

Unlocking Private Capital for Nature-Based Solutions (NbS): Insights from the Invest4Nature Investor Survey

About this brief

This brief presents insights from the Invest4Nature **survey with the private capital community** exploring how financial institutions perceive NbS investments.

It covers:

- ▶ NbS and the motivation for private investment in NbS
- ▶ Opportunities within the landscape
- ▶ Barriers to investment
- ▶ Recommendations to policy on local, national, and EU-level

For more details and sources, read Chapter 5 of the Invest4Nature report:

Markets, Financing and Incentives for Nature-based Solutions (Deliverable 3.3)

➤ [Read the full report](#)

Context

Currently, there is a range of nature-based solutions (NbS) emerging, primarily supported by strong public funding, but a comprehensive market for NbS has not yet emerged. Despite the growing prominence of NbS in scientific and policy discussions, information and evidence pertaining to successful financing and incentive mechanisms remain fragmented and not readily accessible.

To address this gap, Invest4Nature has mapped the current state of the market for financing NbS in a full report to **explore the potential for increasing private sector engagement**. This includes a systematic literature review of the state-of-the-art for NbS financing models and incentives and an analysis of the needs and perspectives of different market players, including the public sector, the **investor community** and Nature-based Enterprises (NbEs).

A diagnostic survey was carried out to explore how ready and engaged private capital providers are to support the broader private sector investment in NbS. It aimed at identifying the required and most suitable support mechanisms for **potential finance providers for NbS** to overcome existing barriers. It also sought to understand the possibilities in **accelerating private sector investment in NbS**.

The survey's target audience corresponds to: 1) credit institutions (banks), making up 40% of respondents; 2) investment funds and asset managers; and 3) insurance companies' investment divisions. The majority (62,5%) were active in the European market, following the location of financing recipients.

Defining NbS “Investability” and “Bankability”

One focus of the survey was to clarify the terms “investability” and “bankability” which are often used interchangeably but hold distinct meanings for different types of financial institutions.

- **Investment Funds:** Predominantly using the term “**investability**,” funds prioritise alignment with their own sustainable finance framework goals and financial growth potential of the specific project or investment vehicle.
- **Banks:** When defining “**bankability**,” banks primarily focus on the financial health and creditworthiness of the recipient entity.

These differing perspectives highlight the need for tailored approaches when structuring NbS project financing to attract diverse types of private capital.

Opportunities Within the NbS Landscape

Despite the challenges, the survey revealed promising opportunities for private sector investment in NbS:

- **High-potential sectors:** NbS in agriculture, water management, forestry, and urban NbS were identified as having the greatest investment appeal.
- **Sustainability-aligned capital:** Sustainable and impact-focused investors demonstrated a stronger willingness to engage with NbS, particularly with projects tied to climate change mitigation, adaptation and biodiversity goals.
- **Green/Sustainability bonds:** Emerged as highly preferred as the investment vehicle for funding NbS, with their appeal spanning conservative and risk-tolerant investors alike.

Barriers to Investment: A Multi-Faceted Challenge

The survey, building on previous findings from the European Investment Bank, identified and ranked a range of barriers to private sector investment in NbS. The most significant and pressing challenges are:

- **Regulatory hurdles:** Lack of specific defined nature- and NbS related targets and goals in national and regional policy, as well as limited inclusion in sustainable finance taxonomies/frameworks creates lack of the clarity and planning security, which would be required for private sector investments.
- **Higher risk profiles:** NbS projects often come with inherent uncertainties and long timeframes for returns. Combined with limited track record on NbS investment performance, they are perceived as “high risk”. Many investors are wary of being the “early movers” in this space.
- **Data deficiencies:** Limited knowledge of and uptake of assessment, monitoring and verification methodologies hinder due diligence and identification of high quality NbS investment opportunities.
- **Revenue uncertainty:** Many NbS projects lack clear, reliable revenue streams, making them less attractive to traditional investors and lenders, necessitating alternative approaches for determining investability/bankability.
- **High transaction costs:** The small scale and complexity of individual projects drive up costs.

Respondents emphasised that many of these barriers, such as data and methodology gaps, are addressable through targeted interventions and research-based innovations; however, the policy-making needs to move first to enable the uptake.

Policy Solutions: Paving the Way for NbS Investment

To unlock private capital for NbS, strategic policy interventions are essential. The investor survey, conducted as part of the Invest4Nature project, highlighted the most urgently required policy measures to overcome existing barriers and foster an enabling investment environment. Below are recommendations tailored to the local, national, and EU levels, reflecting the insights from the survey.

Local Level Recommendations

1. Integration of NbS into Urban Planning and Zoning

Local governments should revisit spatial planning and zoning regulations to reduce (often unintentional) barriers that arise within the urban planning rules.

2. Collaboration with Private Sector Investors

Local governments should work closely with sustainable lenders and investors to co-develop and finance NbS projects. Partnerships can help reduce risks and ensure alignment with both environmental goals and investor expectations.

3. Green Bonds at Sub-Sovereign Level

Where feasible, municipalities are encouraged to consider issuance of green bonds dedicated to NbS, leveraging them as a financing tool for local projects. These bonds can appeal to investors seeking sustainable and low-risk opportunities while addressing specific community needs.

National Level Recommendations

1. Clear National Targets for Nature and Biodiversity

Governments should establish explicit targets and action plans for biodiversity and natural capital, including NbS. Such commitments provide certainty for private investors and signal the importance of NbS in achieving national goals.

2. Integration of NbS in Climate Strategies

National climate action plans should clearly articulate the role of NbS in addressing both mitigation and adaptation goals. Linking NbS to these strategies can position them as essential tools for achieving carbon reduction and resilience objectives.

3. Biodiversity Impact Compensation

Introducing requirements for biodiversity compensation or offset schemes can create structured revenue streams for NbS projects. For instance, industries that cause unavoidable environmental damage could be mandated to finance NbS as part of their compensation obligations.

EU Level Recommendations

1. Inclusion of NbS in Sustainable Finance Taxonomy

Explicit integration of NbS into the EU Taxonomy of Sustainable Economic Activities is essential. This step would provide clarity on what qualifies as a high quality sustainable NbS investment, reducing uncertainty for financiers and easing due diligence efforts and costs

2. Integrate NbS in broader Sustainable Finance policy landscape

Coherently and consistently embed NbS in the broader regulatory framework on sustainable finance and private sector sustainability, including harmonisation of the NbS criteria, metrics and data points and narrative requirements between among the Taxonomy, EU GBS, SFDR, CSRD, ESG Benchmark regulation and others.

3. Standardised monitoring and evaluation methodologies

Effective monitoring and evaluation systems are crucial for tracking the implementation and outcomes of NbS projects, capturing both ecological and socio-economic outcomes. Standardised "good practice" assessment and monitoring methodologies should be developed and promoted for the use across EU and abroad, offering consistent and comparable investment cases and other data for better decision-making by private sector stakeholders.



A Coordinated Approach for NbS Private Capital Financing

The recommendations above underscore the need for coordinated actions across governance levels to address the barriers hindering private investment in NbS. Local governments must work on adapting spatial planning policies and foster collaboration with investors. National governments should lead with clear targets, supportive regulations, and innovative compensation mechanisms. At the EU level, integrating NbS into sustainable finance frameworks, taxonomies, green bond standards can create an environment conducive to scaling private capital flows.

