

Financing nature – private sector flows are key

The lack of agreed metrics, available data and a shared taxonomy must also be addressed so that money can flow to where it is most needed. BY MARTIJN WILDER AND NIKKI KEMP

SINGAPORE has taken a global leadership position on climate change, adopting strong policy and market mechanisms to push towards a net-zero world. At the same time, the nation's financial institutions have been active in making climate-aligned investments. Until recently there has been a focus on the role that nature-based solutions can play in addressing climate change, but the broader importance of nature to local and global economies is now receiving increased attention.

Around the world, we are witnessing the rapid degradation of natural capital assets such as clean waters, healthy soils and carbon-storing rainforests. In Singapore, we recently saw an oil spill that deposited more than 400 tonnes of fuel into the city's waters and onto its beaches, forcing tourism and recreational-activities operators to shut down as a massive cleanup effort got under way. Had the spill been larger, it is not hard to see it having a catastrophic impact on local businesses and supply chains.

Understanding the new reality

As companies increasingly grapple with understanding and responding to their exposure to nature loss, the scale of the nature-repair task is daunting. The United Nations' Kunming-Montreal Global Biodiversity Framework sets a target of US\$200 billion funding per year to be spent on nature repair by 2030. In response, the global financial sector is urgently considering the part it will play in providing the finance that is required.

The issue is particularly acute in South-east Asia, which is home to much of the natural capital that is under threat and where many businesses are highly exposed to supply-chain risks from regional nature damage. Despite this, the task of financing the shift to nature-positive business practices also represents a huge opportunity for Singapore, as the finance and commercial hub of the region.

The Singapore Green Finance Centre and Pollination recently hosted a roundtable for the city's leading financiers to share how they are responding to the need for nature investment, what challenges and opportunities they are seeing, and what changes might be needed to increase the flow of finance.

As a largely public good, nature has not provided a traditional commercial return unless it is being exploited. Nature management and conservation have almost exclusively been the preserve of governments, philanthropists, and conservation groups. Given the scale of finance required, valuing the preservation and repair of nature in real economic terms is now fundamental and private sector financing will be key.

Our roundtable discussion made clear that finance sector leaders understand this new reality. Those gathered were already engaged in high-level discussions about how to respond to the emerging demand for nature investment.

We were energised by the determina-



A zebra shark, which is an endangered species, in Raja Ampat, Indonesia. The issue of nature repair is particularly acute in South-east Asia, home to much of the natural capital that is under threat. PHOTO: AFP

tion to lead in the space – seen as necessary for Singapore to maintain its status as a global finance hub – but also saw a sector looking for partnerships and enabling policy to guide how and where to direct its resources.

While we can see the impact that reporting and disclosure frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) have had on putting nature on the corporate agenda, moving beyond reporting and compliance relies on investors securing a return from nature investing or gaining a greater understanding of how nature investing can protect future economic stability and company returns.

We heard from finance sector leaders looking for government signals and settings to help establish clearer local and regional direction, including a desire for regional bodies, such as Asean, to be active in establishing rules, metrics and tools for the nature shift.

Overwhelmingly, there was support for Singapore playing a lead role in financing nature, just as it has done with establish-

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ing climate finance and carbon markets. One change worth considering might be for governments to require companies to report on their nature-related risks based on a TNFD framework, just as they now do in Singapore for climate.

Ultimately, governments may need to think about imposing obligations on companies to manage their impact on nature and make mandatory investments to ensure their operations are nature-positive. There could also be a potential role for public funding incentives to encourage large-scale private nature investment.

Hungry for the right tools

One challenge that many of our participants named was the lack of agreed metrics, available data and a shared taxonomy for financing nature. It is often said that "you can't be what you can't see". It is just as difficult, though, to repair what you cannot measure, or to invest in something that does not have an agreed value.

Financiers are hungry for the tools and understanding they will need to "turn on the tap" and let nature finance flow in a way that can deliver better-understood returns for investors and for the environment. This includes research and case studies, standards for identifying and measuring natural capital, as well as the regulatory infrastructure to allow for frictionless comparison, translation, and trading across regional jurisdictions, so that finance can flow to where it is most needed.

While frameworks such as the TNFD and Science Based Targets initiative have

been helpful, the discussion called out the fact that such frameworks often emerge from Western economies and flagged the need for rules and guidance that better reflect Asian contexts.

All of this is important, but the task at hand is urgent and we do not have time to wait for ideal conditions before getting started. The most important thing is to stop waiting and start financing, course-correcting along the way as new research,

data and cases emerge. If the nature-finance plane is going to be built at the same time it is being flown, better to have a spanner in your hand and a voice in the debate than to continue being an observer.

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