

The Economics of Biodiversity: UK Introduces Sweeping Inquiry Into Role of Private Finance in Nature Recovery

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In August 2023, the UK Parliament's Environmental Audit Committee launched an inquiry into the current and future role of private finance in nature recovery, in order to meet its goal of reaching Net Zero by 2050 while boosting the UK economy. The **Call for Evidence** examines the role of "natural capital" – that is, the stock of renewable and non-renewable assets that "yield a flow of benefits to people" – in the green economy, with a view to expanding the UK government's commitment to leverage private investment for nature recovery. The Inquiry further explores how the UK might develop these markets.

MP Philip Dunne, the Environmental Audit Committee Chair, stated that "the financial sector will have a significant role to play in promoting the development and enhancement of the nation's natural capital, from air to water, soil to forests, as the UK economy begins to embrace the economics of biodiversity."

The definition of natural capital comes from the **2021 Dasgupta Review**. The term is used to emphasize that nature is also a capital asset, with real impact on the UK economy, "like produced capital (roads and buildings) and human capital (knowledge and skills)."

This Call for Evidence launches just before the upcoming **UN Climate**

Change Conference (COP28), at which nature is expected to be a key area of focus; and follows the **December 2022 UN Biodiversity Conference (COP15)**, which **raised the profile of biodiversity** in the global regulatory agenda.

Over the last several years, as in other jurisdictions around the world, the UK has increased its commitment to involving the financial sector in financing the green transition, as it becomes evident that the “Race to Zero” cannot be achieved through government regulation or financing alone. The Call for Evidence seeks commentary from stakeholders with knowledge on the development of natural capital markets, so that the process is participatory and produces high-quality findings.

In 2021, the Environment Audit Committee issued a report titled, **“Biodiversity in the UK: bloom or bust?”** which set out numerous policy recommendations to improve UK biodiversity. **One of the government responses** to this report was the development of an Outcomes Indicator Framework (OEF) to measure progress against the Environment Improvement Plan and its five-yearly updates. The OEF was developed on a natural capital assessment basis, and this new Inquiry is designed to provide useful feedback on its utility. Other notable policy recommendations relate to piloting a Natural Capital and Ecosystem Assessment (NCEA), a mandatory biodiversity net gain requirement (BNG), and the Taskforce on Nature-related Financial Disclosures (TNFD). The Call for Evidence seeks responses on all of these measures.

Taking the Temperature: As we have reported, nature and biodiversity preservation and enhancement has become a global priority. The European Union has been at the forefront of these developments, **as we also have discussed**. To that end, the UK has been scaling up its own efforts to address nature and biodiversity in recent years, including through a recent **joint measure with France** to boost the biodiversity credit market. However, these efforts should be considered in the light of recent developments involving UK Prime Minister Rishi Sunak’s reported intentions to scale back the UK’s green agenda. While the country remains committed to net zero by 2050, other key transition plans will reportedly be delayed or

weakened.

This Inquiry and Call for Evidence is an important step for the UK's path to net zero. In 2021, HM Treasury announced its ambitious [goal to increase private investment in nature](#) to at least £500 million a year by 2027 and £1 billion a year by 2030. This Inquiry will identify steps to implement that plan more clearly. The Call for Evidence also seeks to operationalize the [2023 Green Finance Strategy](#), in which the UK sets out its plan to become the world's first Net Zero-aligned financial center.

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