

# Biodiversity, 27 February 2024

With:

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## Introduction

The UK lies in the bottom 10% of the world's most nature-depleted countries. WWF shared their research into raising biodiversity, highlighting the need for the UK Government to exert more domestic leadership on nature. The key instrument would be a biodiversity "north star" for each industry through the introduction of nature positive sectoral pathways and targets. The Taskforce on Nature-related Financial Disclosures (TNFD)'s recommendations will play a pivotal role in facilitating disclosures, unlocking investment; but key sectors, notably agriculture, need to be engaged with on multiple fronts to engineer country-wide transition to more environmentally friendly practices.

## Key takeaways

### WWF's research, analysis, and recommendations

- The Sixth Carbon Budget, published by the Climate Change Committee, sets out a Net Zero pathway for key sectors of the UK economy, which has been instrumental in guiding the transition towards Net Zero. We need to introduce nature positive sector pathways, integrated with net zero pathways so that companies know what to aim for within their industry, and financial institutions can make better-informed investment decisions.
- Sectoral targets and plans are needed to align the economy with international targets, however, it is imperative that GBF and other international commitments align with domestic targets, which is not always the case.
- Example: The UK is expected to halve nitrogen pollution by 2030 in line with the GBF, but under the 2023 UK Environment Improvement Plan, the target for reducing nitrogen pollution in waterways is only a 10% reduction by 2028, and 40% by 2038.

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- **Domestic leadership:** The UK Government needs to lead in determining the role played by each sector. Agriculture accounts for 60% of nitrate in waters, sewage accounts for 30%, should farmers or water companies be prioritised in abating nitrogen pollution? Which is the path of less resistance that clashes with the competing priorities? And which levers can policymakers pull more easily? Helping investors understand their exposure to nature-related risks is one such lever, which is why disclosures under TNFD are so important.

### **Key sector: agriculture**

Industrial agricultural practices can have a negative impact on nature – e.g. run-off pollution placing strain on aquifers, soil degradation. Transitioning to more nature-friendly methods – e.g. regenerative agriculture or agroecological farming – across the sector is extremely challenging. The current system places a disproportionate amount of risks and costs on farmers. No single stakeholder or business can address this challenge alone. Collaboration between actors across the supply chain is needed to spread the risks and costs of the transition to nature-friendly farming. Banks can offer farmers low-interest loans to encourage investment in greener practices. Retailers and processors can offer premium pricing and flexible contracts to nature-friendly producers.

### **TNFD and the mission to integrate carbon and nature under one framework**

- TNFD is a voluntary initiative that enables financial institutions and companies to identify their exposure to nature-related risks. The success of the Task Force on Climate-Related Financial Disclosures (TCFD) is a huge driver for TNFD.
- **Headline action so far:** In September 2023, the TNFD unveiled 14 disclosure recommendations, accompanied by guidance, covering nature-related dependencies, impacts, risks, and opportunities.
- “Nature and climate are ultimately connected, so why do we have two regulatory frameworks?” Having climate and nature reporting coordinated independently of one another is challenging for companies and investors, entailing more reporting burden. The requirements are imbalanced due to TCFD being mandatory for larger companies and financial institutions.
- However, TNFD has been built on the TCFD’s structure and language, with the objective of enabling integrated reporting of the two frameworks.
- However, biodiversity has only firmly established itself on the agenda “in the past couple of years” and “carbon is still trying to shove nature to one side”, there’s still work to do in helping businesses understand why nature matters. Furthermore, nature is “unpredictable”, converging biodiversity and climate and reporting is complex and will take time.
- 320+ companies have already signed up, covering all sectors and varying in size, reflecting increasing private sector recognition of the wider economy’s dependence on nature, not just industries “close to nature” like agriculture.

### **Asia – “uptake of TNFD has been incredibly strong”**

- Japan has the largest number of early adopters of the TNFD recommendations.
- “Huge change” – China’s biggest companies will soon be required to disclose their ESG strategies, including metrics. Biodiversity protection is accounted for as is double materiality in line with the EU’s ESG reporting regime.

- The Malaysian central bank is developing guidance for financial institutions and corporates to facilitate the adoption of the TNFD’s recommendations. Singapore and Taiwan have also launched TNFD initiatives.

## Issues raised

### Stacking carbon credits and biodiversity credits

A carbon markets expert has previously described a tonne of carbon to the APPG as “sacrosanct” in voluntary markets. An expert at the biodiversity discussion commented that “a lot of these projects aren’t going to get over the line with just one revenue stream”. Costs are too high relative to the value of carbon credits or biodiversity net gain units, which is why there needs to be a move towards stacking multiple revenue streams. However, “change is unlikely in the near future”. Facilitating projects is critical because many businesses find that they cannot sufficiently lower their impact on nature without offsetting. Furthermore, in view of the trade-offs – e.g. growing our own food vs. importing – the UK simply does not have enough land to meet all our needs, including offset, necessitating more effective frameworks and initiatives to incentivise and build confidence in projects internationally.

### The UK’s role

The UK has an opportunity to lead on biodiversity, supporting the integration of TCFD and TNFD.

- The UK is ideally placed to support the GBF’s 30% biodiversity gain global target, using the City of London as a platform to increase uptake worldwide.
- If the UK builds an effective network of cross-cutting sectoral and national targets and pathways, as a G7 country it can establish a leading model for the rest of the world to follow.
- Directly linking corporate disclosures, targets, planning, and practices to nature makes investing in biodiversity more “tangible”, unlocking billions in green investment.

### Key Takeaways of the APPG’s COP15 biodiversity roundtable held in January 2023



### To get involved, please contact

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