



# Nature-based solutions and green finance



# UK Centre for Greening Finance and Investment



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# CGFI

UK Centre for  
Greening Finance  
& Investment

The UK Centre for Greening Finance and Investment (CGFI) is a national centre established to accelerate the adoption and use of climate and environmental data and analytics by financial institutions internationally. It will unlock opportunities for the UK to lead in greening finance and financing green.

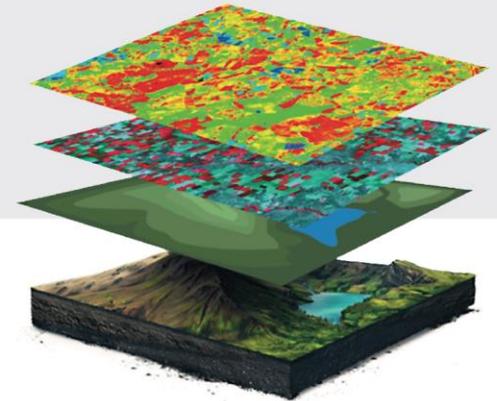
## ULTIMATE VISION

**Financial institutions able to access and use climate and environmental data and analytics for:**

- Any point on earth
- Past, present, and future
- Every major sector
- Material climate and environmental factors

## SUCCESS WILL MEAN

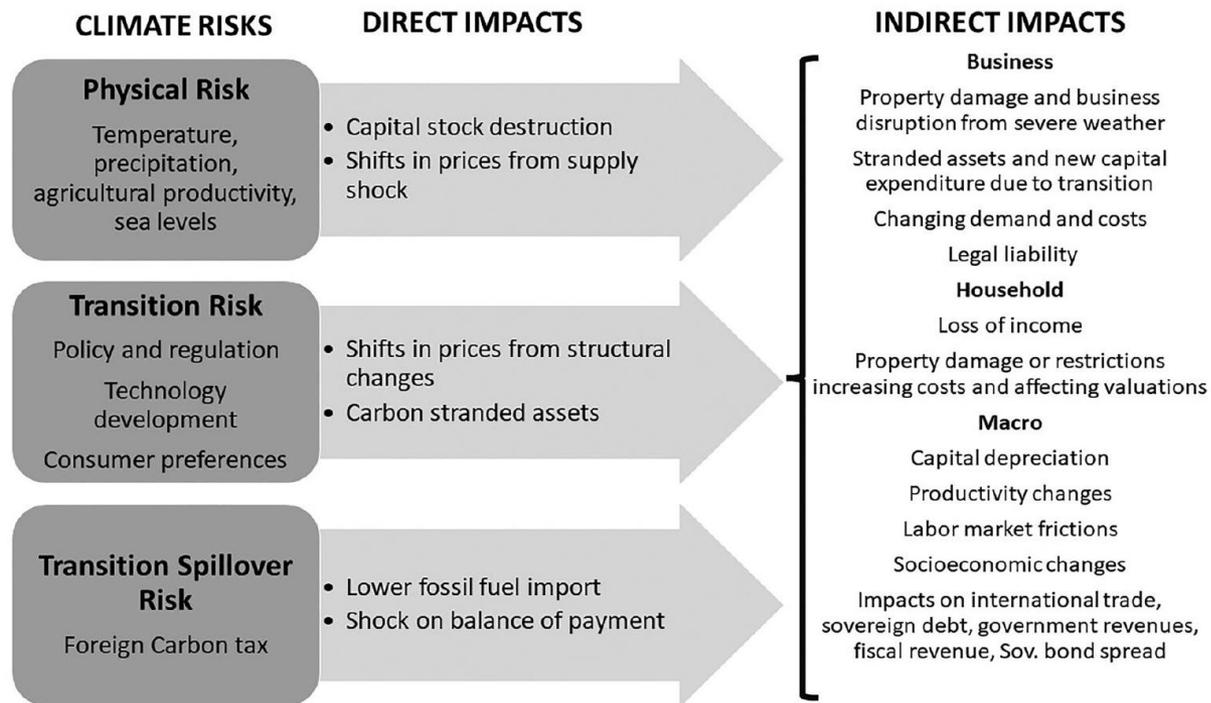
- Enhanced solvency of financial institutions
- Reallocation of capital towards green
- Resilient global financial system
- Realise the opportunity for UK plc



# Climate risks and how they impact finance



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**Figure 1.** Macro-critical aspects of climate risks. Source: Adapted from Dunz et al., 2021; Monasterolo, 2020a. For the three main types of climate risks considered in this analysis, the figure presents their direct and indirect impacts on the economy and finance.

L. Ramos, K. P. Gallagher, C. Stephenson & I. Monasterolo (2021) Climate risk and IMF surveillance policy: a baseline analysis, Climate Policy, DOI: [10.1080/14693062.2021.2016363](https://doi.org/10.1080/14693062.2021.2016363)

# Climate finance and the challenges that lie ahead



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- GFANZ - \$130 trillion of finance committed to greening – circa 40% of financial assets globally
- Need to green finance to maintain economic prosperity and fund the transition
- Engagement vs divestment
- Greening the energy system
- Circa £1bn people do not have access to electricity
- Circa £2.6bn people do not have access to clean cooking
- As we transition, this is not a local issue it is a global issue. The transition needs to be just. We need technological leaps.
- \$100bn a year of new money is not enough where severe climate impacts are already happening
- From TCFD to TNFD

# Climate finance, asset owners, banks, insurers and nature positive investment



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- Asset owners e.g. pension fund trustees have a fiduciary duty
- Current pensions regulation in the UK is inherently short-term
- Pension funds should be long-term investors, patient capital etc.
- Standard investment decisions in a traditional finance paradigm – risk and return (maybe costs)
- Investments need to be based on risk, return, **resilience**, costs, fees, and performance
- If we look at the value add of effective catchment management, we need to be able to communicate the value of this within the paradigm of finance and the context of a fiduciary duty – where is the return?
- Effective resilience – the dog that didn't bark
- Economic incentives for insurers and banks
- The role of government – what investments are for government to make, what investments are for private capital, and what is the interplay between the two?
- How do we align the system to deliver this?



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# Questions