

An aerial photograph of a lush, green rainforest. A river winds through the center of the forest, reflecting the sky. Mist or low clouds are visible in several areas, particularly in the upper left and lower right, adding a sense of depth and atmosphere. The trees are dense and vibrant green, with some lighter green patches indicating different species or sunlight filtering through the canopy.

Latest developments in **nature** risks and financing opportunities

Emerging Lessons

Why nature is important– and how can we assess the impact of nature loss on the financial sector

How to address nature-related financial risks

How to invest in nature-related financing opportunities

Growing interest in nature

Global risks ranked by severity over the long term (10 years)

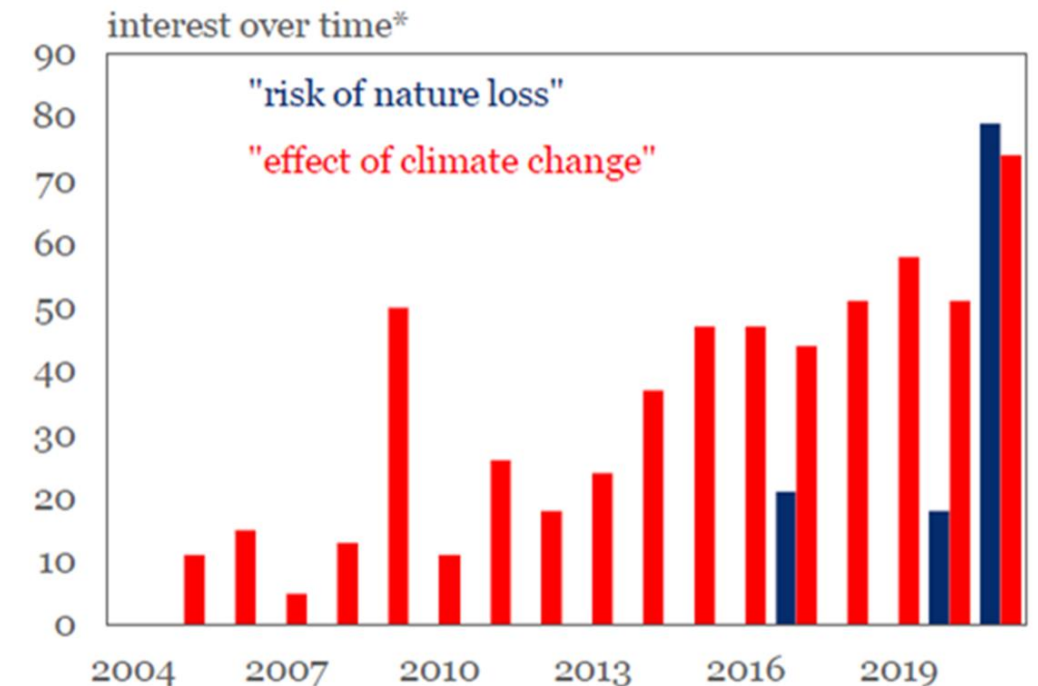


Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

Source: World Economic Forum Global Risks Perception Survey 2022-2023

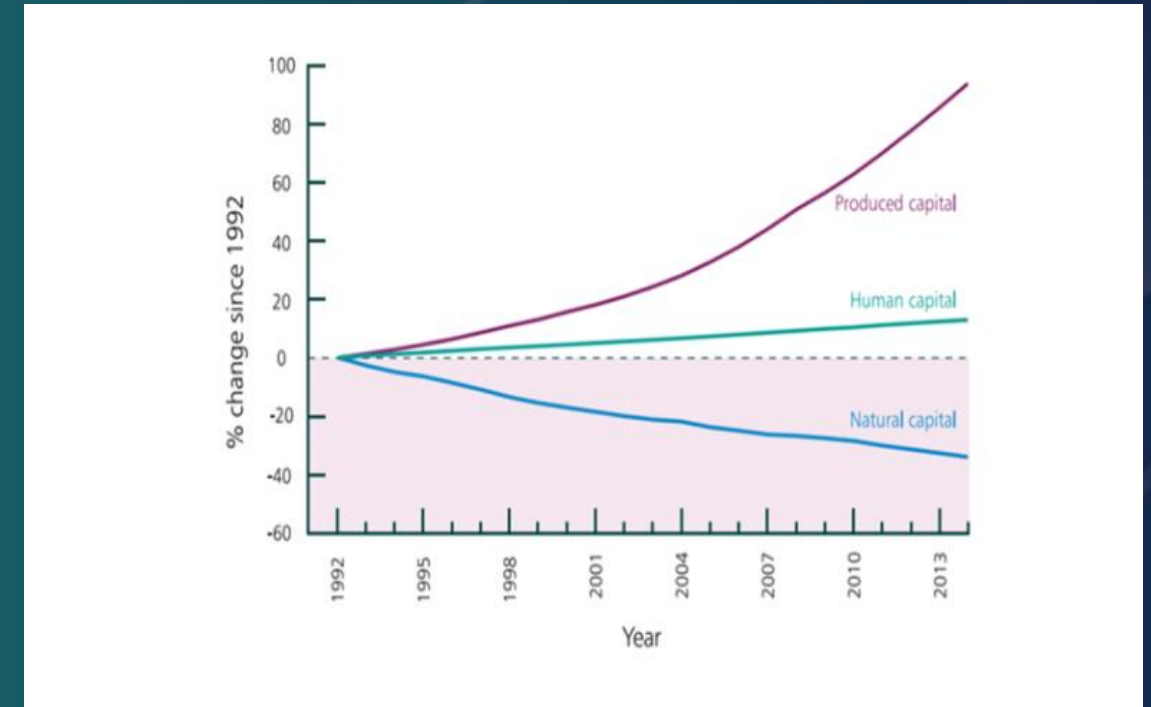
- Step up in financial sector awareness of nature risks and opportunities (NB presence at COP15/ WEF Survey)
- Data, methodologies, and targets to fully bring nature into financial sector risk assessments and investment decision making being developed – more work needed and forthcoming

Exhibit 2: Much greater interest in the effects of climate change and the risk of nature loss



Source: Google trends; *Numbers represent search interest relative to the highest point on the chart for the given region and time. 100=peak popularity for the term, 50=term is half as popular, and 0=not enough data for this term

Dasgupta Review: Nature's value must be at the heart of economics

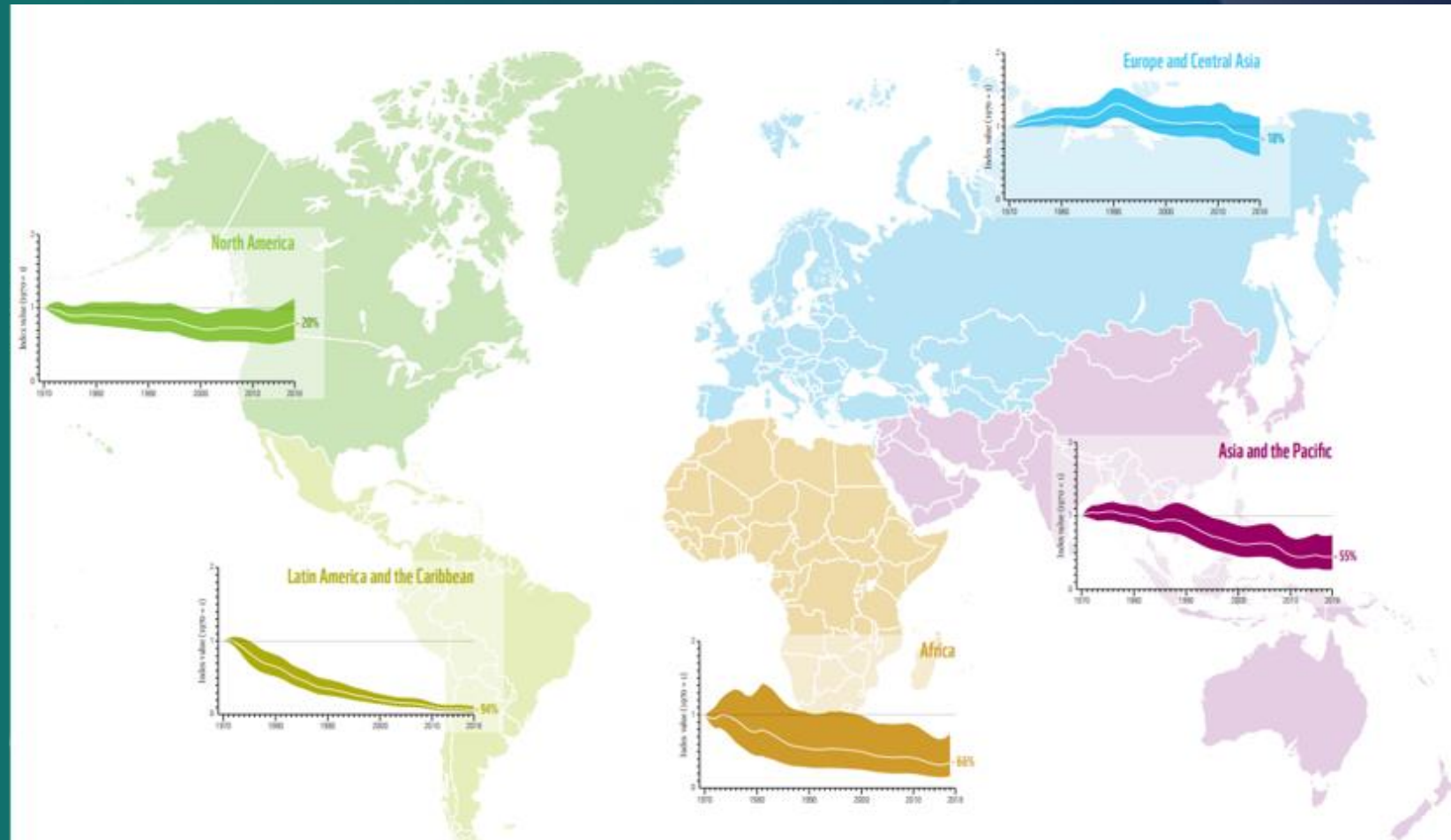


Changes in biodiversity vary in different parts of the world

Biodiversity Loss by Region

The Living Planet Index for each IPBES region (1970 to 2018)

The decline across Latin America and the Caribbean is far greater than any other region, with a 94% decrease between 1970 and 2018. Declines are seen across all the species groups studied but are most profound in freshwater fish, reptiles, and amphibians.

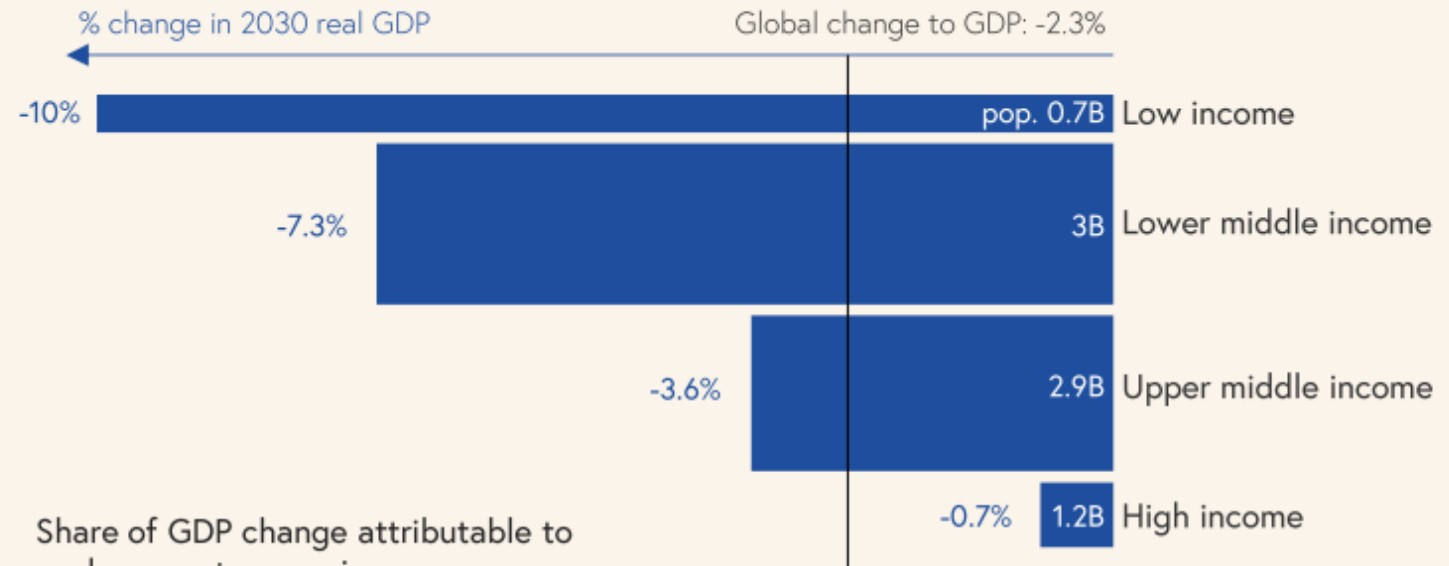


How much impact does NATURE have on the economy?

- The world cannot afford the collapse of ecosystem services, as such a collapse would cost 2.3 percent of global GDP (-\$2.7 trillion) annually by 2030 and some of the poorer countries would be hit hardest

Change in 2030 real GDP under the partial ecosystem collapse scenario compared with the no-tipping-point scenario

A) By income group (the bars are proportional to the population in 2030)



Share of GDP change attributable to each ecosystem service



Dual Relationship Between Nature, The Economy and the Financial System



Lesson 2

Why nature is important – and how can we assess nature impact on the economy and financial sector

How to address nature-related financial risks – what our beneficiaries and partners can do (MoF, PS, CBs)

How to invest in nature-related financing opportunities – what WB and others are doing (SLB, etc)

How private finance can be mobilized to protect nature

From addressing nature risks → to investing in nature

The TNFD framework core components



5 BIG IDEAS TO MOBILIZE PRIVATE FINANCE FOR BIODIVERSITY



1. Environmental Fiscal Reforms

Governments could include the reforms as part of crisis recovery plans. Reforming agricultural subsidies and land ownership has the largest potential impact.



2. National Data Provision

Governments can support the integration of biodiversity criteria in financial sector decision making by adopting natural capital accounting practices and providing relevant data as a public good.



3. Establish the Task Force for Nature-Related Financial Disclosure

The initiative will provide a framework and guidance for regulating and supporting biodiversity reporting and risk assessment by real and financial sector firms.



4. Establish a 'Nature Action 100'

Investors could come together to identify the top 100 companies with the greatest negative impact on nature, to drive changes in real sector corporate behavior – including greening of supply chains.

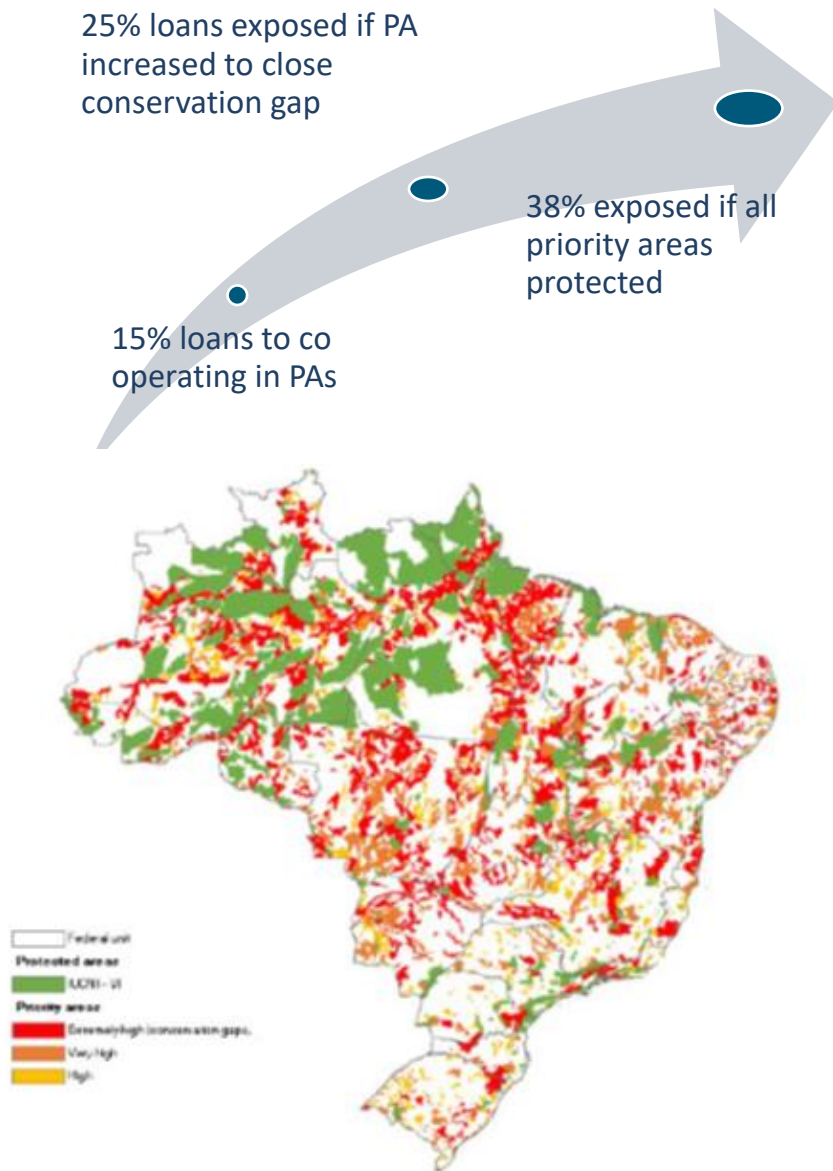


5. Aggregate Projects

MDBs and governments can mobilize private investment for biodiversity goals by serving as cornerstone investors and providing catalytic capital to funds and other financial instruments that aggregate projects.



Brazil: How Central Banks can address nature-related risks



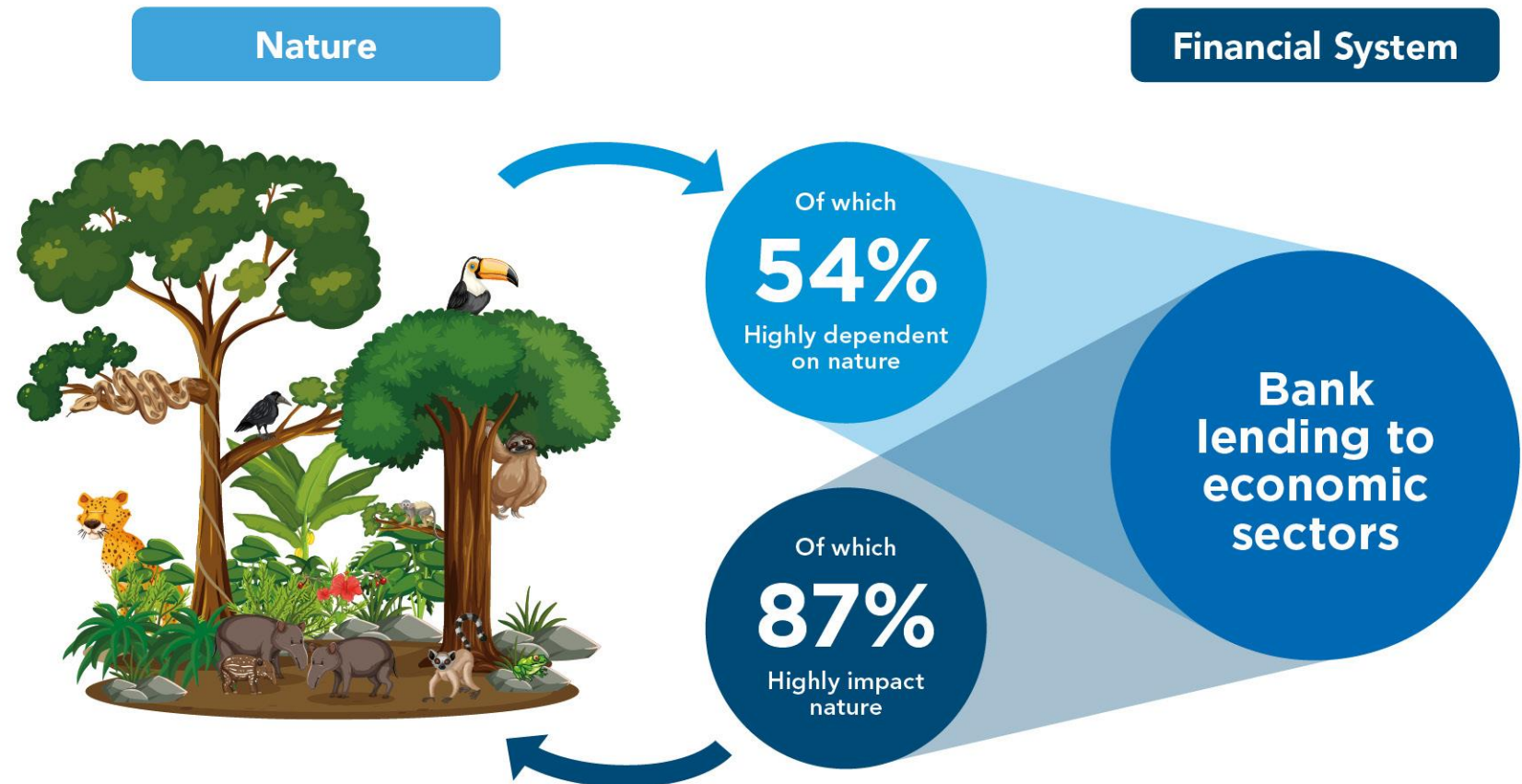
Nature Risk Assessments

- 46% Brazilian banks' non-financial corporate loan portfolio is concentrated in sectors highly or very highly dependent on one or more ecosystem services
- 9% potential long-term increase in NPLs from collapse in ecosystem services
- 7% percent of corporate loans to firms with environmental controversies

Malaysia: How Central Banks can address nature-related risks

Report Conclusions

- Nature and the financial system impact each other through economic activities
- Malaysian banks are potentially exposed to a variety of nature-related risks related to the deterioration of natural assets and ecosystems
- Additional analysis is needed to build on this exploratory study, which could also be improved with better data



How Central Banks can address nature-related risks: NGFS

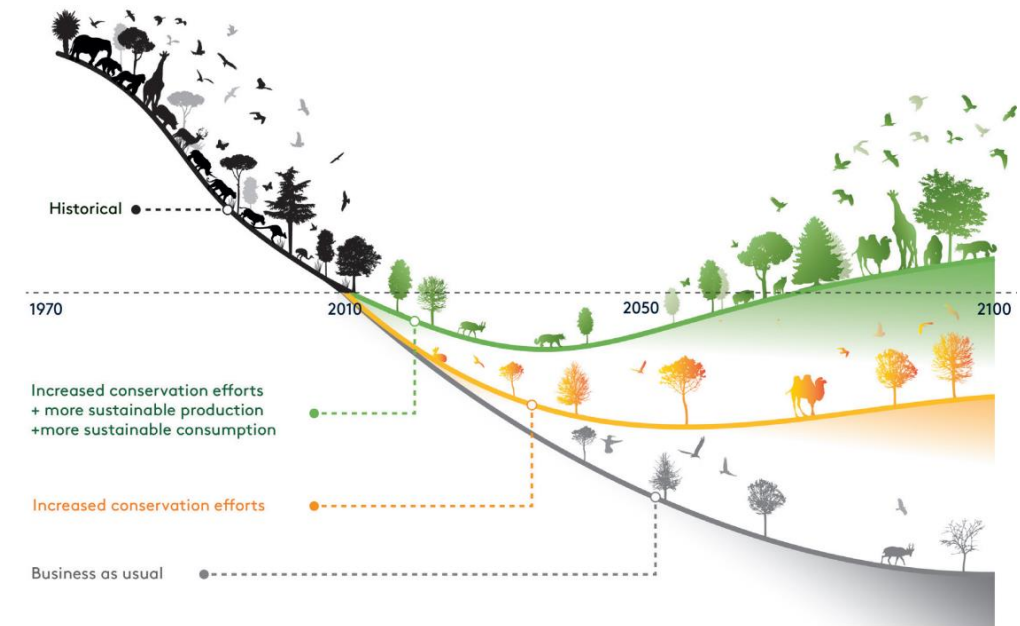
The Network for Greening the Financial System (NGFS, a network of 114 CBs and fin supervisors)

NGFS' Agenda for action on biodiversity loss, financial risk, and system stability

- (i) recognizing biodiversity loss as a potential source of economic and financial risk
- (ii) building skill and capacity to assess and address those risks
- (iii) exploring options for supervisory actions on managing biodiversity-related risks and minimizing negative impacts on ecosystems
- (iv) helping build the necessary financial architecture for mobilizing investment for a biodiversity-positive economy

NGFS' recent actions:

- The NGFS acknowledged in 2022 that nature loss could be a potential financial stability threat and created a Task Force (TF) to mainstream the consideration of nature-related financial risk.
- The TF is currently developing nature-related financial risk scenarios that could be applied by supervisors and Fis - to shift financing away from nature-harming investments

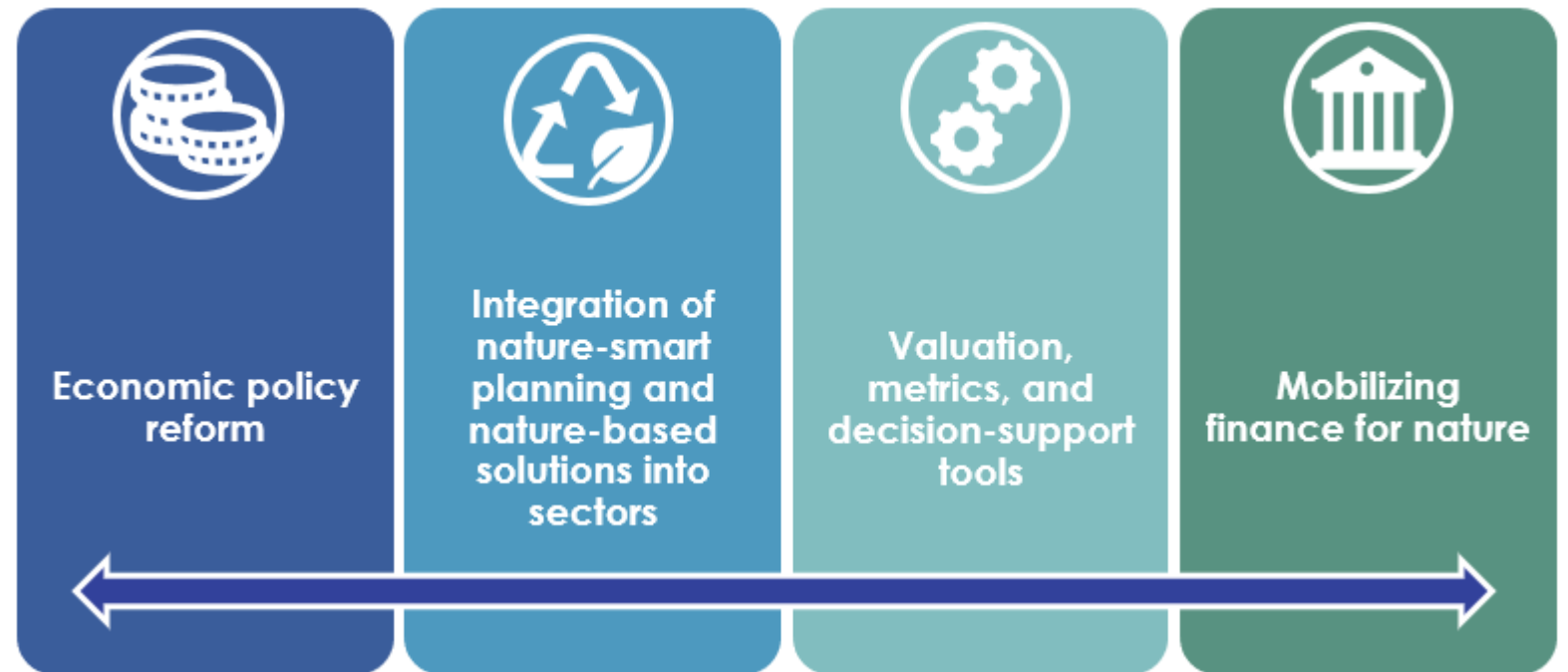


Bending the curve on biodiversity loss

Source: International Institute for Applied Systems Analysis (IIASA), 2020 (Credit: Adam Islaam)

How Ministries of Finance can address nature-related risks

- Nature-related risks can be controlled by reducing the economy's impact on the biosphere.
- Whether and to what extent risks for MoFs materialize depend on:
 - > actions to reduce the impact of economic activities on nature and to drive conservation, restoration, and sustainable use of nature (limiting physical risk)
 - > actions to drive a smooth economic transition (limiting transition risk).



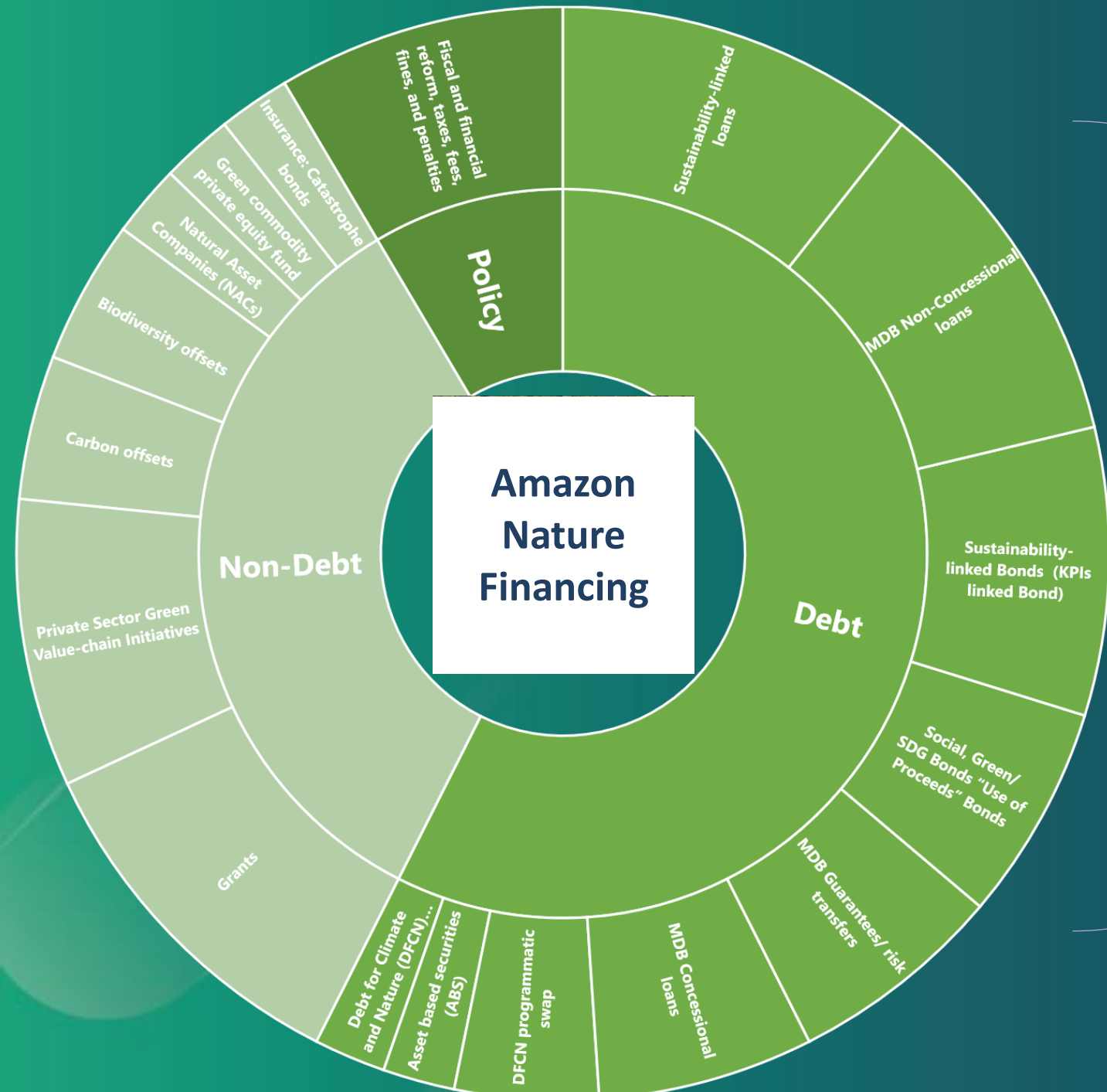
- While roles of MoFs to manage nature-related risks will differ across countries, in each country the MoF has a pivotal role to play in mitigating and managing nature-related risks through policy, regulation, planning, and budgeting decisions
- Coordination with other parts of government is critical
- Coalition of Finance Ministers for Climate Action

Lesson 3

Why nature is important – and how can we assess nature impact on the economy and financial sector

How to address nature-related financial risks – what our beneficiaries and partners can do (MoF, PS, CBs)

How to invest in nature-related financing opportunities – what WB and others are doing (SLB, etc)



Type	Instrument
Policy	Fiscal and financial reform, taxes, fees, fines, penalties
Debt	MDB Concessional loans
	MDB Non-Concessional loans
	MDB Guarantees/ risk transfers
	Social, Green/SDG Bonds "Use of Proceeds" Bonds
	Sustainability-linked Bonds (KPIs linked Bond)
	Sustainability-linked loans
	Debt for Climate and Nature (DFCN) Project Swap
	DFCN programmatic swap
	Asset based securities (ABS)
Non-Debt	Grants
	Insurance: Catastrophe bonds
	Biodiversity offsets
	Carbon offsets
	Green commodity private equity fund
	Natural Asset Companies (NACs)
	Private Sector Green Value-chain Initiatives

Wildlife Conservation 'Rhino' Bond

• The World Bank's \$150 million Wildlife Conservation Bond (WCB)

• **First-of-its-kind outcome-based bond** that supports the financing of conservation activities, and together with financing from the Global Environment Facility (GEF) transfers project risk from donors to investors.

• The transaction mobilizes private capital to facilitate financing of black rhino conservation activities at two protected areas in South Africa



Replicating

Performance related instruments

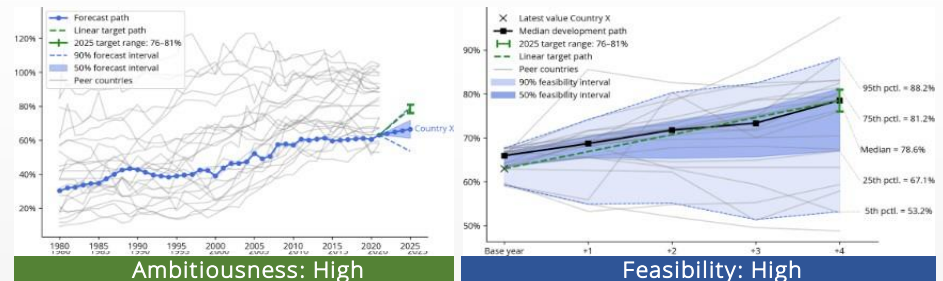
Continue to contribute to development of **Sovereign Sustainability-linked Bonds** as an asset class

- Uruguay – 1st sovereign issuer with nature KPI (framework informed by GPS research)
- Working with African MOF on KPI framework
- Country feasibility studies - leading to engagements with potential issuers
- Developing global standards with ICMA
- Ground-breaking work on SBT modeling (Amazon deforestation)
- Working on developing sovereign SLB fund structure
- Members Advisory Board Sovereign Sustainability-linked Debt Hub (SSDH)



KPI 1: Primary School Completion Rate

Assessment of ambition and feasibility

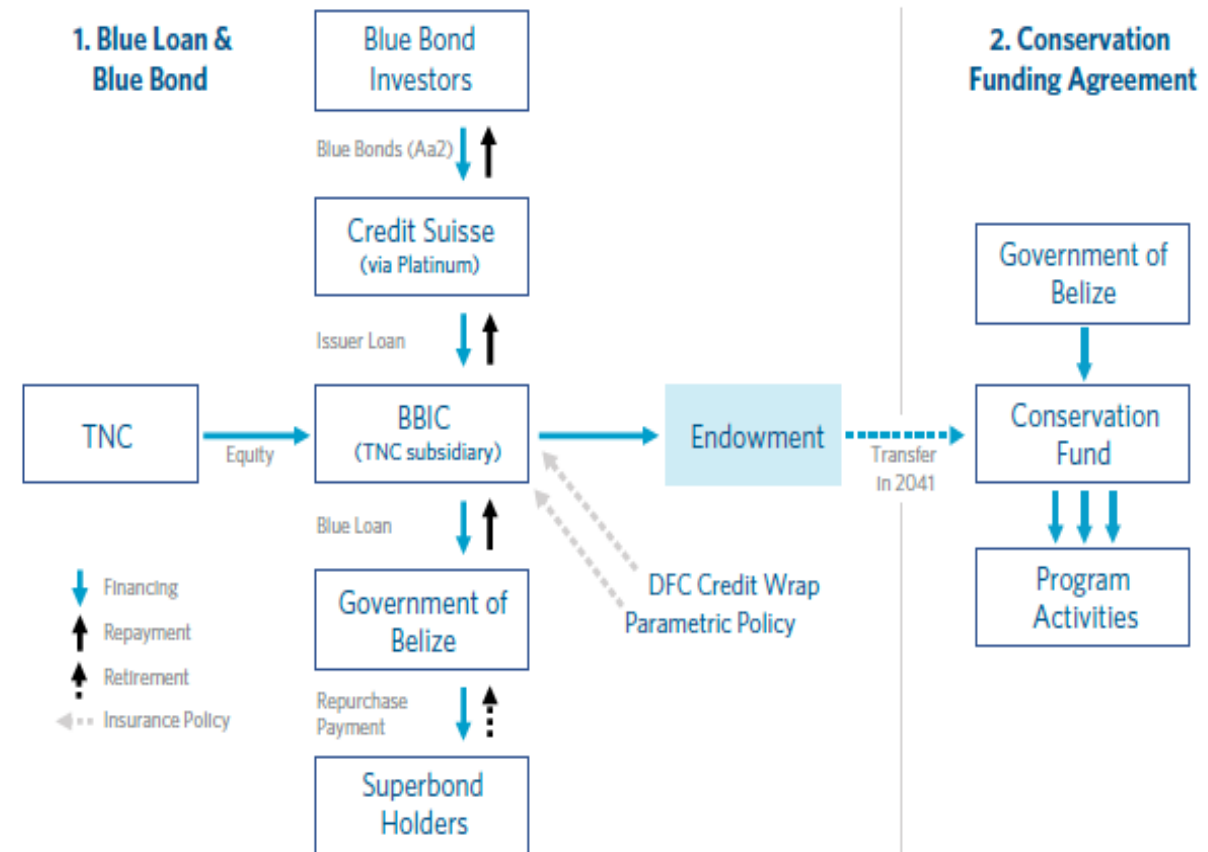


Belize Debt for Nature Swap

- ❑ USD 553m 'superbond' repurchased USD 360m (0.55c on \$) debt conversion for marine conservation
- ❑ Commitment protect 30% Belize ocean by 2026 (1/2 high biodiversity protection zones) + other conservation measures over 20 years (Marine Spatial Planning/ creation of Conservation Fund)
- ❑ USD 180 m in conservation funding over 20 years (annual cashflows from gov + **endowment** capitalized through the Blue Loan)
- ❑ ¼ county's debt/ overall reduced debt GDP 12%
- ❑ TNC subsidiary Nature Vest provided the Blue Loan to finance the repurchase / Credit Suisse financed blue bonds (Moody rating Aa2) which funded TNC subsidiary to make blue loan
- ❑ DFC provided Political Risk Insurance wrap on Blue Loan
- ❑ Parametric risk insurance (hurricane wrap) on Blue Loan



Belize Blue Loan/Blue Bond & Conservation Funding Agreement Structure





Thank you Nature