
Press release

AFME and EY highlight growing investor demand for nature-related finance, but banks face challenges to scale products

Report shows how capital markets can support the preservation and restoration of nature through examples of innovative practice within the industry

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The Association for Financial Markets in Europe (AFME) and EY have today published a new report *"Into the Wild: Why Nature May be the Next Frontier for Capital Markets"*.

The report, published in the lead up to the COP15 UN Biodiversity Conference, explores how finance can be channelled to help address nature loss. With more than half of global GDP dependent on nature, nature capital is rising up the agenda for policy makers and the financial services sector.

The global biodiversity financing gap has recently been estimated at USD 598-824 billion per annum. While growing investor demand is creating new opportunities to develop nature-related financing products, the report finds banks and other market participants are struggling to mainstream and scale nature finance products. Banks also face challenges in particular from a lack of available data and common metrics for nature and biodiversity.

The report also provides an overview of the natural capital finance products currently in the market and showcases a number of case studies of innovative practices currently being used by AFME members.

Oliver Moullin, Managing Director, Sustainable Finance at AFME said: *"The reorientation of capital in support of nature is a critical and urgent priority. AFME members have been key drivers of innovation in developing the products and financing solutions to help address the biodiversity financing gap and harness investor demand. We need to build on this momentum and proceed at pace with the work underway to create a strong global nature reporting framework and develop clear metrics for the measurement of investments' impact on nature and biodiversity. We hope that COP15 can catalyse progress and the public and private sectors can work together to maximise the capacity of private finance to support nature."*

Gill Lofts, EY Global Financial Services Sustainable Finance Leader said: *"The protection and restoration of nature is essential for future economic growth and development and should be a priority for governments and all economic actors, including the financial services sector. Without sustainable finance we cannot achieve a sustainable future. We need an effective post-2020 biodiversity framework, underpinned by a strong global nature reporting framework, consensus around measurable and meaningful metrics to define biodiversity impact, and the development of a currency for nature."*

The report concludes by examining the current regulatory landscape and makes five key recommendations for policy developments that can help direct capital towards solutions to conserve and restore nature:

1. Gathering and translation of nature-related data into decision-grade data for financial services;
2. A strong global nature reporting framework;
3. Agreement on how to define measurable, meaningful impact on biodiversity through metrics and key performance indicators (KPI's)
4. Standardisation of product classifications; and
5. Development of a currency for nature.

The report provides a useful guide for those looking to understand the critical role for capital markets. Ahead of COP15, AFME hopes this paper will continue to stimulate dialogue and market initiatives to harness the full potential of capital markets to finance the protection and restoration of biodiversity.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu. Follow us on Twitter @AFME_EU