

How to Unlock Finance for Biodiversity

Palladium's experience from the UK and beyond



We have gained insights and learnings from Palladium's Nature-based Solutions (NbS) portfolio about how to build and scale natural capital markets

Palladium Nature-based Solutions

Palladium's Nature Based Solutions (NbS) team specialises in business incubator design, project development and financing for **protection and restoration** of nature.



Revere is a nature finance platform that Palladium designed with the UK National Parks to restore nature across the UK National Parks and beyond.



P4F catalyses investment into forest friendly businesses that address climate change, benefit people and protect biodiversity across the tropical belt.



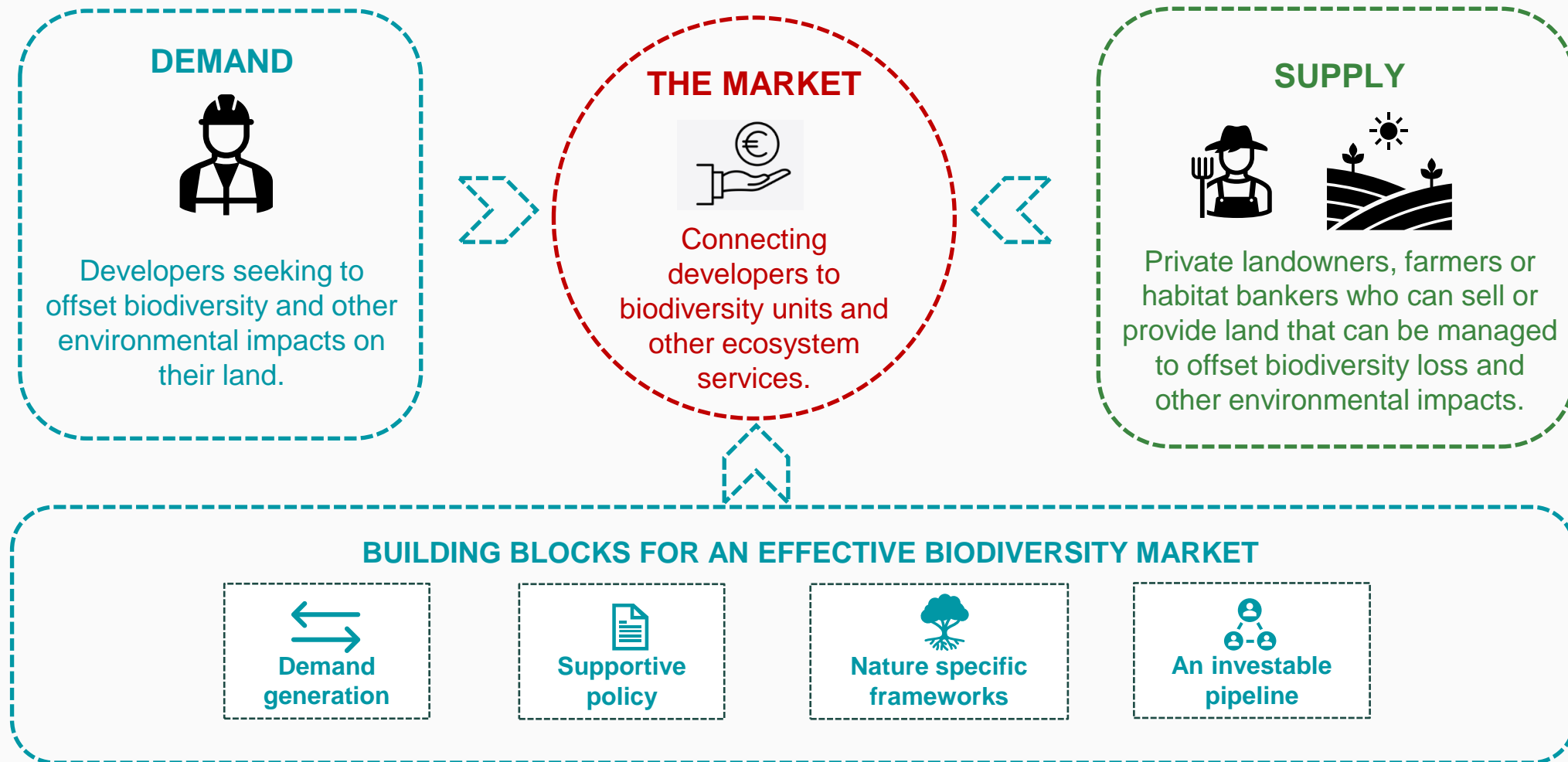
Nactiva accelerates the creation of projects and companies that transform the natural capital in Europe

Insights from our portfolio show that there are four building blocks that can help to create a market and unlock financing for nature and biodiversity:

- Demand generation
- Supportive policy and legislation
- Nature specific frameworks and tools
- An investable pipeline

Palladium's NbS portfolio provides insights into what is required to create effective natural capital markets

The building blocks that are needed to help to unlock financing for nature and biodiversity in Europe and other markets



Revere aims to secure £240m by 2030 for peatland, woodland, wetland and grassland restoration across the National Parks

Revere works with existing landowners and farmers to design nature restoration projects, raise the capital to fund them, and generates revenue through the sale of ecosystem services to ethically aligned corporates.

This approach creates new income streams for farmers and landowners seeking to improve the quality of landscapes and support biodiversity. It is a unique **non-acquisition model** for nature investment.



Carbon markets: Working with landowners and farmers to enact landscape scale woodland creation and peatland restoration. Credits generated are sold to ethically aligned corporate offtakers with SBTi net zero goals.



Biodiversity: Restoration of National Parks will restore biodiversity in the UK. Biodiversity credits are a nascent but growing market in the UK.



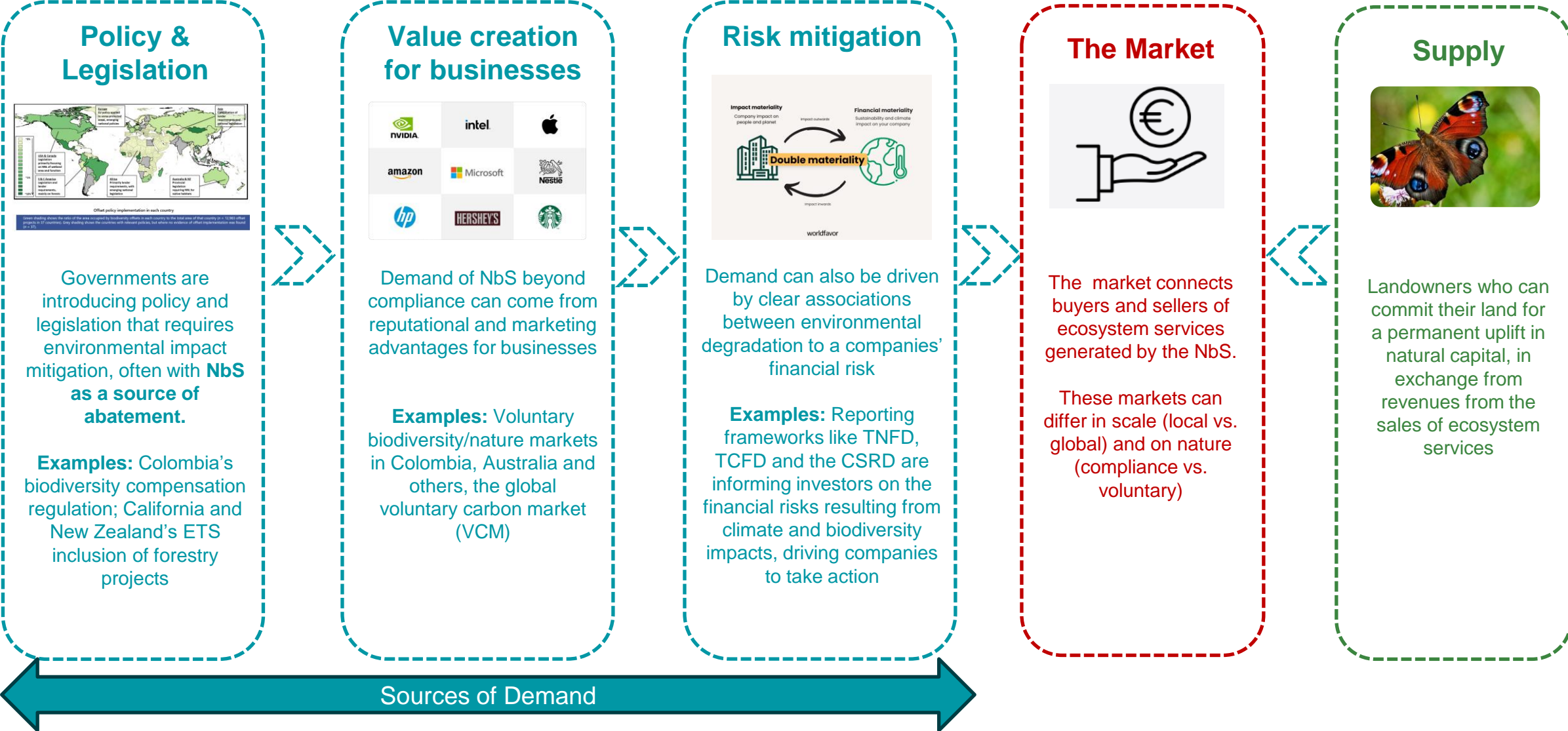
Innovation: Emerging markets such as Natural Flood Management and water quality are being explored.



Building block 1: Demand generation



Demand for nature-based solutions can be driven by policy, value creation and risk mitigation for actors in the economy



Building Block 2: A supportive policy environment



The UK policy environment has helped to catalyse a market for nature investments

The UK has introduced new policy and legislation for UK environmental management that sends a signal to investors that there are opportunities to invest in UK nature

Key policies and targets

The UK government's 25-year Environment Plan sets out a pathway to transform the way the UK manages its land, water and natural resources.



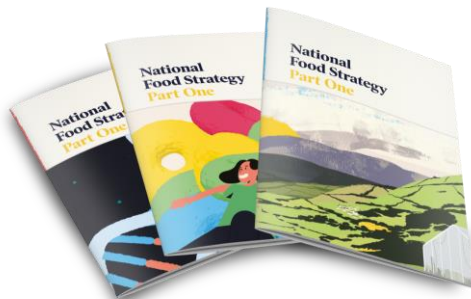
The UK Committee on Climate Change has set ambitious targets for nature restoration

Creating new woodlands at scale

- Increasing UK woodland from 13% of land cover in 2019 to 18% by 2050
- This is equal to planting 30,000 ha of new woodland every year by 2035, rising to 50,000 per year by 2050
- More than 1 million hectares of new woodland must be created by 2050

Restoring peatland across the country

- Restoring 79% of degraded peatland by 2050
- This is equal to 1 million hectares of peatland by 2050, or 35,000 ha per year



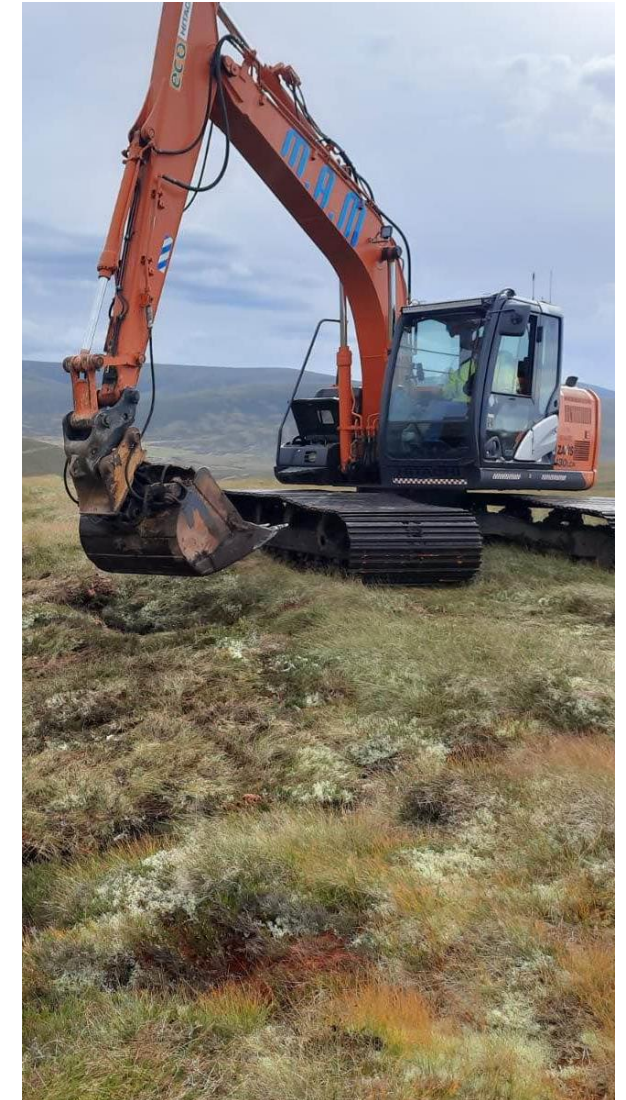
Project Developers

This creates investment opportunities and attracts private finance

Many new players are entering the UK market across different focus areas - project development, transactions and retail, and fund management.

Fund Managers

Many investors and Funds have started to allocate and deploy finance into UK nature restoration and protection projects.



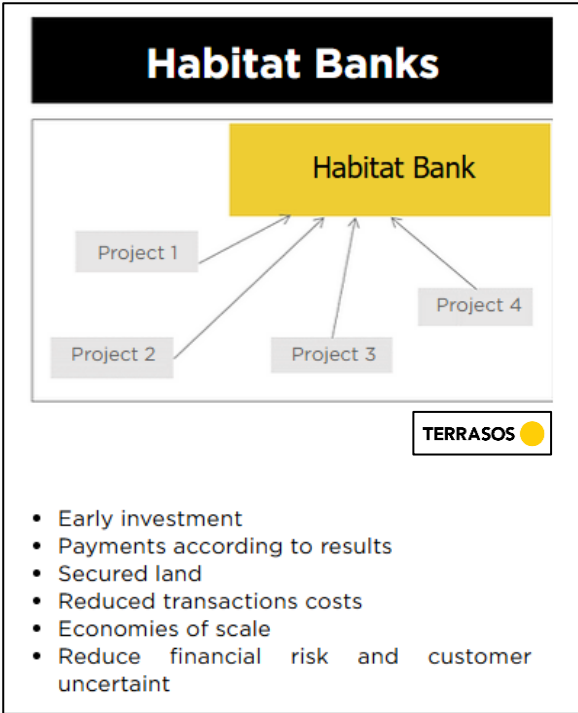
Other signalling policy around the world

The Colombian Government recently issued their National Restoration Plan, in which they lay out that the compensation market will be an element for the achievement of the Plan’s targets



“Strategic actions of financial sustainability

- (...)
- *Optimizing resources from compensation activities from biodiversity loss, by perfecting mechanisms and ways of application”*



Building Block 3: Nature-specific frameworks and tools



Creating frameworks and tools helps to catalyse nature investments

Tools and frameworks have been introduced in the UK that provide quality assurance in both the voluntary and compliance markets

Important to market creation is a **measurable outcome** that has value. The most familiar example is the carbon market. The outcome is easy to measure, with a single carbon metric.

In the UK, Carbon Codes for woodland and peatland exist. These codes provide **quality assurance for the voluntary market** and generate high integrity, independently verified carbon units.

Nature measurement is more complex and there is no single metric of nature's value. Biodiversity Net Gain (BNG) is a **compliance framework** that came into effect in 2024. We are monitoring the impact of this on the market.

**PEATLAND
CODE**



Department
for Environment
Food & Rural Affairs

The Peatland Carbon Code was developed by the IUCN and has been formally endorsed by UK government.



The Woodland Carbon Code (WCC) is the UK quality standard for woodland projects and generates high integrity, independently verified carbon units. It is internationally recognised for high standards of sustainable forest and carbon management and is endorsed by ICROA, the global body for carbon reduction and offset providers in the voluntary market.

**Biodiversity
Net Gain
(BNG)**



BNG was introduced by the UK government as a way of creating and improving natural habitats and ensures development has a measurably positive impact ('net gain') on biodiversity, compared to what was there before. This is now a mandatory requirement for developers in the UK who must deliver a BNG of 10%.

Creating Biodiversity Uplift from Carbon Projects

Revere designs woodland creation projects that are aligned with the Woodland Carbon Codes that deliver carbon credits, while at the same time integrating biodiversity uplift and nature enhancements.



Planting new, biodiverse woodlands



A diverse woodland species mix



Controlling invasive species



Leaving space for natural regen

Restoring ecosystems and valuing biodiversity uplift where possible.



Improving biodiversity next to new woodlands



Lower grazing impact



Managing deer populations



Scrub & species-rich grasslands

Creating biodiversity uplift from nature-focused projects



Nature or biodiversity uplifts can also be commercialised through nature or biodiversity frameworks directly, as it is the case in Catalunya, Spain

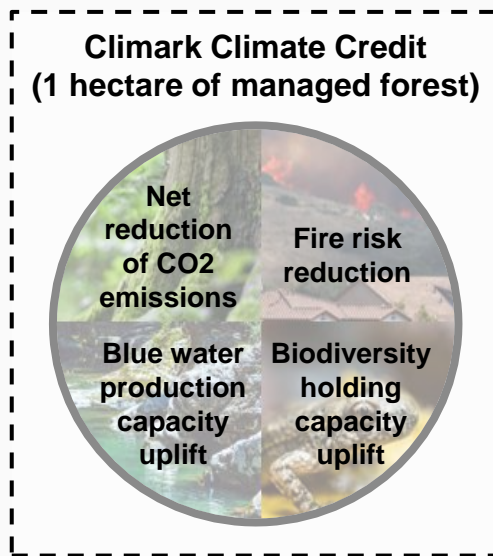
Desired outcome

- The Catalanian Government has set the **nature and social priority of minimising extreme fires in the territory**
- This can be which can be optimally achieved by **managing the forests with defined and specialised techniques**
- Such forest management also generates positive impacts in terms of **water regulation, biodiversity enhancement, and carbon emissions reduction**



Uplift unitisation

- The Government has created a nature market for **Climate Credits**, which are equivalent to **one hectare of managed forests**
- Apart from claiming the main impact of fire prevention, off-takers can also **claim the additional impacts on water, carbon and biodiversity, which the framework also quantifies**



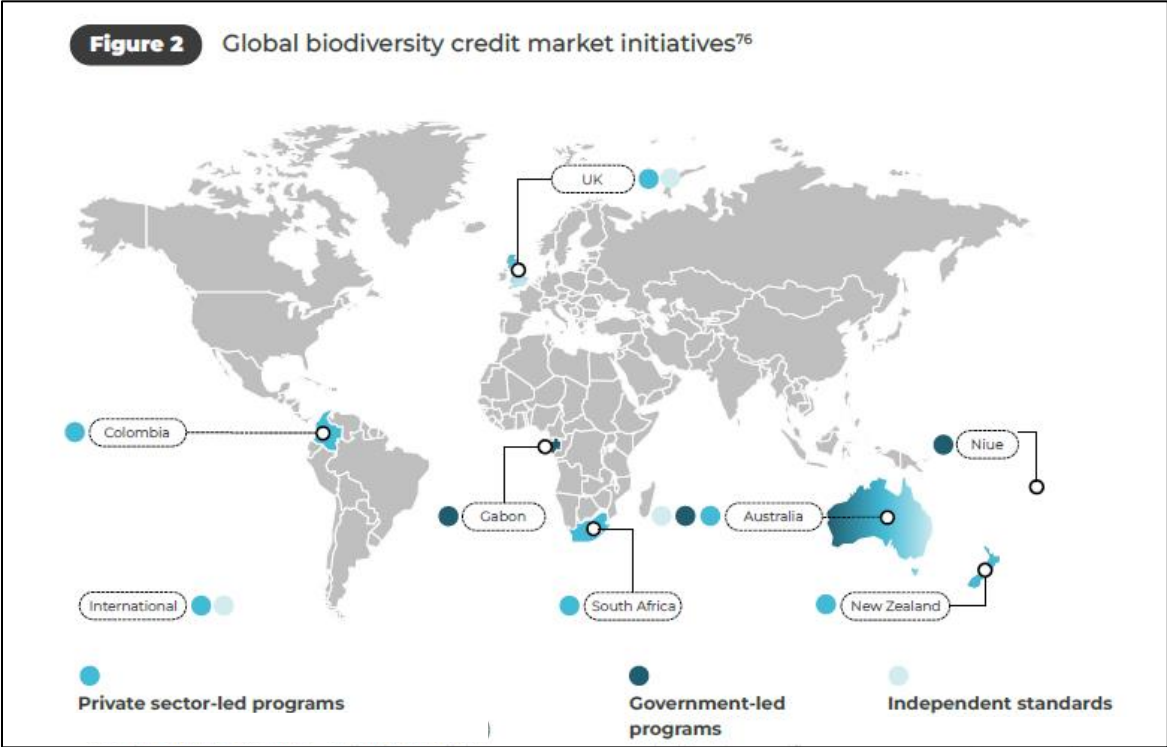
Demand today

- Companies are purchasing the credits, motivated mostly by the specific impacts on water, carbon and biodiversity
- As the metric of forest hectares managed becomes **more relevant, more actors are expected to join the market**
- As with many other nature and biodiversity credits, **demand is expected to remain localised given the locality of the desired outcome**

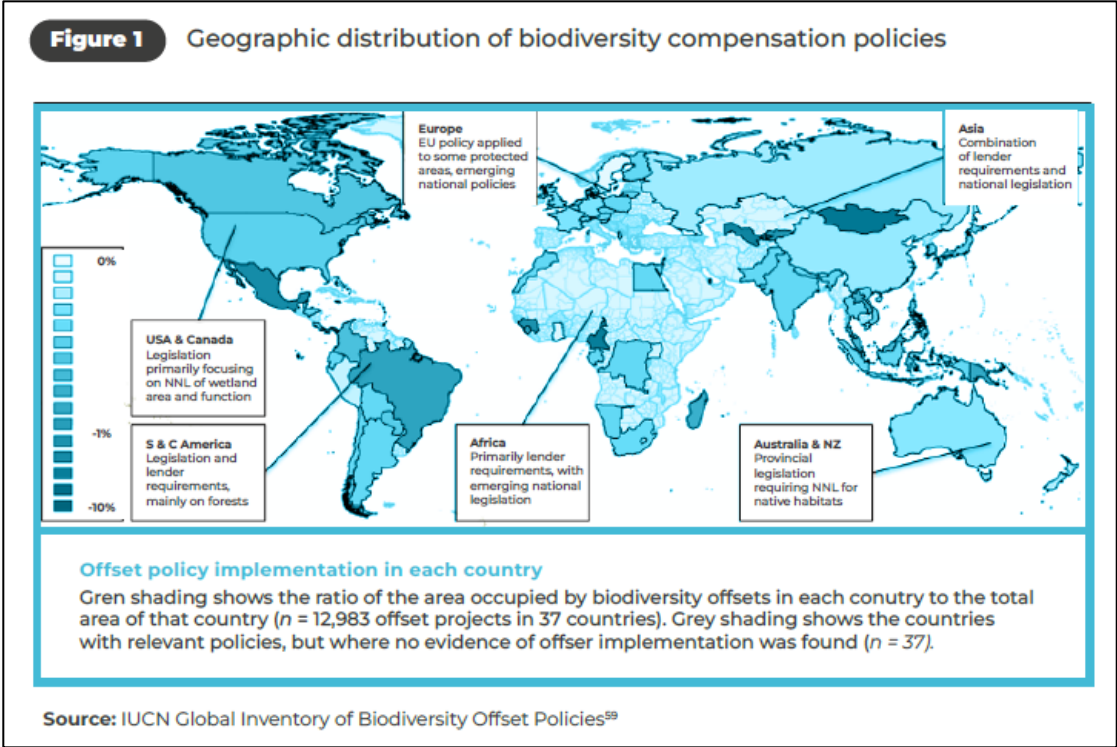


Nature and biodiversity frameworks are emerging around the world, creating the foundations for markets that attract private investment

Biodiversity credit frameworks



Biodiversity offset frameworks



Building Block 4: Scaling the Supply of investable pipeline



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