



NATURANCE



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## BRIEF

# Scaling investment in nature-based solutions

## About

This is part of a series of briefs presenting insights from the **NATURANCE** project for use by **policymakers** and **finance professionals**.

The project explored **opportunities and barriers to the use of nature-based solutions (NbS) in insurance and investment**, and was conducted in collaboration with insurance industry experts, knowledge partners, and other relevant stakeholders through Innovation Labs.

This brief summarises NATURANCE's work through four of these Innovation Labs to:

- Review in general how the insurance industry can catalyse investment in NbS, and identify key enablers to overcome barriers.
- Explore investment opportunities in NbS in the specific contexts of:
  - (1) conservation within the EU's protected area network;
  - (2) resilience finance and urban green infrastructure; and
  - (3) wetland restoration.

The specific topics for the Innovation Labs were decided collaboratively by interested participants from the project's knowledge networks (financiers, practitioners, researchers, local authorities, consultants and other interested parties). Members of the NATURANCE consortium were then selected to lead each Innovation Lab.

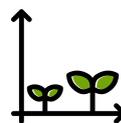
## Context

NbS are interventions supported by nature that aim to help address climate- and nature-related risks, for example those linked to flood, wildfire or urban heat.

They also provide environmental, social, and economic co-benefits such as enhanced biodiversity, carbon sequestration, cultural and recreational services, and contribute to sustainable economic growth.



**Nature and humans face increasing pressures** from extreme weather, climate change, water scarcity, pandemics and other shocks. Yet there is a large financing gap for nature-positive finance, and a substantial reliance on public funds (**UNEP, 2023**). There is therefore an **urgent need for mechanisms that can attract private capital and public support**.



These pressures lead to a growing urgency to innovate in sustainability, resilience and adaptation planning, and in particular, **a need for integrated responses that address the interconnections between environmental degradation, climate change, and human health**.

## Summary of NATURANCE's work

Three Innovation Labs (**Protected Areas, Resilience and Wetlands**) explored investment opportunities in specific contexts of nature restoration and resilience. Building on insights and concrete case studies within the EU's protected area network, a **simplified Business Model Canvas** was developed to capture value propositions, instruments, challenges, opportunities, enabling conditions, required actions, and trade-offs.

These findings informed recommendations, suggestions and actions to promote nature protection investments. Local and regional authorities, finance and insurance professionals, NbS developers, and policymakers were brought together to explore how to make urban green infrastructure NbS more bankable. Valuable insights were gained to strengthen the alignment between financial systems and urban resilience goals.

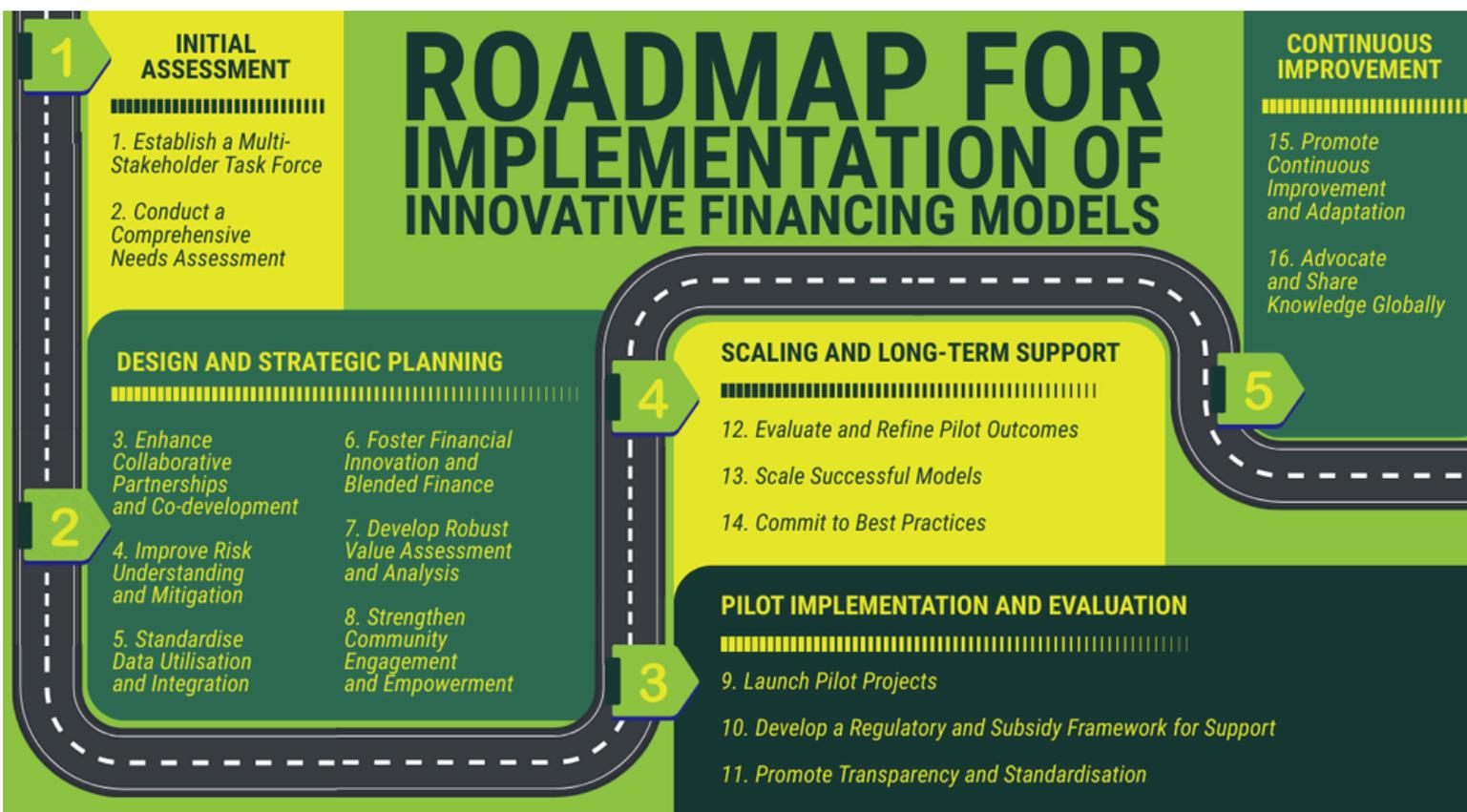
In particular, case studies from cities like Utrecht, Gdańsk, Budapest, Valencia, and Paris showcased practical examples of how innovative financing and cooperation can deliver multiple co-benefits, from enhanced biodiversity and climate resilience to improved social inclusion and urban well-being.

Experiences from several on-going wetland restoration projects in Sweden were used to explore potential barriers and innovative solutions to expanding their use and improving outcomes. Potential co-benefits included if, how, and when ecosystem services of restored wetlands can be used for carbon sequestration, for biodiversity support, for improving water quality and to protect communities against floods and drought.

**Innovative financing and cooperation can deliver multiple co-benefits**

In collaboration with ClimateWise, an insurance industry membership network, a fourth Innovation Lab (**Scaling Finance**) explored more generally how the insurance industry and the broader finance sector can catalyse investments in NbS and scale up finance for nature.

This helped to develop a five-phase roadmap for implementing innovative financing models for NbS. The roadmap is designed to be used by practitioners working on nature-based projects - or exploring this area of the insurance landscape - as prompts for what activities need to be done and when in the project's lifecycle.



## Conclusions and implications

**2 Multi-stakeholder collaboration is essential to build trust, reduce risk, and accelerate implementation,** bringing together public authorities, financial institutions, insurers, NbS developers, and communities.

**4 Key enablers to overcome these barriers include:** distinguishing between funding and investment mechanisms; stronger collaboration with investors and insurers; blended finance and partnerships; capacity-building initiatives; simplifying application and reporting procedures; and tailoring project scale to local contexts.

**1 There is significant potential for NbS to be used more widely in response to environmental pressures,** demonstrated across various real-world examples. These provide multiple co-benefits for nature, climate resilience, and social well-being.

**3 The full potential of NbS is currently limited by barriers including:** limited private and philanthropic funding and dependence on central governments; administrative complexity; fragmented policy and governance systems; and the difficulty of ensuring long-term maintenance and investor confidence.

**5 Six main areas of focus were identified to ensure NbS have suitable outcomes.** Some of these currently work well but others need improvement in order to stimulate greater financing of NbS:

AREA OF FOCUS	Description	What works well?	What doesn't work well?	What would you change?
 <b>COLLABORATIVE PARTNERSHIP AND CO-DEVELOPMENT</b>	Insurance working with banks and investors to co-develop and structure insurance products. Leverage alliances to share development costs	Diverse expertise and resources	Transparency, scatter information and scalability	Standardisation and common objectives
 <b>RISK UNDERSTANDING AND MITIGATION</b>	Enhanced risk assessment capabilities to better understand the specific risks associated with NbS projects	Tailoring products and wider engagement	Quantifying nature and lack of examples	More landscape pilots and case studies
 <b>DATA UTILISATION AND INTEGRATION</b>	Data are key to improving maps and geospatial risk models. Develop and/or use standards as part of NbS projects	Standards and open-source data	Lack of coherent and structured data	Standardisation and engage with locals
 <b>FINANCIAL INNOVATION AND BLENDED FINANCE</b>	Innovations including de-risked bonds, insurance-linked securities, biodiversity credits. Blended finance can help mobilise public and private capital	Biodiversity initiatives and stacked benefits	Lack of measurable and clear financial returns	Enhance transparency and credibility of emerging markets
 <b>VALUE ASSESSMENT AND ANALYSIS</b>	Cost-benefit analyses to quantify economic and environmental value generated by NbS projects, thereby incentivising investments	Upfront investment by aggregating projects	Diverse views and lack of clear methodologies	Integrate nature's value into financial returns
 <b>COMMUNITY ENGAGEMENT AND EMPOWERMENT</b>	Understanding local decision-making processes and motivations to ensure project sustainability and success. Empower Indigenous Peoples and Local Communities	Involving local communities	Lack of understanding of insurance's value	Collaborate at all levels and stages of projects