



## Interface Dialogue Finance and Biodiversity Results and insights of IDFB 2

### The IDFB

The gap in funding for biodiversity worldwide is estimated to be between 598 and 824 billion USD yearly<sup>1</sup>. To fill this gap, the financial sector has to be involved in achieving an ambitious post-2020 Global Biodiversity Framework (GBF).

The Interface Dialogue Finance and Biodiversity (IDBF) is set up to bring together a group of Parties and financials willing to create momentum around exchange and learning from experiences and best practices that the financial sector has in aligning finance and biodiversity. The ultimate goal is to support Parties in designing and implementing a strong GBF that incorporates and maximizes the effective use of public and private finance.

### Main takeaways of IDFB 2

#### Momentum

- *COP15 part one in Kunming illustrated the importance to match public with private finance and to align policy and finance at the national and global levels. It underscores the alignment of finance and biodiversity but also climate in the negotiations on the GBF. Wanted as well as unwanted financial flows have to be taken into account.*

#### Experimenting in practice

- *Data collection and ecosystem services valuation systems are increasingly linked in an operational way, improving the quantification, communicating and translation of biodiversity loss and protection into finance and business risks and opportunities.*

#### Capacity building and knowledge generation

- *To understand the global biodiversity finance gap, underlying assumptions and data need to be aligned and understood by all.*

### Participants

#### Parties to the CBD

Aurelien Girault (Government of France)  
Katie Beckett (Government of the UK)  
Kiruben Naicker (Government of South Africa)  
Kristiina Niikonen (Government of Finland)  
Lucretia Landmann (Government of Switzerland)  
Miguel Galante (Government of Portugal)  
Nith Chin (Government of Cambodia)

Caroline van Leenders (Government of the Netherlands)  
Femke Jongeneelen (Government of the Netherlands)  
Jan Willem den Besten (Government of the Netherlands)

#### Observers

Jeremy Eppel (F4B)  
Lise Goin (Secretariat of the CBD)

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<sup>1</sup> Deutz, A., Heal, G. M., Niu, R., Swanson, E., Townshend, T., Zhu, L., Delmar, A., Meghji, A., Sethi, S. A., and Tobinde la Puente, J. 2020. Financing Nature: Closing the global biodiversity financing gap. The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability.



## General developments on finance and biodiversity

### *TNFD Stewardship Group*

Switzerland and the Netherlands have joined the TNFD stewardship group. It is an important element for the Resource Mobilisation discussion.

### *The Finance for Biodiversity Pledge*

This is a group of financials under the Business and Biodiversity platform collaborate on measuring and setting targets on biodiversity. In November, they will announce their 100<sup>th</sup> member.

### *Role public development banks*

Finance for Biodiversity (F4B) has published two reports about public development banks (PDBs). The first report was *Aligning Development Finance with Nature's Needs: The role of government shareholders of development banks*. This report analyses the duties of governments in relation to nature and the supervision of public development banks (PDBs). It also appraises the powers available to government shareholders to direct PDB management: to improve risk management practices related to nature dependency and to reduce impact on nature. The report presents data on shareholdings of 28 of the largest development banks. The analysis shows that G20 countries' collective stakes in these development banks are worth nearly \$7 trillion, and that they collectively have the majority of board votes in seven out of the eight largest multilateral development banks. This shows how important G7 and G20 countries and, of course, China are. The second report was *The second report publishes and estimating the nature-related risks of development bank investments*. This report is an updated and expanded version of the one released in November 2020. It uses readily available data to estimate the dependency of development banks' balance sheets on vulnerable nature ('dependency risk'), alongside the potential damage to nature from their lending activities ('nature at risk').

### *The Business and Biodiversity Platform*

As an example of finding common ground and cooperation at various levels, the B@B Platform has brought together the IBET database, the STAR methodology and Encore. Encore was in this way aligned with biodiversity footprinting methods. Such combining creates possibilities to be ambitious on what we ask to be monitored and bold on indicators. A next step could be, to link databases for the valuing of ecosystems such as IBET with TRASE.

### *Launch of the Ecosystem Services Valuation Database (ESVD) Database*

The ESVD was set up to get bring together monetary values of ecosystems from of all over the world. It is the old TEEB database left behind by the Economics of Ecosystems and Biodiversity project and it was picked up by the Wageningen University. The ecosystem partnership is a large network of scientist working on ecosystem services. Whenever they do a study on something that includes monetary values, it goes into this database. We can share the entry part of the subsidy and we can share the report. We can also share the link to the launch webinar of the ESVD and their website. We can ask financials to put forward certain part of their portfolio to see how we can combine this deforestation with satellite data with the valuation ecosystem data. The database is now also used by the World Bank and FAO and will be connected to IBET, another big databases on biodiversity data.

The Netherlands will launch a new project to make overlap of data on value of ecosystems possible with satellite data on deforestation. A first case was made that showed how much profit was made through the deforesting of an area, and how that compared to the monetary value of all the ecosystem services that were lost in that same area. It is important to see how the GBF could make use of this information. Understanding of how information is processed and made available could be used as input into the discussions on indicators.

### *Largest pension fund of the Netherland to divest all its investments in fossil fuel*

AGP, the biggest pension fund of the Netherlands, has decided to divest all its investments in fossil fuels by 2023. This is a massive thing. The reason they divest is two-fold. Societal pressure, banks and people indicate that they do not want fossil fuel anymore and they listen to science. There is a lot of money that will be divested, so where will this money go? This is particularly interesting since we learned last time from the GEF, that projects that combine climate and nature have a lower risk profiles and better return profiles. So, if all this money will all be invested again let's make sure that nature and biodiversity are part of the story.



## Lessons and insights for the Global Biodiversity Framework

### *Reflection on COP15 part 1 in Kunming*

It was great to see so many leaders at COP15 part 1 and such attention for biodiversity from the Chinese government. The Kunming declaration was ambitious but very general. It has a paragraph that reflects most targets of the draft GBF. It says the right things. But what is missing are clear commitments or finance. It is a start; a useful scene setter and now the hard work has to be done in the negotiations.

Even though it is not always the main focus, we did hear people talk about alignment of financial flows and this broader understanding of resource mobilization. The announcement of the Kunming Fund by China was an important outcome of COP15 part 1. Besides this, the EU is doubling its biodiversity finance and Japan is extending its Japan biodiversity fund. It is a good development that there is some new money on the table, but it is modest if you compare it to the total amount that is needed to close the global finance gap. Other countries are keen to see how it develops and if others will come forward as well.

### *Mobilisation of resources including reducing harmful flows*

The issue of resource mobilization is the next important step in the negotiations in Geneva. Alignment of financial flows is of particular importance and it should be more prominent in the GBF. There are two main areas: the generation of new flows and the redirection of negative flows. In the week of COP15 part 1 it was in the news that 42% of the profit made by European banks on deforestation is in Dutch banks. It underscores how important it is to look where the money is now going, next to the need to raise new money. We need to discuss this more and it is good to see that more Parties are getting involved, especially from developing countries.

### *Alignment of underlying data of the funding gap*

Over the past years, two main reports came out with figures about the gap in finance needed for biodiversity. These reports were the Expert Panel's second report and the TNC Paulson report. The report of the Expert Panel refers to the Paulson report but does its own analysis and modelling using different scenarios. The two reports were based on different underlying methodological assumptions and as a result, the size of the biodiversity gap differs. The reason why the TNC Paulson numbers are much higher is, because they include opportunity costs for a transition to sustainable agriculture. They include the cost farmers will have to bear to be more sustainable on top of conservation costs. That is a huge assumption and it results in a higher figure of money needed. It implies that nobody would do any of this without being subsidized to do it. It is very important to understand these underlying assumptions well, and to clarify why they result in different figures. The final version of the second report of the Expert Panel about funding needs is important in this respect. It will be published by the end of November and will explore these differences in methodology. The CBD secretariat will organize a webinar to clarify the difference in data. It is important because otherwise we compare apples and pears when talking about the finance gap.

### *Alignment in practice*

The topic of alignment of all financial flows is receiving more and more attention in the CBD process. In the financial sector itself alignment is on the agenda in different areas:

1. Data such as in IBAT, ESVD, STAR.
2. Tools and methods; ENCORE, BFFI, CDC-Biodiversité; EU align.
3. Financial institutions and networks; TNFD, PBAF, F4Bpl.

The current transition phase of experimenting, learning, sharing and finding common ground in the financial sector needs alignment, standardization and common ground. How do these developments relate to our concept of alignment? And can the GBF be instrumental in helping alignment in the sector progress? And what do we say to financials who ask us what to align with?

An internal French taskforce is dedicated to have a panorama of existing regulations in France regarding financial market processes and see to replicate this ambition worldwide through the CBD framework regarding targets 14, 15, 18 and 19 and goal D.1 among others.

### *Scenario's*

The Network Greening the Financial System (NGFS) has designed two climate scenarios. Based on these scenarios financials can make their own financial calculations. Will the GBF targets be specific enough to make such scenario's for financial decision-making on biodiversity?



### *Transparency*

A method has been developed where biodiversity footprints of companies are made based on LCA models and background data--so on real reporting. This is now used by some financial institutions to give an idea about their impact on biodiversity. This is a tool that can even be used on 5000/6000 companies in your portfolio. So companies that are not transparent will be footprinted anyway but with an LCA based method with background. However, the questions is whether companies are feeling the pressure to give this transparency on biodiversity. It is difficult to give an answer to this question since businesses who take the efforts to attend meetings are those that are questioning their practices. They are the ones who are connected and feel that pressure. But unfortunately not all businesses take action and attend meetings. The question would be, how to access other companies and not only big but also small and medium companies, they are more numerous, and all together they have a significant impact. A lot of questions not answered at the moment.

### **For feedback and more information please contact:**

Caroline van Leenders and Jan Willem den Besten of the Ministry of Agriculture, Nature and Food Quality of the Netherlands: [caroline.vanleenders@rvo.nl](mailto:caroline.vanleenders@rvo.nl) and [j.w.denbesten@minlnv.nl](mailto:j.w.denbesten@minlnv.nl)

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