



Investments in natural capital and biodiversity

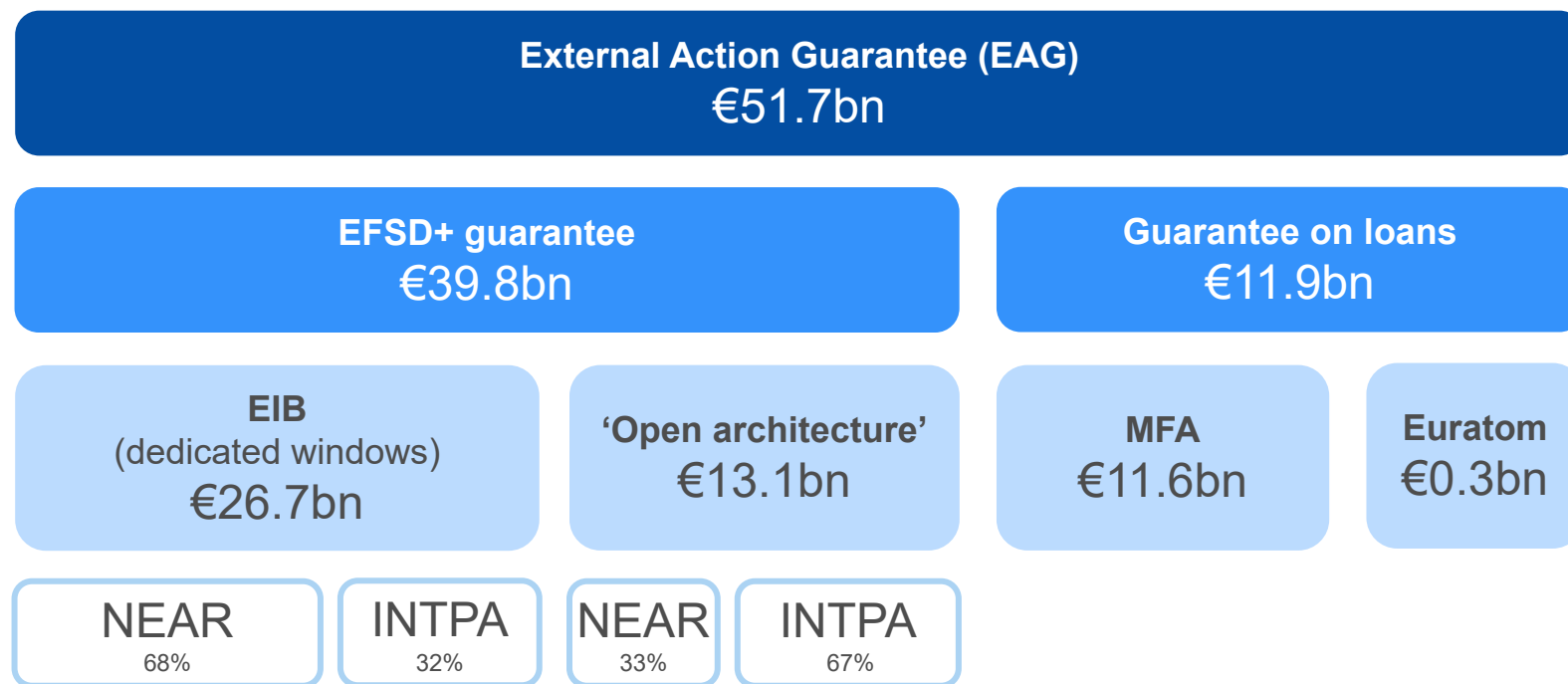
Biodiversity Beyond Boundaries webinar

DG NEAR A5 – 23 May 2024

EU under EFSD+ offers Blending and EU budgetary guarantees

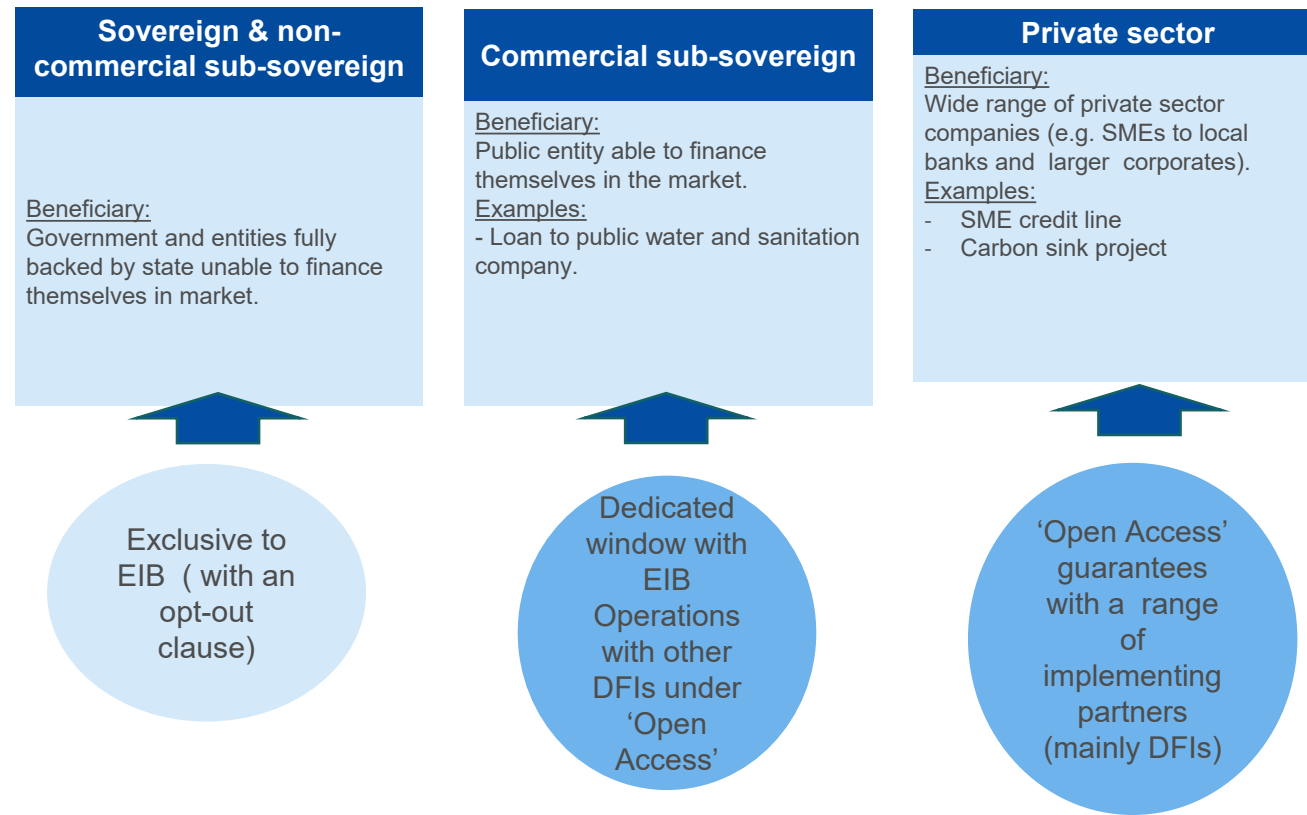
- Blending – limited amount of public grants to mobilize additional finance to projects with high additionality
- EFSD + Guarantee - unfunded Guarantee backed by the EU budget (AAA) - ~ EUR 40 billion (global scope)
- Unconditional, irrevocable guarantee on first demand
- Comprehensive set of risk coverage
- Only partially provisioned (leverage)
- Provided at concessional level based on impact criteria

The EFSD+ guarantee: amounts 2021-2027



Provisioning: EUR 10bn (cap established in the NDICI regulation).

The EFSD+ guarantee: windows



How are the guarantees to derisk investments provided



Financing Mechanisms for nature/biodiversity

- Nature degradation and climate risks at the face of significant financing gap
- Blending grants can be strategically used to create incentives (results-based targets) and improve affordability of IFI finance
 - Examples - support for national forestry programmes under NIP (Morocco, Moldova)
- Exploring co-benefits - integration of nature-positive solutions in other sectors using new tools and matrices (eg biodiversity co-benefits of climate investments in urban sub-sectors)
- Promoting integrated 'nexus ' solutions - water, energy, food, ecosystems
- Unmet need to tap into private sector and support the earliest stages and early growth phases of innovative, high impact projects and enterprises in the nature space
 - Forestry, ecotourism, sustainable fisheries and regenerative agriculture present opportunity for investment because of clearer revenue sources (e.g., through the sale of produce, of timber and non-timber forest products, of carbon credits)



Financing Mechanisms –cont.

- New financing mechanisms to help attract private capital into nature-based infrastructure and products and biodiversity-friendly supply chains will grow in importance
- Debt-for-nature swaps for investments in nature conservation, restoration and protection
- Sustainability instruments that can tap into local and international capital markets
- Biodiversity equity – eg carbon sinks projects
- Instruments for derisking/risk sharing to grow project pipelines – e.g. guarantees to improve access to finance for nature –focused SMEs etc.



Thematic debt instruments

- Sustainability-linked bonds with biodiversity KPIs and step-ups and step-downs in the coupon rate linked to biodiversity indicators are still rare (only two in 2021 and 2022 and one in 2023). Example- Sovereign SLB with Uruguay (combined \$2.2b) with biodiversity targets for maintenance of native forests
- Sustainable (green or blue) loans to fund biodiversity projects (currently only 1.5% of loans with use of proceeds or KPIs linked to biodiversity and conservation)
- Thematic debt bonds are promoted through a new EU Global Green Bond Initiative and sustainable finance hub to provide support to our partners

Nature and biodiversity credits

- First of kind markets emerging putting price on nature, creating new channels for nature financing
- Demand for these credits is growing
- Carbon credits with biodiversity 'co-benefits' also growing
- New biodiversity credit methodologies being developed

BUT significant market building is needed

Linking financing with opportunities for action on country level



Global Biodiversity Framework from COP15



*Restoring 30 % of degraded ecosystems
Conserving 30 % of land, water and sea*

- Implementation requires clear policy on country level (incl. for environmentally harmful subsidies) and investment strategies
- Interest shifting from focus solely on deforestation to considering impacts on biodiversity and ecosystems dependencies across sectors more broadly
- Make full use of all financing mechanisms – from blending grants to derisking through guarantees and targeted TA
- **Design of new instruments, tools, partnerships**



For further information please contact:

magdalena.kouneva@ec.europa.eu

Team leader for Green and Sustainable Finance

NEAR A5 – Blended finance and EU Guarantees