



Why we urgently need to invest in nature

We are hugely dependent on nature; but we continue to damage it so profoundly that trillions of dollars of investment are now needed to restore it

James Alexander
Chair, Finance Earth



N.B. This essay is an edited version of the transcript of James's 20/30 Visions interview, which you can watch at www.bridgesfundmanagement/2030Visions.

We are totally dependent on the natural world. Nature matters not just for its own sake, but also because it provides the air we breathe, the water we drink, the food we eat. It also helps us to be more resilient – to floods, to coastal sea level rises, even to coping mentally with a pandemic. And of course, nature stores and sequesters carbon more efficiently than anything else we know.

Many of you will be familiar with Professor Johan Rockström of the Stockholm Resilience Centre, and his work on planetary boundaries. One of the things he (and others) did was to rearrange the SDGs into three layers, like a wedding cake. On the bottom of those three layers was the planet – water, nature, climate – underpinning a healthy society, which in turn is a prerequisite of a healthy economy. I think that's the right way to think about it, both scientifically and intuitively.

However, we are currently damaging nature so profoundly that many of its systems are on the verge of breakdown.

Since 1970, there has been an average 69% decline in population sizes of living things on the planet. In human terms, that would be like every human living in Europe, America and Asia and South America all dying. This is catastrophic decimation of nature on our planet.

The UN Secretary General Antonio Guterres said recently: "Humanity is waging a war on nature. This is suicidal. Making peace with nature is the defining task of the 21st century. It must be the top priority for everyone everywhere."

What's more, according to the World Economic Forum, about half the world's GDP is highly or moderately dependent on nature. So it's a key driver of our

economy. And natural climate solutions (i.e. nature) can deliver up to 37% of the emission reductions needed by 2030.

From a climate perspective, 2023 (now an El Niño year) is smashing ecosystem records. Global temperatures are already heading towards one degree above the 2022 record. Ocean temperatures are half a degree above historical records. The Antarctic ice sheet is melting twice as fast as the previous records. North American wildfires are increasing. Carbon concentrations are up to 431 parts per million (at one time, 350 ppm was deemed the earth safe limit).

So even if we stopped emitting now, we've still got to go down. And whilst there is the promise of technological solutions to do that, the cheapest and most efficient is undoubtedly nature.

In short: nature matters. And it's really, really urgent that we do something about it.

A \$700bn FUNDING GAP

There's an enormous funding gap to restore nature. The gap beyond existing public and philanthropic commitments is estimated at about \$700 billion per year globally, and just over \$6 billion per year in the UK.

So we need to shift trillions of dollars from financing nature-depleting activities, to financing nature-positive activities.

We need both private and public capital to scale these nature-based solutions at the rate required not only for protection, but critically for restoration. And we need to move from small pilot efforts to projects that are restoring landscapes and ecosystems at significant scale.

"Since 1970, there has been an average 69% decline in population sizes of living things on the planet... This is catastrophic decimation of nature"



In February 2023, NASA reported that sea ice around Antarctica reached the lowest extent ever observed since the start of the satellite record in 1979

(Photo by GRID-Arendal on Flickr)



Finance Earth was set up to be a part of that movement, of channelling institutional capital into helping resolve the nature and climate crisis. We're a regulated advisor and a regulated fund manager.

On the advisory side, we work with the larger NGOs, WWF, RSPB, National Trust, and so on, to create the investment cases, and to develop supporting policy and enablers. So for example, we've been working with WWF to create sustainable fisheries. And what's really interesting is that when you work all the numbers back through to the consumer, they will barely notice.

On the fund management side, the UK Government announced at COP 27 that Finance Earth and our partners Federated Hermes will run the UK nature impact investment strategy, which will be hundreds of millions of pounds of funds (the government has committed £30m of seed financing). The aim is to restore nature in the UK – but also to prove that return-seeking private capital can deliver high quality and high impact finance into this space.

This money will be going into real assets such as peatland restoration, woodland creations, or forestation – but also into the businesses required to deliver it, because right now there isn't the wider ecosystem to enable that. For instance, if you want to plant trees at scale, there aren't enough tree nurseries in the UK to do it.

SUSTAINABILITY x INNOVATION

In my teens, I became a bird watcher. So when most people were going off to discos, I was off birdwatching. During university, I was very fortunate to go to São Tomé and Príncipe, which is a very small island off the west coast of Africa. There we were really lucky: we rediscovered three species of birds that were

previously thought to be extinct. And the reason they'd nearly gone extinct is because so much of the island had been cut down and turned into cocoa plantation.

Later, I took a sabbatical and worked – with my wife Victoria – on a nature reserve in the Seychelles, on Aride Island. So again, we saw first-hand the challenges nature was facing.

Around the same time, I also became a trustee for the RSPB in the UK. One day we were standing on a hill in Haweswater in the Lake District, overlooking a huge reservoir that provides much of the drinking water for Manchester in the North-west, and the RSPB and the Cumbria Wildlife Trust were talking about the brilliant work they'd been doing to bring nature back. Then a man from United Utilities, the local water company, got up and explained how as a consequence, the land had become a better sponge – so better water quality, less colour in the water – and as a result, the company hadn't needed to invest in a new multi-million-pound water treatment processing plant.

I remember tapping the CFO of the RSPB on the shoulder and saying: 'So all that cost saving United Utilities is getting – the fact that their water treatment processing costs have come down, and they no longer need to make this £50m investment – how much of that have we seen?' And he just looked at me blankly. That, for me, was the 'A-ha' moment.

Because on the other side of my world, I'd also been an entrepreneur: I co-founded Zopa, the world's first peer-to-peer lender, with Dave Nicholson and Richard Duvall. I was interested in innovative mechanisms that could benefit people, customers and society.

What the team at Finance Earth have done – led by founders James Mansfield and Richard Speak – is look really hard

“We need to shift trillions of dollars from financing nature-depleting activities, to financing nature-positive activities”



at how to unpick some of the business models out there, and recreate them in a way that can enable investment at scale, to help restore more nature.

But it's worth saying that while the company has done well, it's still a drop in the ocean. Our UK nature fund, which will be the first dedicated fund of this type when it launches in the autumn, is only going to provide about 1% of what nature needs in the UK over the next decade. So we need this to scale up absolutely rapidly.

WE ARE THE PROBLEM

Ultimately, the barrier to change is a combination of human nature and short-termism. We know what we are doing to nature. We know the causes of it: changes in land and sea use, over-exploitation of plants and animals, fishing too many fish, climate change, pollution, invasive alien species...

So if we're the problem, what do we do about it? I think there are four areas.

The first is pace. We're doing too much, too slowly. There's loads of good stuff going on, but it's too slow, it's insufficient and it's not urgent enough. If I could rule the world for a day, I would mandate action and punish those that are not acting. Because I think we've got to that point.

The second area of potential change is ambition and collaboration. In the nature space, and certainly in the UK, many of the interventions thus far have been small, in scale and ambition, and often not systemic or joined up. We really need to incentivise and enable large-scale interventions and collaborations.

The third: transact. We need to crowd in the capital required and secure the necessary investment, because this stuff costs.

And then lastly, skills. There's quite a skills gap in this domain. I saw a stat on LinkedIn yesterday that green jobs

made up a third of its job postings in the UK. So it's coming. But there aren't necessarily the skills there to enable it to happen.

I was once taught that realistic optimism is the best frame of mind from which to act. And if I'm honest, I think it's going to get a lot a lot worse before it gets better.

We absolutely need leadership; I sometimes muse on things like the nuclear non-proliferation treaties in the 1970s, and marvel that countries said: "OK, we're going to choose actively not to do this." I wonder what would happen if countries were brave enough to start doing that?

But at the same time, I don't think we can point at politicians and say: well, it's their fault. All of us – as individuals, as communities, as a society – need to take responsibility and support our leaders to be bolder and braver, and actually mandate what's required. As long as it remains voluntary, as long as we don't enforce it, as long as we don't punish those who fail to do it – human nature is such that many will choose not to.

If we want to look after our planet, and as a result ourselves, our society and our businesses, then we need to mandate action. Because otherwise, it's not going to happen fast enough.

“If I could rule the world for a day, I would mandate action and punish those that are not acting. Because I think we've got to that point”

James is the Chair and Executive Director of Finance Earth and supports the team in its strategic innovation work for partners. He is also Chair at Suffolk Wildlife Trust and Chair at Agricarbon, a leader in high integrity soil carbon measurement. Previously, he served a full term as Trustee for the RSPB, co-founded #VoiceForThePlanet, and was an early co-convenor of #TheRacelsOn to secure a nature positive world by 2030. He was awarded an MBE for services to the environment in 2023. James has also been an innovator and entrepreneur, including co-founding Zopa, the world's first peer-to-peer lender (now a unicorn), and was Strategy Director at Egg, the UK's first digital bank. He holds an MBA from INSEAD and a first class honours degree from University College London.





20/30 Visions is a series of interviews with global thought-leaders, exploring how we build a more sustainable and inclusive world in the next decade

BRIDGES

Fund Management

