and internal nature pricing (INP) due to low or no volume of transactions for assessment; 2. Transaction range based on review of major nature-related transactions; may bundle smaller projects and as such does not always represent project size; 3. Market size based on best available evidence in the latest possible year; proxies and estimates used where necessary; 4. Conservation funding raised through DNS ranges between 5-60% of total deal value, with an average of ~46% in recent transactions, according to data from The Nature Conservancy; 5. National PES schemes, which aggregate different transactions and projects, may exceed \$100 million in overall size; 6. AUM = assets under management.  
**Source:** World Economic Forum and McKinsey & Company analysis.



## 2.1 Sustainability-linked bonds and thematic bonds

SLBs and thematic bonds are established bond structures for nature-positive projects, corporates and sovereigns.

### Overview

Sustainability-linked bonds (SLBs) are outcome-based, tradeable fixed-income instruments with coupon rates tied to meeting entity-wide environmental or social key performance indicators (KPIs). Failing to hit KPIs raises coupon rates – or “step-ups”; overperformance can trigger a decrease in coupon rates – or “step-downs”.

Thematic bonds (or green, social and sustainability – GSS – bonds) are tradeable fixed income instruments whose “use-of-proceeds” (or total sum raised) is earmarked for specific environmental and social projects. Together with SLBs, they may be referred to as GSS+ bonds.

Bonds are multisectoral instruments. SLBs are typically issued by corporates or governments; thematic bonds are used by public or private projects. They attract a wide investor base, including institutional investors, asset managers and banks, seeking returns, thematic alignment and diversification.

The *Green Bond Principles* and *Sustainability-Linked Bond Principles* of the International Capital Markets Association (ICMA)<sup>24</sup> set global norms on annual reporting, KPIs and independent verification. The *European green bond standard* of the European Union (EU)<sup>25</sup> and ICMA's labelling guidance on sustainable bonds for nature align nature-related projects with global biodiversity goals and streamline reporting across GSS+ bonds.<sup>26</sup>

### » Potential to mobilize capital for nature

In 2024, labelled bond issuance reached \$1.1 trillion – 57% as green and blue bonds, but just 5% as SLBs.<sup>27</sup> Thematic bonds remain preferred by many investors due to clearer tracking of outcomes and lower greenwashing risks. Nevertheless, nature-related themes (e.g. water, pollution control, resource conservation) still made up only 18% of thematic bond issuance in 2023.<sup>28</sup>

The familiar bond structure and robust ecosystem of issuers and exchanges makes them attractive and efficient products, especially in developed capital markets. However, capital access remains costlier in the Global South, home to seven of

the 17 mega-biodiverse countries with below investment grade ratings.<sup>29</sup>

Issuances are typically large. SLBs range from \$100 million to \$3 billion; thematic bonds range from \$10 million to \$10 billion. Credit-enhancement and bundling can help smaller projects tap capital markets.

Bonds can finance capital-intensive business models and large-scale nature investments, including sustainable agriculture, energy, ocean industries, habitat protection, sourcing and climate adaptation.<sup>30,31</sup>

### Ability to price nature into markets

In principle, both bond types assign financial value to nature outcomes indirectly. Use-of-proceeds bonds ringfence funds for nature-related activities, while SLBs tie coupon rates to performance metrics without fund restrictions, potentially creating stronger incentives. However, neither approach prices outcomes based on natural capital valuation.

In practice, weak KPIs and limited penalties in SLBs have triggered investor scrutiny. KPIs are often hard to compare and inconsistent metrics increase transaction costs.<sup>32</sup> Besides, most SLBs feature only step-downs in their structure, which typically offer minimal incentives to overperform (e.g. 25bps or 0.25%) and trigger near maturity, while step-ups – the most common incentive – can perversely reward investors for issuer failure with higher yields.

Use-of-proceeds bonds can face scepticism for nature-related investments, with concerns over the returns generated by nature-related projects. This can result in a limited “greenium” (i.e. a price premium for green bonds) regardless of application or impact.

### Pathways to mainstream

Scaling-up robust nature-linked bonds requires standardized, high-integrity nature metrics, KPIs and reporting. This demands coordination among regulators, investors, project developers, data platforms and standards bodies. ICMA's recent guidance is a step forward.<sup>33</sup>

“ Scaling-up robust nature-linked bonds requires standardized, high-integrity nature metrics, KPIs and reporting.

Multistakeholder efforts can expand capital access in underserved regions. For example, the *Amazonia Bond Issuance Guidelines* recently published by the Inter-American Development Bank (IDB) and the World Bank build on ICMA's standards, adding criteria tailored to conservation, deforestation-free supply chains and local livelihoods in the Amazon.<sup>34</sup>

Securitization and aggregation could enhance access for smaller initiatives. SLBs often exceed

\$300 million, making them inaccessible to many nature-positive projects. Standardization of KPIs and structures will be key to enabling scalable bundling.<sup>35</sup>

To improve the effectiveness of SLBs, stronger design is needed: nearer-term KPI triggers, periodic rate adjustments and layered step-up/step-down structures can better align incentives with nature outcomes.

## BOX 4 Examples of sustainability-linked bonds and thematic bonds

### Uruguay: sovereign bond (2022) – \$1.5 billion<sup>36,37,38</sup>

#### Focus: greenhouse gas (GHG) reduction and native forest expansion

Uruguay issued a \$1.5 billion SLB linked to national targets on GHG emissions and a 4% increase in native forest cover from a 2012 baseline. The bond included a coupon reduction for surpassing targets. It drew strong investor demand and was 4x oversubscribed. Coordinators included Crédit Agricole CIB, Santander, BNP Paribas and IDB.

### Natura: SLB (2024) – ~\$240 million<sup>39,40</sup>

#### Focus: Bio-based ingredients and Amazon bioeconomy

Brazilian cosmetics giant Natura issued a ~\$240 million SLB tied to its goal of increasing bio-based ingredients from 44 to 49 by 2027. Missed targets trigger a coupon step-up. The issuance aligns with Natura's broader sustainability vision and attracted investment from IDB and the International Finance Corporation (IFC).

### Ørsted: blue bond (2023) – €100 million<sup>41,42</sup>

#### Focus: Offshore biodiversity protection and marine ecosystem restoration

Ørsted issued a five-year €100 million blue bond to fund marine ecosystem restoration near its wind farms – marking the first corporate blue bond. Privately placed and arranged by NatWest Markets, investors included APG Asset Management. Issued under IFC Blue Finance Guidelines, proceeds support reef and seafloor restoration towards Ørsted's 2030 net-positive biodiversity goal.



## 2.2 Sustainability-linked loans and thematic loans

SLLs and thematic loans are mature loan categories for corporates, sovereigns and nature-positive projects.

“ Loans have shown a more consistent track record for nature outcomes than bonds, supported by closer lender engagement and greater structural flexibility.

### Overview

Sustainability-linked loans (SLLs) are outcome-based loans with interest rates tied to the borrower's environmental or social KPIs. Missed targets trigger a rate increase, while overperformance can reduce rates further.

Thematic loans are commercial debt instruments whose use-of-proceeds is earmarked for specific environmental and social projects. They are also known as GSS loans.

Both types are multisectoral: SLLs are typically issued to corporates or sovereigns, while thematic loans are typically issued to public or private project developers. They are structured and capitalized by financial institutions seeking competitive returns, thematic alignment and market differentiation. Governments may also access MDB policy-based loans.

Multiple standards support best practices in structuring and verifying loan performance. These include ICMA<sup>43</sup> and Loan Market Association (LMA)<sup>44,45</sup> principles on green and sustainability-linked loans (covering KPIs, eligibility, reporting and verification), IFC's *Biodiversity Finance Reference Guide*<sup>46</sup> and MSCI's frameworks for nature-aligned lending.<sup>47</sup>

### » Potential to mobilize capital for nature

In 2024, labelled loans reached an overall value of ~\$982 billion, with SLLs comprising 72% of volume (up 22% annually).<sup>48</sup> Nature-related loans remain a smaller share, possibly due to limited demand and unclear classification of water or land projects.

Borrowers and lenders often favour SLLs for their flexible use-of-proceeds, especially in nature-intensive sectors without mature green capex pipelines. They are popular in “transition finance” strategies and can be more competitive amid shrinking greeniums and lower compliance costs. In a global context where investors are less willing to pay more for green products, SLLs will therefore remain competitive.

Loans are familiar instruments with strong mobilization potential. Banks increasingly integrate nature into lending books, supported by growing guidance from advisers and standards bodies.<sup>49,50</sup>

Both SLLs and thematic loans support credit access across project sizes. SLLs typically range from \$50 million to \$5 billion, while thematic loans range from \$5m to \$500 million. Loans require fewer disclosures (though best practices are similar to bonds) and can be customized or enhanced through guarantees – Brazil's CPR Verde offers an example.<sup>51</sup>

### Ability to price nature into markets

In principle, both loan varieties can indirectly assign financial value to nature. Thematic loans ringfence use-of-proceeds for nature projects but do not directly “price” ecosystem improvements. SLLs, by contrast, link interest rates to performance against KPIs, offering stronger incentives.

Loans have shown a more consistent track record for nature outcomes than bonds, supported by closer lender engagement and greater structural flexibility. Thematic loans have contributed to measurable emissions and impact reductions, though concerns remain over transparency and reporting.<sup>52</sup>

SLLs face similar limitations to SLBs: penalty rates are often modest, trigger dates are delayed and structures risk misaligned incentives.

### Pathways to mainstream

Scaling-up loans requires broader adoption and alignment of existing guidance, including nature taxonomies, project metrics, financial accounting treatment and integrating use of natural capital accounting. Blended finance blueprints will be key for sectors such as blue infrastructure and agri-biodiversity. Progress depends on collaboration between regulators, investors, implementers, data platforms and standards bodies.

Securitization and aggregation can help to scale up loans, the former by freeing up bank balance sheets and the latter by drawing in additional investors. Sustainability-linked loans financing bonds (SLLBs), a form of aggregation, are being explored to bring loans into public markets and enhance transparency.<sup>53</sup> Blending concessional and commercial tranches of loans is also an option to increase scale.

Many pathways to scale up SLLs mirror those for SLBs, particularly how lending rates are structured and applied.

## Iberdrola and BBVA SLL (2022) – ~\$2.6 billion<sup>54</sup>

### **Focus: Reducing water footprint in renewable energy generation**

Iberdrola secured the world's first syndicated SLL explicitly linked to a water footprint target. The interest margin is tied to reducing water withdrawals for power by 50% by 2030 and improving its CDP water score. BBVA acted as sole sustainability coordinator in a 24-bank revolving, syndicated credit facility.

## One Raffles Quay and DBS SLL (2025) – ~\$900 million<sup>55</sup>

### **Focus: Lowering emissions and water use in real estate**

This SLL supports sustainability upgrades at a Green Mark Platinum-certified office complex in Singapore. The borrower has committed to cutting energy and water footprints by 20–29%. It is among the first SLLs in the country linked to a single asset.

## Tornator Oyj Green Bank Loan (2020) – €350 million<sup>56</sup>

### **Focus: Sustainable forest management and biodiversity**

Tornator Oyj, a Finnish forestry company, secured this green loan from Nordic banks to finance FSC- and PEFC-certified forest assets. The proceeds support biodiversity, carbon sequestration and climate-smart forestry. The facility was refinanced and extended in 2024.<sup>57</sup>



## 2.3 Natural asset companies (NACs)

NACs are a new asset class that integrates the total economic value of nature.

By assigning financial value to intrinsic, productive and option-based aspects of nature, NACs enable assets to be traded and appreciate over time.

### Overview<sup>58,59</sup>

NACs are a new class of public or private companies that convert the value of natural assets into financial capital. They aim to generate finance, create jobs, offer price signals for externalities and serve as portfolio tools for nature.

Structured as operating companies issuing equity, NACs can be established by governments, landowners, corporations or communities. They may attract institutional investors, asset managers, corporates, MDBs and family offices seeking returns, thematic alignment, diversification and long-term resilience.

Revenue streams include carbon and biodiversity credits, water services, ecotourism, sustainable harvesting and PES.

### » Potential to mobilize capital for nature

Structuring NACs requires close engagement with primary investors. Only one live transaction exists to date, with several in development.

They hold strong capital potential, leveraging familiarity with equity markets. By assigning financial value to intrinsic, productive and option-based aspects of nature, NACs enable assets to be traded and appreciate over time.

They offer diversified revenue streams through a single entity – appealing to institutional investors, many of whom were engaged during NACs' conceptual development.

NACs are widely applicable to agriculture, forestry and infrastructure sectors, enabling ecosystem services – such as wetlands, standing forests and pollinators – to be turned into reportable, investable assets.

### Ability to price nature into markets

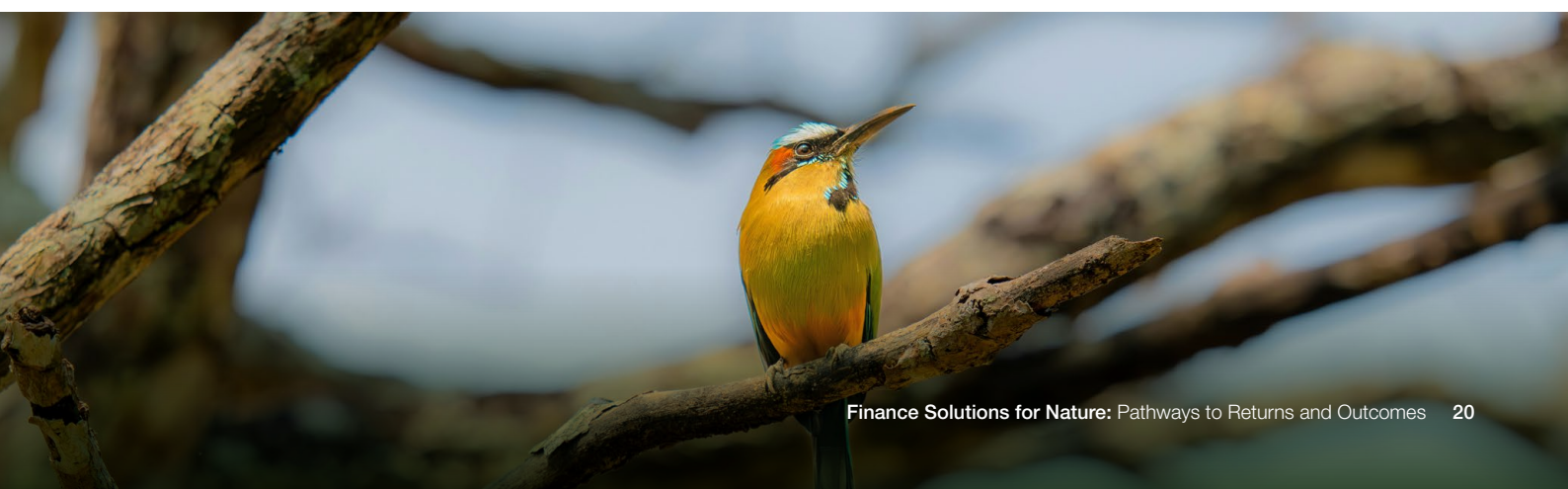
NACs incorporate the full economic value of ecosystem services into financial valuation by combining financial statements and ecological performance reports (EPRs). EPRs, based on UN-SEEA (system of economic-environmental accounting) standards, assign monetary value to ecosystem benefits, including commercial output, services, non-use and option value, store of value and risk mitigation.

However, greater transaction volume is needed for price discovery. While markets exist for provisioned goods (e.g. food, fibre), pricing remains underdeveloped for regulating (e.g. water filtration) and cultural (e.g. recreation) services – areas that NACs aim to value.

### Pathways to mainstream

The structure and valuation of NACs needs standardizing. The limited methods and precedents for translating ecosystem value to equity hamper investor confidence. Progress depends on three factors: sustained engagement with landowners, investors and underwriters; convergence around common standards by securities bodies; and replicable models from leading NACs.

Piloting, proof-of-concept transactions and benchmarks all need to be ramped up. A first generation of similarly structured NACs deployed across ecosystems could build price references and support convergence. Compatibility with instruments such as conservation easements, corporate debt or parametric insurance to protect against ecosystem collapse could also improve uptake. Clarity on land, property and ecosystem ownership may further improve transaction structuring.



## The Boreal NAC (2025) – \$1.3 billion in ecosystem services under management

### 🔗 Focus: Valuing nature's full contribution for Indigenous land stewards

The world's first NAC, established by an Indigenous-led corporation, spans over 1 million acres of native-owned land. It aims to translate nature's holistic value – including climate regulation, freshwater, food provisioning and flood mitigation – into today's economy, tackling biodiversity loss, climate change and cultural degradation. In 2025, it secured two lead investors (an institutional investor and a family office) for its first private placement. Funds support growth, ecosystem maintenance, operations and an equitable benefits-sharing programme. The Indigenous-led corporation is expected to retain majority ownership in perpetuity.



Credit: Intrinsic Exchange Group

## 2.4 Environmental credits

Environmental credits are increasingly used tradeable certificates that represent verified uplift.

### Overview

Environmental credits are verified units of positive environmental outcomes, including biodiversity, water, carbon and nutrient credits. Though developed independently, projects increasingly blend credits via stacking, bundling or stapling.

Third-party verification by standards bodies is essential to ensure credits represent real, measurable, durable and additional benefits.

Credits may be purchased for compliance or voluntarily – for thematic goals or resilience – via direct project deals, intermediaries or market platforms.

### » Potential to mobilize capital for nature

Environmental credits aim to unlock private capital by monetizing a range of nature-positive outcomes, such as ecosystem restoration, water management, carbon reductions and nutrient mitigation. Near-term market growth depends on regulation, while long-term scale requires nature loss to be priced into the broader economy.

Issuance sizes vary from \$50,000 to \$10 million, with prices ranging significantly based on the type of environmental outcome, associated co-benefits, ecosystem characteristics and whether the credit is traded in compliance or voluntary markets.<sup>60</sup> For example, most voluntary biodiversity credits sold to date have been priced at \$25 or less per credit. However, when standardized to one hectare, prices can range from \$2 to \$60,000 per hectare. Projects involving Indigenous Peoples and Local Communities may command a premium of 15% to 300%.

Nature projects with credible long-term offset agreements can signal future returns and attract scale capital, similar to power purchase agreements in renewables.

### Ability to price nature into markets

Environmental credits assign financial value to specific ecosystem outcomes, especially in compliance markets, helping embed nature in decision-making.

However, credit prices often diverge from true ecosystem value due to market dynamics and project quality. Natural capital accounting is not consistently used in pricing.

Credits can support local biodiversity offsets if designed with strict, like-for-like criteria to ensure ecological relevance and accountability.

Standardization and certification frameworks aid in quantifying impact, though monitoring remains complex due to baseline setting, additionality, verification and registry management.

### Pathways to mainstream

Integrity frameworks include the [High-Level Principles to Guide the Biodiversity Credit Market](#) published by the World Economic Forum, the International Advisory Panel on Biodiversity Credits (IAPB) and the Biodiversity Credits Alliance (BCA),<sup>61</sup> the *Core Carbon Principles* of the Integrity Council for the Voluntary Carbon Market (ICVCM),<sup>62</sup> the *Claims Code of Practice* of the Voluntary Carbon Markets Integrity Initiative (VCMI)<sup>63</sup> and others.<sup>64</sup> Adhering to these is vital to address risks such as additionality and permanence, as well as to ensure local and Indigenous inclusion – key for building market credibility and capital flows. While impact quantification is costly, it is essential for scale.

Stacked credit pilots combining multiple ecosystem services – if transparently accounted and truly additional – can unlock new revenue streams and bridge siloed markets.

Regulated markets can drive demand by building the enabling environment (e.g. registries, standards, certification, interoperability) and nudging buyers to adopt environmental targets. In July 2025, the EU launched a *Roadmap towards Nature Credits* to create voluntary biodiversity and nature markets and convene experts to develop clear standards and certification.<sup>65</sup>

Strengthening awareness and capacity among Indigenous Peoples and Local Communities is critical to ensure their participation and rights are respected in credit development.

« Regulated markets can drive demand by building the enabling environment – registries, standards, certification, interoperability – and nudging buyers to adopt environmental targets.

## Biodiversity credits in Colombia (2020) – 310,000 credits<sup>66</sup>

### 🔄 Focus: Voluntary biodiversity credit system for forest management

ClimateTrade and Terrasos launched Colombia's first voluntary biodiversity credit project, El Globo, protecting 340 hectares of Bosque de Niebla forest. Each credit sold supports conservation of ~10 m<sup>2</sup> for 30 years. The project was registered as a Habitat Bank by Colombian Ministry of Environment in the Cuchilla Jardín-Támesis Management District and adds to the national mandatory offset scheme.

## UK Biodiversity Net Gain (2023) – UK Government estimate of annual market value: £135-274 million<sup>67,68</sup>

### 🔄 Focus: Compliance scheme to mitigate biodiversity loss from development

UK law now requires developers to deliver a 10% biodiversity net gain – either onsite, offsite or by purchasing statutory biodiversity credits. This ensures habitats are left in a measurably better state post-development.

## India Green Credit Programme (2023) – Degraded forest land with projects (Nov. 2024): 3,409 hectares<sup>69</sup>

### 🔄 Focus: Market-based incentive scheme for ecological restoration

This government programme rewards sustainable actions – tree planting, agroecology, water conservation – with tradable “Green Credits”. The scheme operates separately from carbon credits and targets broader ecological outcomes.



## 2.5 Debt-for-nature swaps (DNS)

DNS are an established mechanism to re-structure sovereign debt to finance conservation and restoration.

66 67 countries at risk of default hosted 22% of global biodiversity hotspots; for 35 countries, all biodiversity hotspots could be protected for a fraction of their national debt.

### Overview<sup>70</sup>

DNS are a financial mechanism that allow countries to restructure bilateral or multilateral debt in exchange for commitments to fund local conservation and restoration. They are also known as “debt-for-nature conversions”.

The DNS structure is the overarching solution, while the underlying financial instruments – bonds, loans, guarantees, credit enhancements, parametric insurance or performance-based grants – vary by transaction and investor type. DNS can be commercial, blended or concessional.

These transactions involve debtor governments, creditors, MDBs, private financiers and conservation organizations. Strong governance, reliable credit enhancement, transparent monitoring, reporting and verification (MRV) and long-term financing are essential to success.

### » Potential to mobilize capital for nature

DNS are relatively well-understood, with over 140 transactions between the 1980s and 2022, restructuring more than \$3.7 billion in debt – likely over \$5 billion as of today.<sup>71</sup> Two-thirds have occurred in Latin America and the Caribbean. Transactions are complex, involving coordination across multiple government ministries, from finance to environment.

DNS can unlock significant sovereign resources for nature, often with co-financing. Recent deals have ranged from \$10 million to ~\$1.5 billion, with an average of 46% redirected to conservation (based on data from The Nature Conservancy). Even fiscally stable countries may use DNS to refinance high-cost debt on better terms.

However, DNS currently mobilize only a small share of needed capital. Eligible debt is limited, conservation allocations are sometimes modest and governance may lack transparency. High transaction costs and complex negotiations can dilute impact. There are also concerns that swaps raise debt sustainability concerns, including higher yields, rising debt burdens and currency risk.<sup>72</sup>

DNS are typically used for habitat conservation, ecosystem restoration and species protection, with growing relevance for ocean ecosystems.

### Ability to price nature into markets

DNS tie refinancing terms to environmental outcomes, linking debt relief to defined metrics and KPIs that incentivize nature-positive results.

They also embed nature in national budgets, encouraging integration of natural capital into financial policy. However, outcomes are rarely valued using formal natural capital accounting.

Financing commitments can fall short. Past swaps, especially bilateral ones in Latin America, faced criticism for weak oversight and unclear impact. Without local buy-in – particularly from Indigenous Peoples and Local Communities – projects lack legitimacy. Governance gaps, perceptions of foreign interference or greenwashing also risk undermining trust.

### Pathways to mainstream

Standardized frameworks and MDB-supported term sheets can simplify DNS negotiations, cut costs, improve terms and fill capacity gaps.

Collaborative platforms can embed best practices,<sup>73</sup> including community engagement, independent governance via conservation trust funds (CTFs), performance-based rebates, regular reporting and administrator training. Initiatives such as the UN Framework Convention on Climate Change (UNFCCC) COP27 Sustainable Debt Coalition and COP28’s MDB working group provide momentum, with further support called for at the 2024 World Bank and G20 meetings.<sup>74</sup>

Expanding eligible debt and initiatives through targeted sovereign support can accelerate uptake. A 2023 study found that 67 countries at risk of default hosted 22% of global biodiversity hotspots; for 35 countries, all biodiversity hotspots could be protected for a fraction of their national debt.<sup>75</sup>

Building a stronger business case for bilateral swaps is key, as many lenders still favour traditional terms. Credit-enhanced, voluntary DNS models have gained traction as scalable, market-based solutions.

## Ecuador DNS (2023) – \$323 million<sup>76</sup>

### 🔗 Focus: Marine conservation in the Galápagos Islands

The world's largest DNS at the time, Ecuador's \$1.126 billion debt conversion generated \$323 million in funding over 18.5 years for the Galápagos Marine Reserve and Reserva Marina Hermandad. Supported by the IDB and US Development Finance Corporation (DFC), the swap offered improved terms, reducing debt service costs while securing long-term marine protection.

## Gabon DNS (2023) – \$125 million<sup>77</sup>

### 🔗 Focus: Ocean conservation and national biodiversity targets

Mainland Africa's first DNS, Gabon's \$500 million swap involved TNC, Bank of America and private investors. US DFC political risk insurance helped secure Aa2 grading, reducing borrowing costs. The deal redirected \$125 million over 15 years to ocean conservation aligned with GBF targets, although it slightly increased gross debt.

## Barbados DNS (2024) – \$125 million<sup>78</sup>

### 🔗 Focus: Water resilience in a climate-vulnerable nation

In one of the world's driest countries, Barbados used a sovereign SLL to finance water and sewage resilience. Backed by \$300 million in guarantees from IDB and the European Investment Bank (EIB), the \$125 million transaction links repayments to reclaimed water targets. Missed KPIs trigger penalties paid into an environmental investment trust. Arranged by CIBC Caribbean.



## 2.6 Payments for ecosystem services (PES)

PES are contracts to reward ecosystem stewards, with growing private sector interest.

☞ PES embed ecosystem service values into policy and markets by identifying, monetizing and funding their protection.

### 📄 Overview<sup>79,80</sup>

PES are voluntary agreements offering financial incentives for landowners or stewards (and to a lesser extent, marine communities) to manage land in ways that preserve or enhance ecosystem services such as clean water, carbon storage and biodiversity.

Payments are typically conditional on verified outcomes, with tiered rewards for overperformance. Public schemes, such as ecological fiscal transfers, often lack revenue generation, while private and market-based PES rely on sustainable revenue streams.

Effective PES require strong governance, equitable benefit-sharing and robust MRV – often supported by local conservation partners and independent verification – to ensure community empowerment and livelihood improvements.

### ➤ Potential to mobilize capital for nature

PES schemes have unlocked up to \$42 billion annually across more than 550 initiatives.<sup>81</sup> Scheme size varies widely – from \$100,000 to over \$10 million – while national programmes in Costa Rica, Mexico and China have mobilized hundreds of millions.

A key constraint for private schemes is sustainable revenue generation. While some schemes scale up through links to credits, bonds or funds, most still depend on taxes and subsidies, limiting commercial growth.

Structuring complexity differs by context. Public schemes without revenue dependencies are generally simpler, while private PES face legal, land tenure and monitoring challenges.

PES are well-suited to local conservation efforts, including reforestation, water catchment protection, agroforestry and pollination, often benefiting community livelihoods.

### 📊 Ability to price nature into markets

PES embed ecosystem service values into policy and markets by identifying, monetizing and funding their protection, backed by MRV. PES shift perceptions of nature from a free good to essential infrastructure requiring investment – particularly useful for public planning.

Valuation depends on accurately identifying and pricing services and payments, across both local and cross-border ecosystems. Payments for PES must also exceed returns from nature-negative activities to be effective. This is particularly challenging when producers engage in commodity production, where price volatility can make fixed PES-related incentives for conservation less attractive when global commodity prices rise significantly.

### 📌 Pathways to mainstream

Standardized public-private PES models with revenue potential can boost private participation, requiring close collaboration between local governments, financiers and conservation groups.

Blended finance contracts with layered revenue streams – such as donor funding managed through trust funds and public commitments to future revenue (e.g. from credit markets, impact bonds or public-private partnerships) – can help provide upfront capital and scale.

Aggregated schemes with clear benefit-sharing reduce costs and improve scalability, particularly for small projects.

Supply chain traceability can link private buyers with upstream stewards to build supply chain resilience – for example, water utilities can pay upstream landowners to protect catchments.

Forever Wild (2019)<sup>82,83</sup>**Focus: Conserve and manage large-scale wilderness areas in Australia**

Forever Wild protects vast wilderness landscapes through conservation, restoration and community enterprises that drive structural change to promote equity among Indigenous Peoples and Local Communities. It creates investable opportunities in eco-tourism and sustainable agriculture via joint ventures, blended finance, and new “units of nature”. This includes Australia’s first-ever equitable carbon debt finance investment to protect 225,000 hectares in Western Australia 2022, and ongoing work with a major commercial fund to conserve 1 million hectares in Australia and Sub-Saharan Africa.

National PES in Mexico (2003) – published annual value (2013): \$650 million<sup>84</sup>**Focus: Sustainably manage forests and conservation efforts**

Mexico’s national programme offers cash incentives for forest conservation, including watershed and biodiversity services. It targets private and community-owned forests, encouraging sustainable practices. The Forestry Commission acts as buyer of ecosystem services, mainly funded through the national budget. It also supports biodiversity protection in key watersheds, involving irrigation districts.

VEJA’s PES in the Amazon (2018)<sup>85</sup>**Focus: Environmentally and ethically sustainable rubber sourcing in Brazil**

Footwear brand VEJA introduced a PES scheme in the Amazon, paying suppliers an 80% premium above market rates for deforestation-free rubber. By 2021, over 1,000 tonnes of wild rubber were purchased from 435 rubber tappers, helping VEJA meet sustainability targets and strengthen its supplier network.



## 2.7 Impact funds

Impact funds are a proven capital source for nature-related projects and new business models.

“ The global impact investing market reached ~\$1.6 trillion in AUM in 2024, with nature and biodiversity-focused funds accounting for less than 10%, but growing at a faster rate than any other category.

### Overview

Impact funds are capital pools designed to achieve environmental or social outcomes, often accepting higher risk or concessionary returns. They may follow private equity or venture capital structures and often use blended finance to combine catalytic and commercial capital.

Their flexibility appeals to a wide investor base – including institutional investors, MDBs and family offices – seeking competitive returns, measurable impact and portfolio diversification. Success depends on alignment between investor goals, asset managers, project partners and MRV providers.

These funds typically offer long-term, flexible capital to nature-related projects and business models that may take 7-12 years to reach commercial scale.

### » Potential to mobilize capital for nature

The global impact investing market reached ~\$1.6 trillion in AUM in 2024, with nature and biodiversity-focused funds accounting for less than 10% of total AUM, but growing at a faster rate than any other category.<sup>86</sup> Fund sizes range from \$20 million to over \$1 billion, showing the potential to unlock significant capital for nature.

Impact funds are key sources of catalytic, early-stage capital for nature projects not yet commercially viable. They can support diverse sectors and project types with tailored, long-term financing, and accommodate a range of deal sizes from \$0.5 million to over \$10 million.<sup>87</sup>

Common focus areas include sustainable land use, agroecology, forest-based supply chains, blue carbon, ecotourism and nature-focused tech.

Some funds serve specific functions, such as providing guarantees to unlock commercial finance. Agri3, for instance, has enabled loans to female farmers in India.<sup>88</sup> Goldman Sachs recently launched a \$500 million biodiversity bond fund.<sup>89</sup>

### Ability to price nature into markets

Impact funds play a catalytic role in shaping nature markets, offering early-stage capital and technical assistance to develop revenue-generating nature projects.

In principle, they are typically mandated to deliver measurable nature outcomes, tracked using robust metrics. While performance is generally positive, these outcomes are not usually valued through natural capital accounting frameworks.

### Pathways to mainstream

A stronger, investable pipeline is critical to deploy impact fund capital at scale, reduce transaction costs and improve returns – especially for smaller nature-based projects. A 2025 survey of institutional investors found that weak pipelines and internal capacity were key barriers to mainstream uptake.<sup>90</sup> Catalytic capital remains vital to curate pipelines, support transaction platforms and de-risk new business models.

Innovative structuring – such as special purpose vehicles (SPVs) that bundle mature assets or layered capital structures with impact-linked incentives – can help align interests, enhance outcomes and crowd in private capital. Strategic use of concessional capital is essential to complement, not displace, commercial investment.

Standardizing nature metrics, frameworks and data can improve comparability, investor confidence and liquidity. Linking outcomes to natural capital valuation can enhance risk-return analysis and portfolio strategy.

A shift towards investing in real-world nature uplift – rather than primarily in tech-driven data tools associated with remote sensing, ecosystem monitoring and data analytics – could improve long-term nature outcomes.<sup>91</sup>

## Mirova LDN Fund (2018) – \$208 million<sup>92</sup>

### 🔗 Focus: Sustainable land use and restoration in emerging markets

This blended finance fund offers long-term debt and equity to sustainable agriculture and forestry projects that reduce or reverse land degradation. Public capital from entities such as the European Investment Bank is used to mobilize private investors including Allianz and BNP Paribas.

## Silvania Fund (2023) – \$500 million<sup>93</sup>

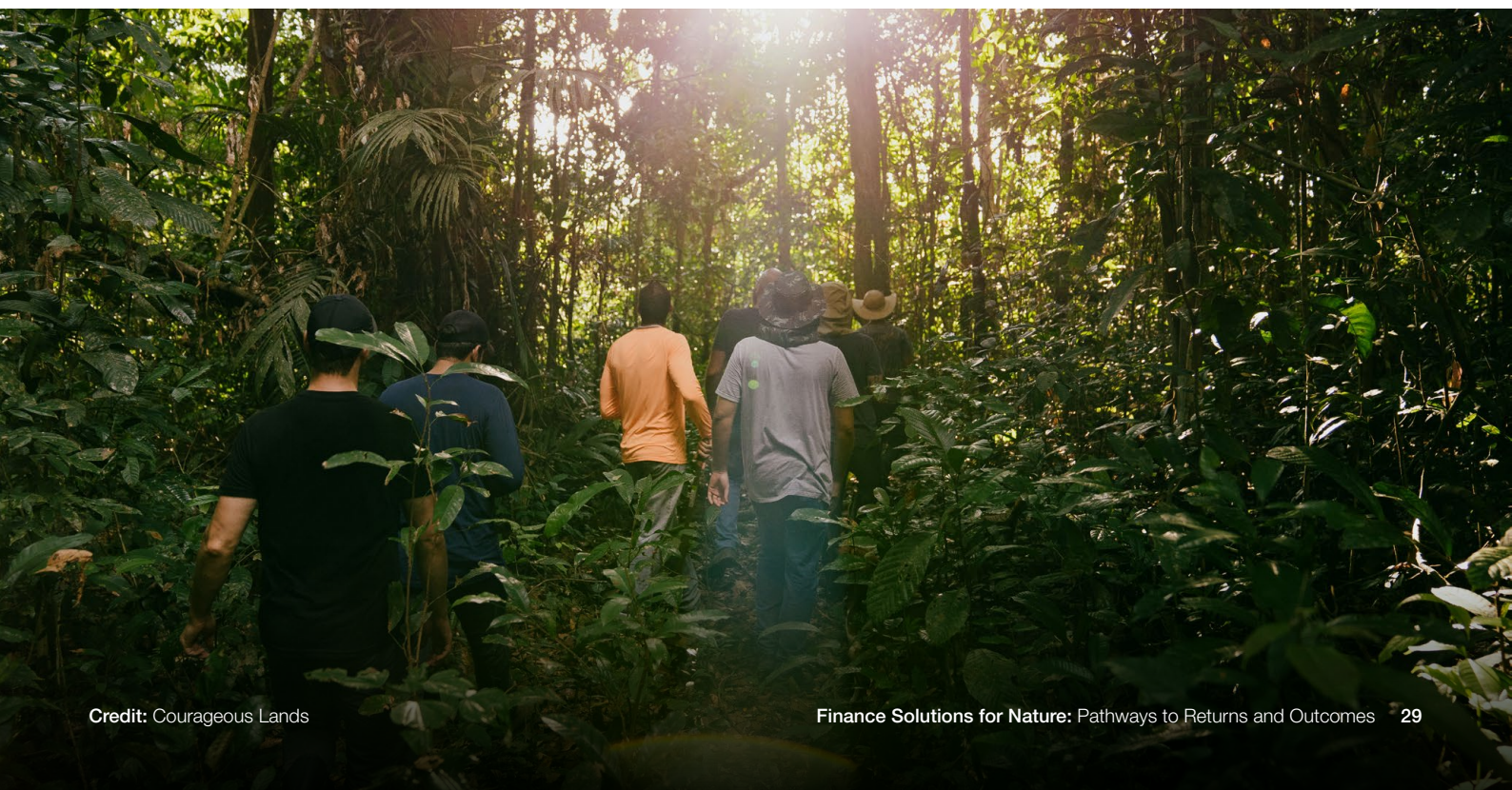
### 🔗 Focus: Restoration, sustainable resource use and nature credit generation

Backed by Mercuria, Silvania directly finances large-scale restoration and coastal ecosystems, with a diversified portfolio across forest, carbon and blue economy projects. Combining patient capital with upfront funding (e.g. Race to Belém's \$100 million), the fund aims to unlock biodiversity and carbon credits while delivering long-term returns.

## Tropical Forest Forever Facility (TFFF) (2025, proposed) – \$125 billion capitalization, \$4 billion/year<sup>94</sup>

### 🔗 Focus: Long-term sovereign incentives for tropical forest protection

TFFF, proposed by Brazil at the UNFCCC COP28 in Dubai and to be formalized at COP30 in Brazil in November 2025, aims to provide \$4 billion annually in performance-based, non-debt payments to over 70 tropical forest countries. Disbursements are tied to metrics such as forest retention, biodiversity protection and Indigenous rights, with penalties for deforestation. Twenty per cent of funds are reserved for Indigenous Peoples and Local Communities. The facility is structured as a \$125 billion endowment, funded through sovereign guarantees and senior debt to MDBs and institutional investors. MDBs would serve as trustees, with implementation led by TFFF's investment arm – Tropical Forest Investment Fund (TFIF) – and partners including WWF, Wildlife Conservation Society (WCS) and the UN Development Programme (UNDP). As the fund evolves, TFFF will offer institutional investors – pension funds, insurance funds and sovereign wealth funds – a pioneering route to support sovereign and environmental resilience at scale.



## 2.8 Internal nature pricing (INP)

INP is a novel pricing tool for natural capital to support investors and corporates in offsetting nature impact.

### Overview<sup>95</sup>

Internal nature pricing (INP) is a voluntary tool for corporate and institutional investors to assign an internal “price” to their negative impacts on natural capital – such as land use, deforestation or water pollution – similar to internal carbon pricing (ICP).

INP can allow companies to charge internal fees on nature-related impacts at the unit or department level. These are pooled into internal funds for investing in nature-positive projects (e.g. offsets, value chain initiatives) or hedging against future regulation. Institutional investors may apply INP across portfolios.

Accurate INP requires robust natural capital accounting, valuation methodologies and trusted MRV systems, often supported by internal teams or third parties.

### » Potential to mobilize capital for nature

INP has not yet been implemented and would be bespoke and complex to structure.

ICP offers a model for growth. As of 2023, over 1,700 companies used ICP (14% of CDP disclosures),<sup>96</sup> including nearly half of the world’s 500 largest firms. ICP has helped companies prepare for carbon pricing regulation. Singapore-based Temasek applies an ICP across its portfolio, currently set at \$65 per tonne of CO<sub>2</sub>-equivalent and rising to \$100 by 2030, to align investments with emissions targets, incorporate cost of carbon into investment decisions and incentivize portfolio companies to reduce their footprint.<sup>97</sup> Microsoft applies a \$15+ internal carbon fee on scope 1-3 emissions, reportedly generating over \$100 million annually.<sup>98</sup> It also tracks its land and water impacts, though not yet with internal pricing.

INP could follow a similar path. Over 100 companies already use natural capital accounting or tools such as environmental or integrated P&L accounts (EP&L or IP&L).<sup>99</sup> For example, Kering, which developed the world’s first EP&L, valued its total environmental impact at €455 million in 2022 through this tool.<sup>100</sup>

If adopted by nature-intensive sectors or portfolios, INP could generate substantial funds for nature projects and value-chain transitions. As fees are designed to incentivize lower impact, collected fees may decline over time.

### Ability to price nature into markets

INP places a value on negative nature externalities, allowing companies and institutional investors to generate internal funds for natural capital.


However, pricing guidance is lacking. While natural capital accounting and ICP methods are more advanced, few tools exist to guide pricing nature impacts. Internal fees assign a fixed price per unit of impact and trigger real fund transfers. These prices may be linked to nature targets and the cost of achieving them. Shadow pricing, by contrast, uses notional values (e.g. for land or water) to inform decisions such as internal rates of return (IRR) but does not create internal funds.

### Pathways to mainstream

Without past implementation or consistent guidance, INP remains difficult to adopt. Pilot cases, common standards and replicable models from leading companies or investors are essential. Over 500 early adopters of TNFD are already assessing their nature impacts and dependencies.<sup>101</sup>

Organization-wide alignment is important. Securing P&L holder buy-in is a major hurdle, given the perceived cost of fee schemes. Tying INP to a clear nature strategy can highlight how it supports goals, controls costs and improves governance. Using internal funds to support nature-linked initiatives can also build credibility.

Academics and researchers could help establish sector-based, impact intensity benchmarks, enabling companies to apply INP without full assessments – similar to the Science Based Targets initiative (SBTi) model.

 Internal carbon pricing (ICP) offers a model for internal nature pricing. As of 2023, over 1,700 companies used ICP, including nearly half of the world’s 500 largest firms.

### 3 **Unlocking priority solutions at scale**









There are five core action areas to unlock priority solutions, needing multistakeholder action.



As demand for nature finance grows, it is critical to solve persistent structural barriers facing priority solutions. Addressing these requires

systemic action along five core pathways, in which 12 stakeholder groups can play distinct but coordinated roles (see Figure 5).

FIGURE 5 Five core action areas – recommended priorities and stakeholder roles

Stakeholders	1 Standardize decision-relevant data for investors	2 Strengthen structuring approaches and de-risking mechanisms	3 Expand the investment-grade pipeline of nature projects	4 Build market demand through an enabling environment	5 Shift market norms and incentives to recognize nature's full value
 Governments	Supporting	Critical	Critical	Critical	Critical
 International organizations	Supporting	Enabling	Enabling	Enabling	Critical
 MDBs and DFIs	Enabling	Critical	Critical	Enabling	Critical
 Institutional investors	Supporting	Critical	Enabling	Enabling	Critical
 Banks and asset managers	Enabling	Critical	Critical	Supporting	Critical
 Corporates and project developers	Enabling	Enabling	Critical	Supporting	Enabling
 Donors	Supporting	Critical	Enabling	Enabling	Supporting
 Standards bodies	Critical	Supporting	Supporting	Enabling	Enabling
 Credit rating agencies	Critical	Critical	Supporting	Supporting	Critical
 Civil society organizations	Enabling	Enabling	Enabling	Supporting	Enabling
 Academia and data platforms	Critical	Enabling	Supporting	Supporting	Enabling
 Auditors and assurance providers	Critical	Supporting	Supporting	Supporting	Enabling

Role\* ● Critical ● Enabling ● Supporting

**\* Role definitions:**

1. Critical – primary actors responsible for initiating or executing the action; without them, the recommendation cannot progress; 2. Enabling - stakeholders whose participation strengthens or facilitates success, but who are not central decision-makers; 3. Supporting – stakeholders that can amplify, scale up or reinforce action, often through advocacy, research, technical input or capital.

Source: World Economic Forum and McKinsey & Company analysis.

## 3.1 Standardize decision-relevant data for investors

Nature finance instruments depend on robust, comparable metrics to price in the full value of nature. Yet the data landscape remains fragmented, with inconsistent KPIs and weak disclosure in instruments such as SLLs, SLBs and environmental credits. Reliable MRV standards, credible baselines and independent assurance are critical to ensure financial terms are linked to real outcomes. Bridging natural capital and financial accounting through mechanisms such as NACs remains an urgent but still nascent frontier. The following stakeholders have key roles to play in this action area:

- **Standards bodies** issuing mandatory and voluntary standards can drive convergence around nature KPIs for nature finance and natural capital accounts, leveraging existing frameworks such as those developed by ICMA, TNFD and the Science Based Targets Network (SBTN).
- **Credit rating agencies** can support efforts to improve nature disclosure and MRV data, as they rely on credible, comparable nature-related metrics to assess creditworthiness and price ecosystem risks into sovereign and corporate ratings.
- **Academia and data platforms** could support development of sector- and project-specific benchmarks for natural capital.
- **Auditors and assurance providers** can engage standards bodies to review reporting protocols.
- **MDBs, civil society and international coalitions** can help develop nature valuation methods linked to financial decision-making, to drive greater transaction volume and convergence towards market pricing of ecosystem services. Learnings can be drawn from programmes such as the World Bank's Global Programme on Sustainability,<sup>102</sup> the IDB's Natural Capital Lab<sup>103</sup> and the Nature on the Balance Sheet Initiative led by the Capitals Coalition.<sup>104</sup>
- **Banks, asset managers, companies and institutional investors** could pilot natural capital assessments, works towards natural capital accounting and align these approaches with portfolio management, disclosure and reporting.

## 3.2 Strengthen structuring approaches and de-risking mechanisms

“ Successful deals embed bankable nature outcomes in familiar structures, aggregate and securitize small but similar products, use transparent public-private risk sharing and offer clear return pathways.

Private capital faces real and perceived risks in nature finance. Complex structures and lengthy timelines for instruments such as sustainability-linked solutions, DNS and environmental credits can increase transaction costs and deter investment. Illiquidity remains a barrier. Investors often face hard currency constraints and volatile conditions in accessing emerging markets, where large nature-related opportunities often lie.<sup>105</sup> Issuers similarly struggle to access global capital markets from non-investment grade countries. These risks must be better managed.

Successful deals embed bankable nature outcomes in familiar structures, aggregate and securitize small but similar products, use transparent public-private risk sharing and offer clear return pathways. Blended finance tools (e.g. first-loss capital, guarantees, outcome-based payments) and simplified, replicable transaction templates can help lower barriers and accelerate investment. Exploring synergies from climate finance, where clean development mechanism (CDM) projects with verified local co-benefits earn up to a ~30% price premium, can help accelerate these processes.<sup>106</sup>

The following stakeholders have key roles to play in this action area:

- **The public sector** can be a critical de-risking investor, accounting for over 80% of nature-positive financial flows in 2022. As with education or health, nature delivers long-term value even when financial returns are not immediate. Governments therefore can have clear incentives to invest in the full value of nature for its ecological, social and economic dividends.
- **MDBs, DFIs and international organizations** can expand collaborative blended finance platforms and credit guarantee schemes to expand access to catalytic capital. They could also engage proactively with institutional investors to co-design bankable structures. Addressing emerging economy-specific data and capacity barriers through regional knowledge hubs or joint rating agency frameworks could be crucial to scaling-up blended products.<sup>107</sup>

- **Institutional investors** – insurance funds, sovereign wealth funds and pension funds – can co-develop tailored instruments aligned with long-dated liabilities and biodiversity outcomes.
- **Bilateral donors, philanthropies and guarantee funds** can anchor outcome funds by providing credit guarantees or first-loss cover to other lenders.
- **Banks and credit rating agencies** can integrate nature-related metrics in corporate and sovereign assessments to better reflect nature-related risks in capital markets; they could also work with standards bodies to update credit risk methodologies.
- **Economists and financiers from all stakeholders**, more generally, can help align new debt-related instruments with market conditions. This is particularly important for debt-constrained environments, where higher sovereign and corporate debt levels can be made more feasible with stronger incentives, clearer triggers and better risk-sharing.
- **Project developers and corporates** can integrate climate and nature goals in issuances to deepen links between climate and nature finance, access pricing premiums and reduce costs.



Credit: Seedark

### 3.3 Expand the investment-grade pipeline of nature projects

Return-seeking nature finance is constrained by a shortage of investment-ready, scalable projects – many are too small, fragmented or lack investor-grade MRV systems. Addressing this requires both capacity and capital. Key enablers include project preparation funding, replicable financing templates, aggregation mechanisms and integrated MRV frameworks to lower costs.

To succeed, more support is needed for early-stage and high-risk ventures that could become the future investment-grade pipeline. Venture-building models that deploy patient, risk-tolerant capital and provide hands-on operational and technical support are showing promise – particularly those tailored to local systems and able to source and strengthen projects traditionally overlooked by mainstream investors.<sup>108</sup> These models are resource-intensive, but critical to identifying investable nature-positive businesses and guiding them through long timelines to resilience and scale. The following stakeholders have key roles to play in this action area:

- **The public sector** can support pipeline expansion by developing tailored land use and licensing frameworks. This can improve the bankability of nature-positive projects by reducing perceived and actual risks, as well as providing a clear basis for revenue generation and cost recovery.
- **DFIs and MDBs** can expand project prep facilities and local technical assistance (TA) hubs to build and scale up viable early-stage ventures. Stakeholders in this group also have the opportunity to champion cross-border investor partnerships and novel hybrid models that blend returns with environmental impact.
- **Banks, asset managers and institutional investors** can support early-stage vehicles and incubation pipelines aligned to their investment mandates, while refining investment screening to include nature-linked outcomes.<sup>109</sup>

- **Venture capital funds, venture studios, accelerators and related impact investors** can play a crucial role in de-risking early-stage models, matching risk-return profiles, scaling-up pipelines, expanding due diligence and bridging the gap between local innovators and institutional investors across the startup funding cycle.
- **Civil society organizations such as NGOs and conservation funds** can act as intermediaries to aggregate small projects and lower transaction costs.

### 3.4 Build market demand through an enabling environment

“Real-economy incentives are among the most powerful ways to drive nature investment, such as repurposing environmentally harmful subsidies, public procurement and investment mandates.”

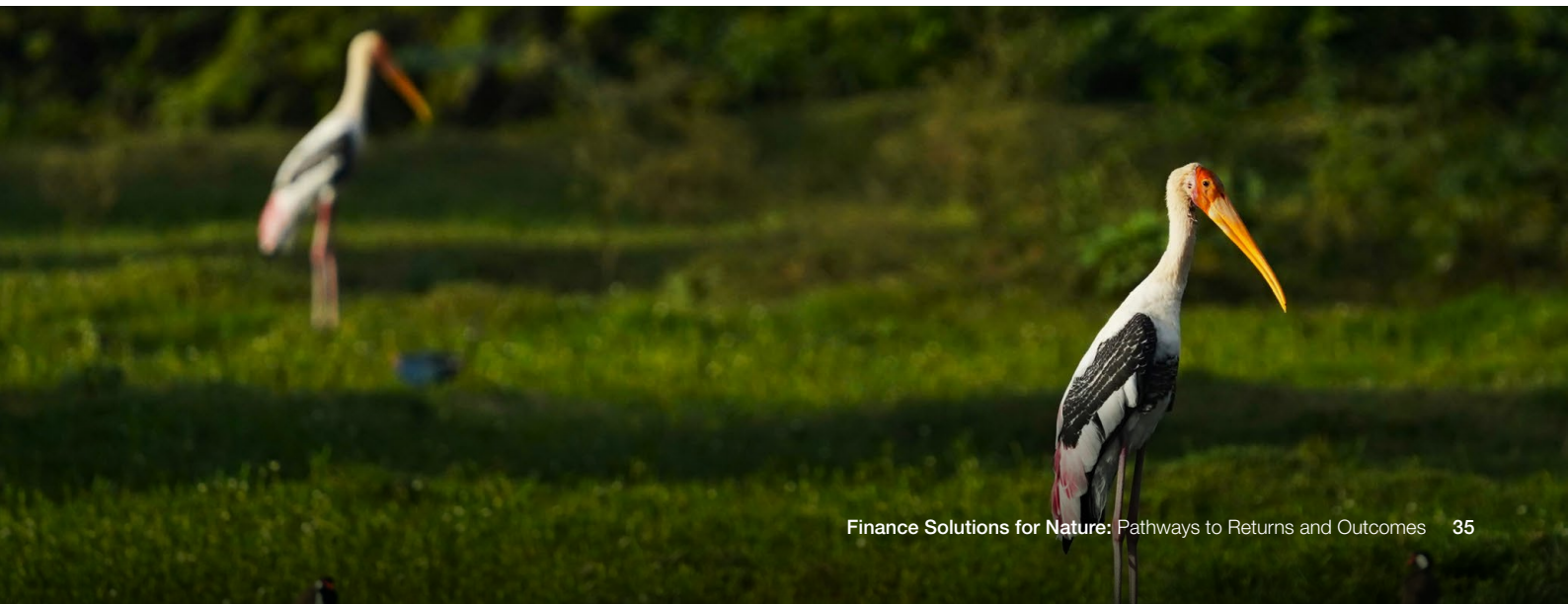
Nature finance still lacks the public commitments and market infrastructure that helped scale up climate finance. Despite renewed ambition under the Kunming-Montreal GBF, many countries are yet to translate global targets into enforceable domestic action or investment plans. For instance, National Biodiversity Strategies and Action Plans (NBSAPs), the primary policy tool under the GBF, often struggle to achieve cross-ministerial alignment and rarely cascade into private sector investment mandates or fiscal policy.

Crucially, real-economy incentives are among the most powerful ways to drive nature investment. These include incentives such as repurposing environmentally harmful subsidies, building on Target 18 of the GBF,<sup>110</sup> public procurement and investment mandates. Sluggish or uncertain enabling conditions, however, deter private capital. There is a pressing need for long-term policy stability, disclosure regimes and incentive structures that reflect nature’s economic materiality. Governments have the most critical role to play here, but many other stakeholders can help drive stronger signals to markets:

- **National governments** can seek to strengthen legal frameworks, national development plans and NBSAPs to codify key GBF targets and integrate transition plans, as well as to provide regional and sectoral benchmarks to achieve them.<sup>111</sup> Japan offers a leading example – its 2023-30 NBSAP is embedded within a broader

“nature-positive economy” transition plan.<sup>112</sup> Key elements of success include: securing leadership from critical departments and ministries in economic planning, finance, agriculture and more; aligning nature-related targets with nationally determined contributions (NDCs) under the UN Framework Convention on Climate Change (UNFCCC); embedding nature investment targets and fiscal reform; and ensuring targets are devolved to provinces and cities. Further progress could include linking commitments to natural capital accounting frameworks and measures of performance such as gross ecosystem product (GEP); and scaling-up performance-linked budget mechanisms, such as ecological fiscal transfers, that reward conservation outcomes.

- **Central banks and supervisors** can integrate ecosystem risks into macroprudential frameworks, including stress testing and scenario analyses. Organizations, including the Network for Greening the Financial System (NGFS) and the Financial Stability Board (FSB), have issued guidance to support these efforts.<sup>113,114</sup>
- **Donors, MDBs and international organizations** can play a key role in country-level reform, capacity building and technical support to improve planning, monitoring and implementation.



## 3.5 Shift market norms and incentives to recognize nature's full value

“ Biodiversity and nature loss presents material financial risks. Integrating nature-related factors is essential to meeting 21st-century fiduciary obligations.

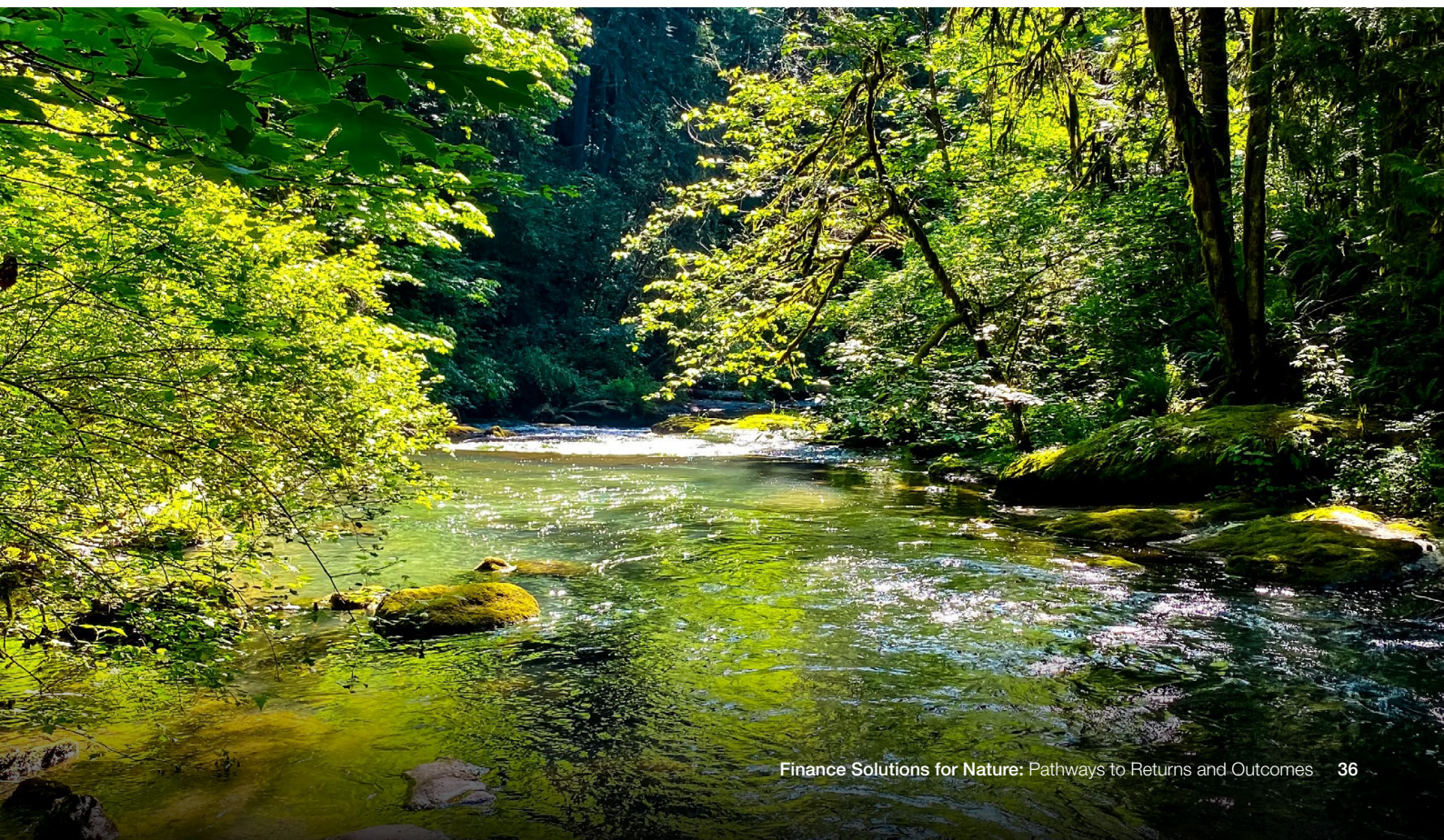
Embedding nature into economic and financial systems requires more than standalone solutions – it demands fiduciary alignment, institutional support and durable valuation methods for long-term investing. The investment chain can play a key role: asset owners and allocators shape mandates that influence asset managers, making trustee and board-level education crucial to shifting norms.

Fiduciary duty is an important lever. As the Principles for Responsible Investment (PRI) emphasize, biodiversity and nature loss presents material financial risks. Integrating nature-related factors is therefore essential to meeting 21st-century fiduciary obligations.<sup>115</sup> Boards and investment committees can actively understand and integrate these responsibilities. Nature can be considered across asset classes as part of a “3D investing” approach – balancing risk, return and impact – and in line with the GBF’s call to align financial flows with nature-positive outcomes.<sup>116</sup>

Success also depends on trusted valuation methods for ecosystem services, nature-inclusive credit and equity analysis, and financial structures that can demonstrate long-term nature-linked value. Innovations can be welcomed – including emerging approaches such as NACs and INP – as long as they are first tested through robust pilots.

In addition to the priority actions described throughout this chapter that can shift market norms, the following stakeholders have a critical role to play:

- **International organizations** can help align capital market rules by promoting best global practices, including methodologies, taxonomies and high-quality case examples.
- **MDBs** can support this transition by helping mainstream long-term nature value into financial solutions and project appraisals and by piloting emerging models such as NACs and INP where relevant.
- **Institutional investors** – particularly asset owners – can integrate nature-related risks and opportunities into strategic asset allocation and update investment mandates accordingly.
- **Asset managers and fiduciaries** can update their investment policies and stewardship strategies to explicitly include nature-related risks and dependencies, aligning with PRI guidance on nature-related fiduciary duty.<sup>117</sup>
- **Credit rating agencies** play a systemic role in influencing investment flows – by evolving their models to account for nature-related risks and long-term ecosystem service dependencies, they can help shift market norms and reward nature-positive issuers.



# Conclusion

The call to action is clear – it is critical to embed nature’s full value into financial markets.

**Investing in nature’s full value can become a fundamental driver of portfolio performance and system stability.**<sup>118</sup> This report offers a practical starting point for investors seeking to integrate nature into their portfolios. The takeaway is simple: together, we can embed nature’s full value across the global economy – not as a commodity, but as a foundational element of long-term economic resilience and value creation. Our financial systems should no longer overlook the biophysical limits that underpin their enduring growth. In addition, this report can be used by corporates looking to develop nature finance action plans for their nature strategies.<sup>119</sup>

**Looking ahead, there is significant scope for future research to build on this analysis.** A major challenge in preparing this report was the lack of consistent, comparable data on the nature and financial outcomes of transactions. Many featured deals are recent or still maturing, with

impact expected over multi-year horizons; others lack transparency or standardized reporting. Addressing this gap requires tracking a larger volume of transactions across solution types and using consistent metrics such as capital mobilized, ecosystem area restored or protected, condition improvements and ecological significance.

**Future efforts must move from shortlisting possible solutions to evidence-backed comparisons of real-world performance.** This will be key to sharpening investment strategies, strengthening accountability and evolving nature finance from high-level commitments to measurable results. The priorities proposed in this report are deliberately sector-agnostic and readers are encouraged to apply their own criteria based on investment goals, sectors or geographies. Doing so could help build more tailored investor guidance and unlock capital at scale.

# Appendix A: Scoring methodology

TABLE A1 Criteria to identify priority finance solutions for nature

Criteria	Description	Potential evidence points	Scoring guidelines
<b>Category: Scalability</b>			
<b>1. Ease of structuring</b>	The ease and speed with which investments can be mobilized.	<ul style="list-style-type: none"> <li>– Time to mobilize capital or structure transaction</li> <li>– Number of stakeholders involved</li> <li>– Complexity of negotiations</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Low (1):</b> Complex and largely bespoke transactions with many stakeholders</li> <li>– <b>Medium (2):</b> Some standardization but lengthy or complex structure</li> <li>– <b>High (3):</b> Speedy structuring, easy to navigate and dispersed market expertise</li> </ul>
<b>2. Applicability</b>	The versatility of each solution for nature projects.	<ul style="list-style-type: none"> <li>– Use cases across sectors and regions</li> <li>– Replication rate</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Low (1):</b> Limited to niche sectors/markets</li> <li>– <b>Medium (2):</b> Applicable across a few sectors with some adaptation to local context</li> <li>– <b>High (3):</b> Broad replicability across sectors and regions with feasible adaptation</li> </ul>
<b>3. Capital unlock</b>	The scale of capital that the solution can unlock at full potential.	<ul style="list-style-type: none"> <li>– Total capital unlock at full potential</li> <li>– Range and depth of investor pools that can be activated</li> <li>– Leverage effect for additional investment</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Low (1):</b> Small-scale, niche opportunities; limited opportunity for private/institutional investment</li> <li>– <b>Medium (2):</b> Larger opportunities, but limited investor base</li> <li>– <b>High (3):</b> Significant commercial potential, comparable with segments of global equity or bond markets</li> </ul>
<b>Category: Nature impact</b>			
<b>4. Track record</b>	Evidence that past transactions created measurable nature-positive outcomes.	<ul style="list-style-type: none"> <li>– Verified positive impact</li> <li>– Direct or indirect impact</li> <li>– Associated controversies or false claims</li> <li>– Likelihood of accuracy and completeness of available evidence</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Low (1):</b> No measurable evidence, anecdotal impact, insufficient deployment time to measure impact, or weak outcomes</li> <li>– <b>Medium (2):</b> Some evidence exists, e.g. in a few regions or sectors, but is incomplete or needs validation</li> <li>– <b>High (3):</b> Verified evidence of positive impact across multiple projects/applications</li> </ul>
<b>5. Outcome-based structure</b>	Degree to which returns or capital unlock depend on measured nature impact.	<ul style="list-style-type: none"> <li>– Conditions and/or incentives linked to financial payouts</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Low (1):</b> Returns are not tied to impact</li> <li>– <b>Medium (2):</b> Some link between use-of-proceeds and project outcomes</li> <li>– <b>High (3):</b> Terms of returns/payments fully depend on impact</li> </ul>
<b>6. Nature valuation</b>	Extent to which pricing captures the full value of ecosystem services.	<ul style="list-style-type: none"> <li>– Incorporation of natural capital accounting and valuation in pricing</li> <li>– Degree to which payouts are linked to such valuation</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Low (1):</b> No explicit valuation or pricing of nature in solution structure</li> <li>– <b>Medium (2):</b> Some valuation, could be indirect or use qualitative criteria</li> <li>– <b>High (3):</b> Comprehensive nature valuation, integrating ecosystem services into market pricing and returns</li> </ul>

# Appendix B: Full list of finance solutions for nature

This Appendix contains further details on all finance solutions for nature covered in Chapter 1, excluding the priority solutions covered in the deep-dives in Chapter 2.

TABLE A2 Finance solutions for nature

#	Solution	Definition	Scalability	Nature impact
 <b>Financial instruments</b>				
1	<b>Sustainability-linked bonds (SLBs)</b>	Outcome-based, tradeable fixed-income instruments with coupon rates tied to meeting entity-wide environmental or social KPIs; failure to hit KPIs raises coupon rates; over-performance can trigger a decrease.	High; due to ease of issuance and broad market access; achieved significant commercial scale for decarbonization purposes.	Medium; outcome-based structure links financial incentives to impact, but relatively poor history of triggers and nascent track record from existing transactions.
2	<b>Thematic bonds</b>	Tradeable fixed-income instruments whose use-of-proceeds is earmarked for specific environmental and social projects; also called green, social and sustainability (GSS) bonds.	High; due to ease of issuance and broad market access; nearly \$100 billion annual market in 2023 for nature-related issuances.	Medium; funds are ringfenced, but major concerns over lack of returns and governance standards.
3	<b>Commercial bonds</b>	Traditional bonds where issuers raise capital and investors earn interest; capital may, by discretion, be used for nature projects.	High; due to ease of issuance and broad market access.	Low; as the priority is financial returns.
4	<b>Impact bonds</b>	Bonds that may finance nature-related projects; include concessionary/blended finance to de-risk private investment.	Medium; due to transaction complexity; suited to boosting business case for nature projects given their flexible transaction size; aggregation extremely impactful; potential to scale up is strong but more limited than commercial markets.	Medium to high; payout terms contingent on outcomes, but outcomes not linked to natural capital approaches; though track record is improving. Recent examples: World Bank outcome bonds, <sup>120</sup> Rhino Conservation Impact Bond, <sup>121</sup> Indonesia Coral Bond. <sup>122</sup>
5	<b>Conservation notes</b>	Fixed-income product channelled to conservation projects with concessional interest, ensuring long-term conservation.	Low; product is relatively niche.	Medium; depends on issuer credibility.
6	<b>Sustainability-linked loans (SLLs)</b>	Outcome-based loans with interest rates tied to borrower's environmental or social KPIs; missed targets trigger a rate increase; over-performance can reduce rates further; may include supply chain finance.	High; wide applicability and flexible transaction size; significant market size overall (>\$700 billion/year), though nature labelled loans are a smaller share.	Medium; outcome-based structure links financial incentives to impact and a growing track record, but concerns remain over effectiveness of triggers.

TABLE A2 | Finance solutions for nature (continued)

#	Solution	Definition	Scalability	Nature impact
7	<b>Thematic loans</b>	Commercial debt with proceeds ringfenced for specific environmental or social projects; also called GSS loans; include project and supply chain finance.	High; wide applicability and flexible transaction size; significant market size overall (>\$200 billion/year) though nature labelled loans similarly small.	Medium; strong track record, though concerns remain over transparency and reporting.
8	<b>Commercial loans</b>	Traditional loans where borrowers raise capital and investors earn interest; capital may, by discretion, be used for nature projects.	High; applicable to both small and large businesses/projects.	Low; as the priority is financial returns.
9	<b>Impact loans</b>	Loans that may finance nature-related projects; include blended/concessional finance; offer lower interest rates or extended repayment term; include microfinance solutions; overlap with “patient capital”.	Medium; accessible through financial institutions with donor support, but eligibility is strict.	Medium; designed to finance environmental outcomes, but impact tracking varies, nature valuation is not central and track record is mixed.
10	<b>Bridge financing</b>	Loans used to bridge the financing gap between a conservation organization’s cash reserves and project costs; may be at concessionary terms.	Medium; limited applications.	Medium; track record is promising, but lacks outcome-based structure and nature valuation.
11	<b>Debt-for-nature swaps (DNS)</b>	Financial mechanism to restructure sovereign debt in exchange for funding for conservation and restoration; underlying financial instruments include loans, bonds, guarantees, credit enhancements, insurance and/or grants.	Medium to high; growing catalogue of transactions with increasing proportion of restructured debt used for conservation funding, though each transaction is complex and eligible debt remains limited due to creditor preferences.	Medium; debt restructure creates explicit funds for conservation; reasonable track record in ocean conservation, though concerns remain over weak oversight, lack of local buy-in and greenwashing.
12	<b>Natural asset companies (NACs)</b>	New class of publicly listed or private companies that convert the value of natural assets into financial capital through integrated reporting; structured as operating companies that issue equity.	Medium; significant scale possible at full potential comparable to equity markets and wide applicability across primary sectors, though only one live transaction to date.	High; price in the full value of ecosystem services into financial valuation, but no track record and greater volume needed for price discovery.
13	<b>Commercial equity</b>	Publicly traded equity where issuers raise capital and investors earn dividends and capital appreciation; capital may, by discretion, be used for nature projects.	High; due to standardized structures and access to markets.	Low; priority is financial returns – unless the business is explicitly focused on impact.
14	<b>Private equity</b>	Private placements in companies, potentially with nature-positive business models.	High; well understood and highly applicable.	Generally low, unless the business is explicitly focused on impact.
15	<b>Impact equity</b>	Investments in social enterprises or businesses focused less on profit maximization and more on impact; accepting lower returns or higher risks.	Medium; expectation of below-market returns limits investors base.	Medium; track record is promising, though outcome tracking varies and nature valuation is generally not central.
16	<b>Payments for ecosystem services (PES)</b>	Voluntary agreements offering financial incentives to landowners or stewards to preserve or enhance specific ecosystem services.	Medium; unlocked significant capital in public schemes, but private schemes nascent due to unclear revenue streams and need catalytic capital.	High; embed ecosystem service values into policy and markets, but concerns over pricing accuracy and returns below those of current nature-negative activities.
17	<b>Environmental credits</b>	Verified units of positive environmental outcomes, e.g. biodiversity, water, carbon; projects increasingly blend credits.	Medium; flexible issuance size and credible long-term offsets can attract capital at scale, but growth depends on nature-related regulation.	Medium to high; assign financial value to specific ecosystem outcomes especially in compliance markets, but prices often diverge from ecosystem value.

TABLE A2 | Finance solutions for nature (continued)

#	Solution	Definition	Scalability	Nature impact
<b>Funds and facilities</b>				
18	<b>Impact funds</b>	Capital pools dedicated to achieving environmental or social outcomes, often accepting higher risk or concessionary returns; may follow private equity or venture capital fund structures or use blended finance.	High; global impact investing AUM in 2024 reached \$1.6 trillion, with nature-focused funds < 10% but growing rapidly; flexible fund size up to \$1 billion; key to support diverse sectors and project types with tailored financing.	High; typically mandated to deliver outcomes with robust metrics, though not linked to natural capital accounting; generally positive track record.
19	<b>Thematic funds</b>	Capital pools generated from investors or a single corporate, targeting both nature impact and returns.	Medium; funds can attract institutional investors, but require alignment on investment objectives.	Medium; impact measurement can be strong, but outcomes are generally not built into targets and track record is mixed.
20	<b>Venture capital (or early-stage investment)</b>	Private placements in early-stage businesses, could focus on nature-positive business models, e.g. regenerative agriculture, sustainable forestry, MRV technology.	Medium; tends to favour developed capital markets.	Medium; impact measurement varies and track record favours tech-based investments over models with direct impact.
21	<b>Commercial funds</b>	Pools of capital from various investors allocated for a specific project or purpose; may, by discretion, be used for nature projects.	High; broad market acceptance.	Low; priority is financial returns.
22	<b>Corporate funds</b>	Investment vehicle established by a corporate to support direct funding of nature projects or to finance nature-positive business models.	Medium; corporations can create SPVs to support sustainability goals, but scale depends on leadership commitment.	Medium; varies widely on fund structure and track record is hard to ascertain.
23	<b>Crowdfunding</b>	Collecting money from a large number of small-ticket investors; can be both equity-based or donor-driven.	Low; but growing relevance for nature-based models, including early-stage startups in tech-based MRV and community reforestation.	Low; as project quality and impact measurement vary significantly.
<b>Enabling mechanisms</b>				
24	<b>Green securitization</b>	Pooling of financial products, into a sellable product, with proceeds directed towards nature projects.	Medium; while it makes other solutions scalable, most transactions need complex structuring and regulatory frameworks.	Indirect; depends on the quality of the underlying assets.
25	<b>Risk insurance</b>	Insurance covering environmental liabilities or reducing financial risks from ecological collapse; premiums can be tied to nature-positive outcomes; includes parametric insurance.	Low; as individual structures are complex and limited demand outside specialized risk areas; however, transactions are growing.	High; outcome-based structure incentivizes nature-positive activities, particularly relevant for coastal conservation and restoration.
26	<b>Credit guarantees</b>	Third-party guarantees reducing lender risk by ensuring loan repayment in case of default; include first loss capital as credit enhancement in blended structures.	Medium; depend on financial institutions' backing for relevant projects; stronger when combined with priority solutions.	Medium; outcome-based structure and valuation depends heavily on the paired solution.
27	<b>Internal nature pricing (INP)</b>	Voluntary tool for corporates and institutional investors to assign a shadow price or internal fee to their negative impact on nature; analogous to internal carbon pricing (ICP).	Medium; no active schemes and complex to structure, but track record of ICP and growing nature-related reporting indicate a strong base of companies and investors.	Medium; places a financial value on externalities, allowing corporates and investors to generate funds for natural capital, but pricing guidance is lacking.

TABLE A2 | Finance solutions for nature (continued)

#	Solution	Definition	Scalability	Nature impact
28	<b>Philanthropic finance</b>	Charitable donations, including for nature projects, where outcomes are typically tracked and payouts sometimes linked to outcomes.	High; philanthropies have historically mobilized significant resources for environmental causes, but scale is limited versus markets.	Medium; funded initiatives are generally small-scale and target setting is mixed; stronger when structured as catalytic capital.
29	<b>Public grants</b>	Direct government contributions for specific activities, often one-off payments supporting conservation or restoration.	Medium; reliant on budgetary process and government priorities.	Medium; target setting and monitoring are usually inefficient; funded initiatives can be larger in scale than philanthropy but strongest when structured as catalytic capital.
30	<b>Conservation easements</b>	Voluntary land-use restrictions to protect resources, which can generate tax credits or be sold by the landowner; also include concession agreements as rights-based mechanisms.	Medium; depend significantly on regulatory support and enforcement capacity.	High; easements ensure permanent conservation.
31	<b>Advance market commitments (AMCs)</b>	Commitments from a company or government entity to offtake a product or service at a guaranteed future price; also called procurement or offtake agreements.	Low; as success depends on bespoke commitments.	Medium; as track record is mixed and shows that guaranteed purchases may not always lead to measurable nature outcomes.
32	<b>Jurisdictional approaches</b>	Collaborative funding models where a combination of public, private and philanthropic sectors pool resources to de-risk nature projects; include supply chain projects in landscapes and some REDD+ projects.	Medium; as each contract is bespoke and success depends on sustained capital influx from all sources.	Medium; generally set up for strong outcomes and with good governance, but results vary.
<b>X Fiscal and regulatory measures*</b>				
33	<b>Ecological fiscal transfers (EFTs)</b>	Fiscal transfers that reward expanded conservation of protected areas and higher generation of ecosystem services flows.	Reliant on budgetary process, legislation and complex coordination across ministries and subnational governments.	Strong impact measurement and outcome tracking as funds are tied to environmental performance; success emerging in China, India and Brazil.
34	<b>Environmental/ externality taxes</b>	Taxes to discourage activities or products with negative environmental impacts, e.g. carbon tax, land degradation tax, water tax.	Reliant on political alignment and legislation; challenges with trade competitiveness and perceptions of fair pricing.	Excellent financial incentives to curb nature-negative behaviour; can generate new funds for nature projects and stimulate demand for market-based solutions.
35	<b>Environmental subsidies</b>	Subsidies aimed at reducing environmental harm or promoting positive behaviours.	Reliant on sustained public funding and policy stability, as well as transitioning stakeholders on current subsidies to new regimes.	Excellent in theory as they provide financial incentives for nature-positive behaviour, but evidence of success is mixed.
36	<b>Betterment levies</b>	A tax on land value increase due to public infrastructure development, including nature-based solutions.	Similarly reliant on political priorities and budgetary processes.	Effectiveness linked to how levies are reinvested.
37	<b>Incentive mechanisms</b>	Financial or non-financial incentives used to reward nature-positive activity by corporates and communities, e.g. no-claims bonus, green procurement bonus.	Depend on regulatory and policy support and structuring is bespoke and complex.	Directly encourage nature-positive activities, though track record is hard to ascertain.

\* Fiscal and regulatory measures are not explored in this research.

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