

Nature Finance: Concept, Approaches, and Prospects

14.07.2026

Historically, biodiversity loss and ecosystem degradation were regarded primarily as environmental problems requiring conservation measures. However, as evidence accumulated on the dependence of the global economy on ecosystem services,¹ it became clear that the destruction of natural systems creates not only environmental but also economic risks. In these circumstances, nature gradually came to be viewed as an economic asset, and its conservation as an object of financial policy and investment.

The key issue for the further development of the agenda is not only to scale up the volume of funding committed to conservation purposes, but also to redirect financial flows that support activities harmful to nature.² Accordingly, nature finance should be understood not as a narrow set of environmental projects, but as an attempt to integrate natural capital and nature-related risks into the logic of financial regulation, corporate reporting, and investment policy.

Concept

The concept of nature finance emerged relatively recently and currently lacks a universally recognized definition. In a broad sense, nature finance is a system of financial mechanisms, a set of financial flows, disclosure tools, investment standards, and regulatory approaches aimed at conserving, restoring, and sustainably using natural capital.

The development of nature finance is driven by a reconsideration of the role of nature as an economic asset in its own right. Natural capital (the aggregate of renewable and non-renewable resources and ecosystem services) is increasingly regarded as a factor of long-term economic stability³ and as an asset whose degradation directly undermines the stability of the financial system.⁴ Although numerous approaches to valuing natural capital have now been developed,⁵ their practical application remains substantially constrained by institutional and methodological barriers. The main difficulties relate to the territorial specificity of ecosystems, the non-linearity of natural processes, and the

Recommended citation: Kononovich I. (2026). *Nature Finance: Concept, Approaches and Prospects*. International and Comparative Law Research Center. URL: <https://iclr.ru/en/publications/160>

¹ Ecosystem services are understood as the benefits people obtain from ecosystems. They include provisioning services (for example, food and water), regulating services (for example, climate and flood regulation), cultural services (for example, recreational and spiritual benefits), and supporting services (for example, nutrient cycling), which provide the conditions for life on Earth. [URL](#)

² In the current economic system, priority continues to be given to investments that harm nature. At the same time, public subsidies directed towards nature-negative activities additionally affect the profitability of such projects and reduce risks for private capital. As a result, the returns on such projects are, on average, higher than those of conservation initiatives, which often do not have comparable incentives. According to UNEP, in 2023 financing directed towards activities harmful to nature amounted to \$7.3 trillion (of which \$2.4 trillion came from public sources), more than 30 times the nature finance flows (\$220 billion). [URL](#)

³ A significant share of global GDP depends on ecosystem services, and this dependence creates systemic risks in the financial sector. More than half of global GDP is moderately or highly dependent on natural resources, which underlines the key role of biodiversity and ecosystem services in maintaining economic stability. [URL](#)

⁴ Global initiatives developed by the Financial Stability Board (FSB), the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), the Group of Seven (G7), and the Organisation for Economic Co-operation and Development (OECD) aim to identify, assess, and manage nature-related financial risks.

⁵ Among the most widely used approaches are the System of Environmental-Economic Accounting (**SEEA**), methods for monetizing ecosystem services, and the concept of Nature-at-Risk.

challenges of quantitatively measuring various ecosystem services (especially regulating and cultural services). As a result, these approaches are being introduced unevenly: international methodologies are already used in the public sector,⁶ while in the private sector progress is restrained by the high cost of data collection and the absence of uniform disclosure rules.

At the core of the concept of nature finance lies the principle of double materiality, which provides a practical framework for working with natural capital. It entails considering both business dependencies on nature (financial materiality) and business impacts on natural systems (impact materiality). This principle serves as the methodological basis for modern nature finance. It underpins the methodology for assessing measurable nature-related material risks for business, the foundations of standardized compliance within the Taskforce on Nature-related Financial Disclosures (**TNFD**), and the investment standards of international development finance institutions.

In practice, nature finance is developing largely according to the model of the climate agenda: through disclosure, standards, taxonomies, market instruments and risk accounting. However, the transfer of climate logic to the nature agenda has limits. The climate agenda rests on a comparatively universal metric – a tonne of CO₂ equivalent. Nature lacks a singular equivalent metric; moreover, biodiversity, soil health, water resources, forests, and ecosystem services are locally specific and difficult to compare across regions.

Global agenda

Unlike climate finance, whose development is largely shaped by decisions under the United Nations Framework Convention on Climate Change (**UNFCCC**) and the Paris Agreement, the nature finance agenda is being formed simultaneously by several groups of actors. Nature finance is effectively integrated into financial flows directed towards the implementation of the objectives of the three Rio Conventions.⁷ However, within each convention it is considered in light of the convention's specific features and established objectives.⁸ The most systematic development of this agenda is taking place under the Convention on Biological Diversity (**CBD**), where an institutional basis for biodiversity finance has been actively taking shape in recent years.⁹ In 2022, a key milestone was reached with the adoption of the Kunming-Montreal Global Biodiversity Framework.¹⁰ The Framework was the first

⁶ The SEEA, adopted by the United Nations Statistical Commission in 2021, is the most widely used. The international standard provides the technical basis for valuing natural capital and is used in macroeconomic statistics, including for monetary accounting of natural capital. In 2025, 98 countries are already compiling (partial) SEEA accounts, but their use in decision-making remains limited. [URL](#)

⁷ UNEP positions nature-based solutions as a link between the objectives of the Rio Conventions. According to UNEP data, around 43 per cent of official development assistance (ODA) directed to nature-based solutions (**Nbs**) in 2023 was provided in support of projects that simultaneously aligned with the objectives of all the Rio Conventions. This highlights the need to discuss approaches to nature finance and to relate nature finance to existing financing approaches at the level of all three conventions.

⁸ Under the UNFCCC, this includes financing projects for flood protection and landscape creation as part of climate finance for adaptation to climate change; under the CBD, financing directed towards the restoration and protection of biodiversity and ecosystem services forms part of nature finance; under the United Nations Convention to Combat Desertification, it includes financing directed towards the restoration of degraded lands.

⁹ Unlike nature finance, which is an umbrella concept covering all financial flows directed towards the protection of species, climate adaptation finance, decarbonization through reforestation, combating land degradation, and water resource management, biodiversity finance is strictly limited to financial flows that directly contribute to the conservation, restoration or sustainable use specifically of biological diversity and genetic resources within the mandate of the CBD.

¹⁰ More information on the Framework is available in the Center's material. [URL](#)

to establish finance targets¹¹ and to record the scale of the global investment gap,¹² thereby becoming the foundation for subsequent global shifts in the agenda. It sets reference points for national and corporate strategies, plans and programs, and contributes to the redirection of global financial flows towards nature-positive outcomes.

In parallel, since 2021 a paradigm of “nature-positive” activity has been emerging in the global corporate sector, primarily in developed economies. Its central premise, promoted by the United Nations Environment Programme (**UNEP**), is the need to move from a business model focused mainly on minimizing harm to nature to a model that ensures comprehensive economic transformation and a net gain in biodiversity. However, divergent interpretations of the “nature positivity” of financial flows and approaches to measuring indicators allow corporations to continue interpreting basic criteria arbitrarily, selecting the metrics most convenient for them, and legitimizing nature-related greenwashing.

As a continuation of the international and corporate agendas, since 2024 international development institutions have introduced common investment standards for mobilizing nature finance. The MDB Common Taxonomy for Nature Finance, published by the World Bank Group in November 2025, sets out criteria for a nature-positive approach to finance and presents an expanded interpretation of nature finance.¹³ At the same time, impact reporting metrics issued by the International Finance Corporation (**IFC**) provided the private sector with measurable indicators to confirm projects’ contributions to a nature-positive economy.¹⁴

Instruments

Compared with the mature architecture of climate finance, the set of nature finance instruments remains methodologically heterogeneous, as it is still actively taking shape and lacks an established and universally accepted classification. This affects the comparability of assessments and complicates the accounting of individual instruments. At present, statistics on nature finance are compiled mainly on the basis of data collected by UNEP in its State of Finance for Nature report series.¹⁵

¹¹ Among the Framework’s 23 targets, two quantitative finance targets were established: reducing harm to nature by eliminating and reforming subsidies for actions potentially harmful to biodiversity by at least \$500 billion per year by 2030 (Target 18), and conserving and restoring biodiversity and ecosystems by mobilizing at least \$200 billion per year from all sources for conservation measures by 2030 (Target 19).

¹² According to estimates in the report prepared by the Paulson Institute together with The Nature Conservancy and Cornell University, the biodiversity financing gap, that is, the amount of funding countries need to conserve, restore and enhance biodiversity, amounts to \$722-967 billion. [URL](#)

¹³ Under the World Bank approach, nature finance includes: (1) finance that contributes to the objective of having a positive impact on nature or halting and reversing nature loss (both living and non-living); and (2) finance directed towards integrating nature into sectoral policies and investments in order to enable a large-scale transition of economic activity towards practices consistent with the objective of achieving a positive impact on nature. In addition, within the World Bank’s structure of nature finance, separate attention is given to finance directed towards reducing impacts on nature and addressing negative impacts on nature arising from existing investments. [URL](#)

¹⁴ The IFC metrics require confirmation that activities do not result in a net reduction of biodiversity and, in critical habitats, ensure a net gain in biodiversity. [URL](#)

¹⁵ United Nations Environment Programme. (2026). State of Finance for Nature (SFN 2026). [URL](#)

In the contemporary architecture of nature finance,¹⁶ public mechanisms predominate.¹⁷ Direct budget allocations and green subsidies are aimed at supporting projects that do not generate a direct revenue stream and help create the conditions necessary to catalyze private capital.

Interest from private investors is steadily growing.¹⁸ Nevertheless, the aggregate share of private instruments covers only 10 per cent of the total nature finance flows.¹⁹ Within this segment, the largest share is accounted for by biodiversity offset mechanisms (around 30 per cent), green bonds labelled for nature projects and sustainability-linked bonds (around 20 per cent in aggregate), and payments for ecosystem services²⁰ (around 15 per cent).²¹ At the same time, skepticism is growing in relation to some private-market mechanisms because of the risk of excessive financialization of nature. Concerns relate to the potential transformation of natural capital solely into a speculative asset, whereby ecosystem services are assessed exclusively in terms of their market value. A further barrier is the deep imbalance between investors' expectations of short-term returns and the actual long-term payback horizons of nature projects.

Blended finance structures occupy a special place: they improve the risk-return ratio for projects and help overcome barriers to capital by involving institutional investors, multilateral development banks, and donors. Among them, the key instruments are credit guarantees and insurance mechanisms, subsidized loans, and the debt-for-nature swaps.²² The need for such mechanisms is particularly critical for developing countries, where there is a shortage of private nature finance because of high risk. However, the current scale of use of these instruments remains insignificant in comparison with the needs of many developing countries.²³

Despite the sector's long-term prospects,²⁴ the development of the agenda is hindered by a number of systemic barriers that significantly restrain capital inflows and require solutions at all levels. Global

¹⁶ This section uses UNEP statistical data from the SFN 2026 report. According to the organization's methodological approach, the calculation of nature finance volumes included only finance for nature-based solutions (NbS). The report notes that other categories, such as impact mitigation finance, mainstreaming finance and transition finance, were excluded from the calculations because of the absence of a common approach and a shortage of verifiable data.

¹⁷ According to UNEP, public finance accounts for around 90 per cent of nature finance flows, or approximately \$197 billion in 2023. [URL](#)

¹⁸ According to UNEP, the sector grew fourfold between 2019 and 2023. [URL](#)

¹⁹ In monetary terms, according to UNEP estimates, the amount was approximately \$23 billion. [URL](#)

²⁰ Payments for ecosystem services (PES) are a system for providing ecosystem services through conditional payments to voluntary service providers. Third parties acting on behalf of users compensate landholders for the costs of measures that maintain or enhance the provision of ecosystem services. The buyer is a public or private entity (for example, a conservation organization), which may not itself use the ecosystem service directly. Although programmes financed by the public sector and donors continue to dominate, private-sector participation in PES is expanding: according to UNEP estimates, in 2023 commercial systems processed between \$2.2 billion and \$4.4 billion.

²¹ United Nations Environment Programme. (2026). State of Finance for Nature. [URL](#)

²² A debt-for-nature swap is understood as a mechanism aimed at restructuring the sovereign debts of developing countries in exchange for their commitments to invest the funds released into local ecosystems.

²³ According to UNEP estimates, the amount of capital mobilized through debt-for-nature swap mechanisms was only \$0.6 billion in 2023. By comparison, the aggregate financing needs for nature-based solutions (NbS) in countries outside the G20 in order to achieve the objectives of the Rio Conventions are estimated at \$235 billion annually. In regional terms, the largest annual spending gaps are recorded in Sub-Saharan Africa (where an additional \$54 billion is required) and Latin America (\$45 billion). [URL](#)

²⁴ According to estimates by the UNEP Finance Initiative, if current growth rates for private nature finance instruments are maintained, nature finance flows may reach \$1.45 trillion by 2030; the internal structure of this figure by source has not yet been detailed. [URL](#)

financial flows continue to drive environmental degradation.²⁵ The allocation of capital in the global landscape of nature finance is deeply disproportionate²⁶ and demonstrates a clear mismatch between sources of funds and ecological needs.

Country approaches

In a broad context, the introduction of nature finance at the national level is carried out through systems of public policies, regulatory measures and specialized financial instruments. However, due to differences in the natural capital concentration levels and the functioning of national financial markets and budgets, country approaches vary considerably.

Countries of the Global North are predominantly consumers of the Global South countries' natural resources. Given the relatively high maturity and capacity of their domestic financial markets, developed economies are building a legal and regulatory framework aimed at integrating nature-related risks into the traditional financial sector²⁷ and using regulatory measures to stimulate the supply of systemic private capital. In these jurisdictions, regulation of nature finance is implemented through cross-cutting sectoral policies²⁸ and within the broader sustainable finance agenda.²⁹ In addition, some countries³⁰ are attempting to create national markets for trading biodiversity credits; however, the volumes of nature finance attracted through them remain negligible.³¹

Countries of the Global South concentrate the planet's main natural resources within their territories, while many of them also face a shortage of funds for conserving and enhancing those resources. As a result, national approaches in these jurisdictions focus primarily on the direct monetization of ecological assets,³² the restructuring of sovereign obligations, and the mobilization of international targeted finance. The central instrument of strategic planning in these countries is the National Biodiversity Finance Plans, developed according to the methodology of the Biodiversity Finance Initiative (**BIOFIN**).³³ These plans are official government roadmaps that translate the objectives

²⁵ According to UNEP, in 2023 nature-negative finance amounted to \$7.3 trillion: \$4.9 trillion came from private investments, while \$2.4 trillion came from public subsidies for fossil fuels, unsustainable agriculture and excessive water abstraction. [URL](#)

²⁶ Capital directed towards conservation purposes is concentrated mainly in developed countries, which account for around 85 per cent of global investments in nature conservation. At the same time, 70 per cent of the world's biodiversity is concentrated in developing countries (primarily in tropical regions). [URL](#)

²⁷ In the European Union, under the CSRD, large corporations and financial institutions are required to disclose the degree of the business's material dependence on the degradation of local ecosystems. [URL](#)

²⁸ In 2021, the United Kingdom introduced a mandatory Biodiversity Net Gain policy under the Environment Act 2021. The policy requires developers, land managers and infrastructure project developers, when implementing new projects, to demonstrate a biodiversity gain of at least 10 per cent compared with the baseline condition of the site before works begin, including through the purchase of biodiversity credits and the financing of biodiversity improvements in other areas. [URL](#)

²⁹ In the European Union, one of the criteria for sustainable activity is the conservation of nature, including biodiversity conservation, sustainable land use, and forest management. [URL](#)

³⁰ In Australia, the Nature Repair Market Act laid the legal foundation for the issuance of biodiversity certificates. [URL](#)

³¹ According to UNEP estimates, announced investments in 2023 amounted to just \$8 million, or less than 0.04 per cent of total private nature finance flows. [URL](#)

³² For the direct monetization of ecological assets, countries are developing domestic markets for payments for ecosystem services (PES), under which landholders receive direct payments for conserving nature. For example, in Costa Rica the National PES Programme, managed by the FONAFIFO fund, is financed through an earmarked fuel tax (3.5 per cent) and private contributions. [URL](#)

³³ The Biodiversity Finance Initiative (BIOFIN) is a global initiative launched by the United Nations Development Programme in 2012, under which countries receive technical support in developing and implementing comprehensive biodiversity finance strategies. [URL](#)

identified in national biodiversity strategies into specific financial instruments, policies and programmes.³⁴

Prospects

Nature finance is one of the fastest-growing areas of sustainable finance, but at present it remains an emerging concept rather than a fully formed system of regulation. Its further development will depend on the ability of the international community to develop comparable approaches to valuing natural capital, ensure the credibility of environmental outcomes, and integrate nature-related factors into the existing financial architecture. At the same time, the key issue lies not so much in mobilizing additional funds as in transforming existing financial flows and eliminating incentives for the degradation of nature. The success of the Kunming-Montreal Framework, which established biodiversity finance targets, will largely be determined by the pace of transition from voluntary initiatives (such as the TNFD) to mandatory national standards and taxonomies. In the long term, this may evolve into the phased integration of the nature-related risks and impacts into corporate processes. For most developing countries, where most of the world's nature capital is concentrated and where debt burdens are high, nature finance will become an important instrument for combining the objectives of nature conservation, debt sustainability, and access to financial resources.

³⁴ In 2025, plans have been developed in more than 40 countries, and are being developed in 91 countries. Through the implementation of these plans, developing countries have attracted more than \$3 billion for conservation purposes. The development and implementation of the plans are voluntary; however, this practice is officially recommended under the CBD as the main instrument for achieving the finance targets established under the Kunming-Montreal Global Biodiversity Framework. [URL](#)