



Gresham House
Specialist investment

Regeneration

Restoration of nature and
biodiversity enhancement
through 'nature-based
solutions'



Why nature restoration is so important?

Restoration and protection of our natural resources and ecosystems are critical, not only for our own well-being and survival but also because nature underpins global economic activity.

The World Wildlife Fund (WWF) places the annual value of the benefits of nature globally at an estimated \$125 trillion¹ - yet the UK has failed to reach 17 out of 20 UN biodiversity targets agreed only 10 years ago² and the finance gap to secure key nature-related outcomes in the UK is estimated to be £56bn over the next 10 years.³



Why nature is not 'free'

For centuries, nature has been abundant, boundless and able to regenerate itself and natural resources such as clean air and water have been treated as public goods available to everyone.

This resulted in the perception that nature is 'free' leading to its overexploitation and degradation. However, this 'free' nature has a hidden cost, which becomes evident when considering the long-term environmental and economic consequences of its overuse, including biodiversity loss, resource depletion, climate change, and the destruction of ecosystems.

This results in both direct costs to businesses for example, resource scarcity, increased input costs, penalties, higher insurance premiums, supply chain disruption, physical damage to assets, and indirect costs including to reputation and brand value, regulatory risks, financing costs, and investor sentiment, that will ultimately lead to increased costs for the consumer.

A report for the UK Government estimated that the annual cost of nature loss to the global economy could be up to \$10 trillion by 2050 (around 10% of global GDP), and emphasised that urgent, concerted, and coordinated action was needed to reverse biodiversity loss and protect and enhance our prosperity.⁴

The reality is that nature remains a blind spot for most businesses that often goes ignored and the financial impact of nature degradation is therefore not considered. However, a growing number of businesses, particularly large corporates, are beginning to recognise that nature is an intrinsic part of their future. In fact, a 2023 survey by the Department of Business, Energy and Industrial Strategy (BEIS), concluded that 30-40% of UK businesses considered environmental risks (including nature-related) to be significant or highly significant to their operations.

Regulation is also playing a role in increasing awareness and encouraging companies to assess and disclose their exposure to nature-related risks, such as the Taskforce on Nature-Related Financial Disclosures (TNFD) and will hopefully drive more business to recognise how ecosystem health and biodiversity impact their financial performance and bottom line. Moving away from the assumption that nature is inexhaustible and integrating environmental costs into economic decision-making is essential to prevent further damage and ensure that future generations can also benefit from a thriving, healthy planet.

1. WWF, Our forests rivers and oceans are worth so much to us

2. The Guardian, Lost decade for nature as UK fails on 17 of 20 UN biodiversity targets, September 2020

3. Green Finance Institute, The finance gap for UK nature, October 2021

4. GOV.UK, UK international climate finance strategy, March 2023

The investment opportunity for nature, the new asset class

Globally, the current trend of rapid biodiversity loss will continue, with 37% of species threatened with extinction or extinct by 2100, unless dramatic action in line with the Kunming Montreal Global Biodiversity Framework (GBF) agreed at COP 15 in December 2022 is taken. However, this share could drop to 25% if conservation investments are immediately increased (Isbell et al. 2022).⁵

The UK, despite being a highly developed nation with a rich natural heritage, has experienced a significant decline in biodiversity over recent decades. This decline is driven by factors such as habitat destruction, climate change, pollution, and unsustainable land use. These challenges create opportunities for investments aimed at nature restoration and biodiversity enhancement.

One innovative solution is investment in 'habitat banks,' pioneered by Gresham House's Sustainable Infrastructure team. Habitat banks are large-scale sites, typically 25-100 hectares or more, that transform land into biodiversity-rich areas, such as woodland mosaics of wetlands. These sites are maintained for at least 30 years. The biodiversity created on these lands generates Biodiversity Net Gain (BNG) units, which can be sold to house builders, commercial developers, or infrastructure projects. Revenues from these units are received upfront when planning permission is achieved.

The introduction of the Environment Act 2021 has been a catalyst for this market. The Act requires all developments in England to provide a mandatory minimum 10% BNG as a condition of planning. If developments cannot achieve this BNG onsite, they have the option to purchase BNG units offsite from private providers. Corporates can also use BNG credits to mitigate their nature-related impacts and potential dependencies and risks on a voluntary basis, generating financial returns for investors.

In 2021, Gresham House became the founding investor in Environment Bank, a UK business dedicated to nature recovery. Environment Bank addresses biodiversity loss and ecosystem collapse through privately funded habitat banks, which are one of the best ways to meet BNG requirements and deliver positive environmental impacts. With adequate private capital and incorporation into risk management strategies, this approach could play a crucial role in addressing the nature and climate crises.



So far, the network of sites delivered by Environment Bank includes:



Establishing vital habitats such as ponds, woodland, heathland, and lowland meadows



Creating more than 7km of new hedgerow in addition to the 60km that have been retained and enhanced.⁶

This will support a range of key species of wildlife, including nightingales, turtle doves, brown hares, great crested newts, common toads, and a vast variety of pollinating invertebrates.

However, to date there has been underinvestment in nature-based solutions. The UN's State of Finance for Nature report 2023 shows that US\$7 trillion of public and private capital flows into nature-negative activities annually, while only US\$200 billion per year is directed towards nature-based solutions that promote a stable climate, healthy land and nature.

The same report highlights that private finance investments that have a directly negative impact on nature are US\$5 trillion, which is 140 times larger than private investments into positive nature-based solutions (NbS).⁷

5. UN Environment Programme, State of Finance for Nature report, December 2023

6. Environment Bank Limited, November 2024

7. UN Environment Programme, State of Finance for Nature report, December 2023

Habitat banks in practice - a case study



The Lawton Principles focus on improving habitat quality, increasing the size of wildlife sites, enhancing connectivity between sites, creating new sites, and reducing pressures on wildlife.

Environment Bank has established a 38-hectare habitat bank site near Milton Keynes, known as Wood Farm.

The habitats at Wood Farm will link ancient woodland and local wildlife sites, providing the farm and campsite with income diversification.

Environment Bank's habitat bank enhances and connects natural habitats, following the Lawton Principles, to create better environments for wildlife and invertebrates, offering superior outcomes for nature.⁸

Target habitats on the farm include:

- **Lowland meadows;** supporting diverse plants and wildlife
- **Other neutral grassland;** creating a home for various invertebrates and birds
- **Mixed scrub;** providing shelter and food for many species
- **Native species-rich hedgerows;** crucial for wildlife movement and shelter

These habitats have been identified in collaboration with the landowner, considering the area's wider landscape character and the site's environmental condition.

Over time working with Environment Bank, the Gresham House team expect the project will see a dramatic increase in soil quality, helping to rebuild the ecosystem services on the site, locking up water and carbon and helping to provide improved air and water quality locally. The habitats proposed on-site have the potential to attract species native to the area not currently present, such as nightingale, garden warbler and turtle dove.⁹

Over the next 30 years, the aim is that this site reaches the conditions to be maintained as a high-quality habitat, delivering net gains in biodiversity.

Nature-based solutions such as habitat banks and BNG initiatives, if delivered at scale globally, could have the potential to deliver up to 10Gt of CO₂ savings per year.¹⁰ This is equivalent to the emissions of the US, EU, and Japan combined.¹¹

By facilitating the planning process for new developments, habitat banks support the wider social and economic need for more homes and development in England, with market experts predicting this could translate into up to £400mn per annum of offsite BNG credit requirements indefinitely.⁹

Habitat banking is one of the best ways to address the challenges posed by the BNG requirements and deliver positive impact - with the right amount of private capital backing, it could play a crucial role in solving the nature and climate crises.

9. UN Environment Programme, State of Finance for Nature, December 2023

10. Environment Bank Limited, November 2024

11. Nature 2021

8. GOV.UK, UK international climate finance strategy, March 2023

Broad universe of investible platforms for regeneration

Looking beyond habitat banks, regeneration as a theme covers a broad universe of innovative solutions that all aim to provide a wide range of ecosystem services that are essential to sustain our economies, health, and well-being.

Ecosystem services are the benefits people and businesses receive from nature, such as pollination, water purification, climate regulation, and soil fertility. When ecosystems degrade - due to deforestation, pollution, overfishing, intensive agriculture, mining or climate change - the cost of replacing or mitigating the loss of these services falls on the economy.¹²



Much like the BNG, nutrient neutrality is another key area of focus for the UK Government due to the large issue of nutrient pollution across a number of areas in the UK. Nutrient pollution - which refers to the excessive presence of nutrients, primarily nitrogen and phosphorus, in water bodies and ecosystems - is leading to water quality degradation, biodiversity loss and is harming aquatic and human life.

The primary causes of nutrient pollution in the UK include agricultural run-off from excessive fertiliser use and effluent discharges from wastewater treatment processes. Since the mid-20th century, global fertiliser use has increased tenfold, leading to a 43% rise in nitrogen discharges from rivers into the sea between 1970 and 2000, with agriculture contributing significantly more than sewage. Other sources include atmospheric particles from vehicle emissions and power plants. Urban wastewater is the main source of phosphate pollution (80%) and about 30% of nitrate pollution, while agriculture contributes 50-60% of nitrate leaching and around 20% of phosphate pollution.¹¹



Similar investment propositions to BNG continue to develop including wetland restoration for water purification whereby the developer can sell environmental credits or receive ecosystem service payments for companies and local governments seeking to meet water quality targets

While other investment opportunities centre around the development of alternative and more sustainable products for the agriculture sector such as:



UNDO

who are on a mission of removing carbon from the atmosphere and improving soil health.



BeeHero

BeeHero

the world's leading provider of pollination services.



SOLASTA Bio

SOLASTA Bio

who have created a novel insecticide that ensures crops are protected without chemicals.

Many of these investment opportunities and markets are still at an early-stage but are increasingly being recognised for their potential to not only generate sustainable profits but also contribute to the restoration and preservation of the natural systems that support life on Earth.

Whether through biodiversity offsets, ecosystem service payments or regenerative agriculture products, these investments are part of the growing movement toward a more nature-positive economy.

12. Ocean Protect, Marine Pollution, at November 2024 (Breitburg et al., 2018)

A turnaround for nature

A major turnaround for nature is needed. Unless the real economy and financial system reduce the financing of nature-negative activities (i.e. greening finance), actions to scale up investment in nature-based solutions (i.e. financing green) will be insufficient to tackle the climate, biodiversity and degradation crises and collapse of these systems, and life as we know it, will be unavoidable.



Benefits of investing in regeneration



Environmental impact

Investing in regeneration restores biodiversity and enhances ecosystems, mitigates climate change by sequestering carbon, and improves soil quality, water purification, and air quality.



Summary

Investing in nature-based solutions, such as habitat banks and regenerative agriculture, represents a crucial shift towards a more sustainable and nature-positive economy. These initiatives address biodiversity loss, ecosystem degradation, and climate change, offering significant environmental benefits and viable financial opportunities.

Projects like those led by Gresham House and Environment Bank demonstrate the potential for private capital to drive positive environmental change. Only through a concerted effort to align economic activities with environmental sustainability can we hope to avert the collapse of natural systems and ensure a thriving planet for future generations.

To find out more about Sustainable Infrastructure and how Regeneration could help you meet your financial and sustainability objectives please get in touch with:



Economic opportunities

These investments generate sustainable profits through BNG units, provide financial incentives for landowners and developers, and support the planning process for new developments.



Wildlife support

Creating interconnected habitats supports a wide range of species and enhances the resilience of natural systems.



Social and economic

Nature-based solutions could create 32 million jobs by 2030 and contribute to the wellbeing of local communities.¹³



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13. Smart Water Magazine, January 2025

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