



How to Finance Nature

Scottish Environment LINK position paper

May 2024

Scottish Environment LINK

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 40 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

LINK provides a forum for these organisations, enabling informed debate, assisting co-operation within the voluntary sector, and acting as a strong voice for the environment. Acting at local, national and international levels, LINK aims to ensure that the environmental community participates in the development of policy and legislation affecting Scotland.

LINK works mainly through groups of members working together on topics of mutual interest, exploring the issues and developing advocacy to promote sustainable development, respecting environmental limits. This position paper was developed by the LINK Nature Finance Group.

1. Introduction

This paper sets out recommendations on the need for and means by which nature protection and restoration should be funded. We shall use the term 'nature finance' to cover the flow of money into nature protection and restoration.

Scotland's nature is in a poor and declining state. The State of Nature report (2023)¹ finds one in nine species at threat from extinction. Centuries of habitat loss, over-exploitation, intensification of farming, development, invasive species and persecution of wildlife means Scotland ranks 28th from bottom out of more than 240 countries/territories in terms of biodiversity.

To restore Scotland's nature requires unprecedented levels of funding as well as effective regulation and application of existing and new relevant legislation. The Montreal-Kunming Global Biodiversity Framework² (Global Biodiversity Framework) specifically refers to the need to substantially increase funding from all sources including, amongst others, by:

- Leveraging private finance, promoting blended finance, implementing strategies for raising new and additional resources, and encouraging the private sector to invest in biodiversity, including through impact funds and other instruments; and

¹ <https://www.scotlink.org/publication/state-of-nature-report-2023/>

² Page 12 <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>



- Stimulating innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, benefit-sharing mechanisms, with environmental and social safeguards.

There has been considerable attention recently to the role that private finance and market mechanisms might have in funding the restoration of nature. These markets are controversial and are only one of several ways that extra money could be channelled into nature protection and restoration. It is imperative that policymakers do not become overly reliant on market-based mechanisms.

This paper sets out key recommendations that LINK members agree on with regard to how nature finance should be resourced and applied. LINK is undertaking further work in this area.

2. Finance gap

Current levels of spending on nature are insufficient to meet Scotland's commitment to global nature targets³. In 2021 the Green Finance Institute estimated a finance gap for Scotland of £20 billion over 10 years to achieve environmental outcomes. The size of the investment gap is contested, and Community Land Scotland have questioned some aspects of the methodology. What is not disputed is the significant size of the investment gap and that the current level of public investment is insufficient to halt and reverse nature loss by 2045.

The size of this investment gap is not fixed, as the cost of active intervention could be lowered through effective regulation and other policy mechanisms, for example effective deer management. The level of investment required will also grow over time if effective intervention is not taken quickly enough. For example, early action on invasive species is far cheaper than action once establishment is complete.

3. Different types of finance for nature

Nature protection and restoration can be resourced in a number of ways, for example: investment by landowners, public funding and programmes, philanthropy and charitable funding, or private investment and markets. Regulation and legislation play important roles as well.

Any government funding streams can both damage nature or help restore it and so attention must be paid to 'greening' all government budgets. In particular, funding flowing into agriculture and decarbonisation should be expected to enhance or restore nature as well.

³ <https://www.cbd.int/gbf>





A starting principle is that owners of land should be expected to look after it in the public interest, including by protecting and restoring nature, and policy mechanisms should be used to require and/or incentivise this. The Scottish Government's Land Rights and Responsibilities Statement with Scottish Land Commission good practice guidance⁴ is helpful here.

Secondly, where vital public policy objectives like climate change mitigation and nature protection and restoration require concerted action for which it isn't reasonable to expect landowners to pay, these are best pursued by public programmes and funding. Other fiscal measures like tax policy and charges can be used to incentivise the necessary actions too.

In light of the insufficiency of current levels of public spending there is a burgeoning interest in private finance flowing into nature protection and restoration, including through markets in nature credits and carbon offset credits. At the moment, existing markets in Scotland are only for carbon offset credits. Some LINK members regard carbon offset credits as a false solution for climate change since they embody no net reductions in emissions, and in many cases it is not certain that they will achieve the promised emissions reductions which are used for offsetting. Some landowners and policymakers see them as a useful additional source of funding which requires tight regulation to ensure that they also benefit biodiversity and do not harm rural communities.

By contrast with carbon offsets, there are no agreed systems for biodiversity credits and there are considerable doubts about whether it is even possible to create simple and reliable measures for them given the complexity of ecological systems. Putting aside the numerous methodological difficulties which mitigate against the creation of effective systems on which markets might be based, some LINK members regard attempts to financialise nature as dangerous and counterproductive.

4. Recommendations

- i) Significantly more money is needed to flow into nature protection and restoration now, to meet the monumental challenge of reversing the nature and climate crises by 2045.
- ii) The Scottish Government should continue to significantly increase the overall level of public investment in nature and ensure that existing funding is used more effectively by ending subsidies for harmful activities.
- iii) All public budgets should be scrutinised to enhance impacts on nature restoration and decarbonisation.

⁴ <https://www.gov.scot/publications/scottish-land-rights-responsibilities-statement-2022/>
<https://www.landcommission.gov.scot/our-work/good-practice>





iv) The Scottish and UK Governments should strengthen the use of legislation, regulation, and new fiscal measures to support increases in nature protection and restoration and reduce the scale of demand for restorative actions. Governments should seek to ensure that effective codes of good practice are mandatory or conditions of grant funding.

v) The urgency and scale of the nature crisis means that different financing mechanisms need to be pursued concurrently.

vi) The Scottish Government should give due consideration to the advantages and disadvantages of different mechanisms to finance nature and the various roles that they might have; and set out their resulting vision and strategy on how the nature finance gap is going to be met in a comprehensive manner.

vii) The Scottish Government should assess the powers it has with a view to ensuring that the operation of carbon offset credits in Scotland enhances biodiversity; and that they comply with strict additionality and integrity conditions and do not adversely affect its own climate change planning.

viii) The Scottish Government must do more to ensure effective landscape scale planning, without which a just transition and landscape scale ecosystem restoration, using both public and private sources, will be difficult to achieve.

ix) LINK's Land Use and Land Reform Group previously published (Sept 2022) a statement of principles on [land justice and nature restoration](#), stating that:

- The overarching principle determining Scotland's approach to land use change should be to ensure a Just Transition, with rural communities and wider society benefiting from investment in land;
- A more equal distribution of land ownership would allow for a fairer distribution of the benefits from investment in nature;
- Regardless of land ownership, there should be mechanisms for meaningful community input and consultation, and nature restoration should as far as possible be driven by local circumstances and the priorities of local communities.

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