

COP28 MEDIA BRIEF

NATURE, BIODIVERSITY AND WATER

The collapse of biodiversity and our natural systems is being felt globally with an increase in droughts, floods and fires. The world is facing a global water crisis that is growing in severity. Net zero agreements cannot be achieved without considering nature. At the same time, nature must be safeguarded

At COP28, steps must be taken to convince policymakers and business to ensure nature is safeguarded in climate action and push for progress to deliver on the commitments of the Global Biodiversity Framework. The natural environment is critical to business - over \$40 trillion in economic value annually, or roughly 50% of global gross domestic product, directly depends on nature and its services.



If you read one report: [Building a Nature-Positive Energy Transformation](#) (Nov 2023)

TOP 5 BCG DATA POINTS



Over \$40 trillion in economic value annually, or roughly 50% of global gross domestic product, directly depends on nature and its services.



\$700 billion in annual financing will be needed to promote biodiversity through 2030—in addition to the funds already committed (Paulson Institute).



By 2050, 46% of global GDP will be coming from high-water risk regions.



There are increasing economic costs of water-related risks, companies are reporting \$225bn potential value at risk due to water.



Investors value nature ambition, which is reflected in nature leaders' outperformance over laggards by a cumulative 54%.

BCG POSITION

Net zero cannot be achieved without considering nature - and nature-based solutions are now being seen as a strategic lever to both mitigate and adapt to the impacts of climate change. It is equally important to safeguard nature in climate action.

With trillions of dollars of economic value depending on nature each year, businesses will face catastrophic consequences if we continue to obliterate the natural world and its resources. There is no getting around the fact that the private sector and NGOs will have to work together to take action on nature-based solutions.

ON THE RECORD



There is no 1.5C without tackling nature challenges. Business and government need to put nature, biodiversity and water high up the COP28 agenda



- Torsten Kurth, Managing Director & Senior Partner, BCG

BCG'S TOP 3 TAKEAWAYS:

1 Nature needs to be set alongside climate. Public and private focus on climate is advanced in relation to nature-focused policies. However, these are closely interconnected. We cannot achieve 1.5C without tackling nature and climate together.

2 There is a need to maintain momentum. Progress made at the biodiversity COP15 in Montreal - where 195 nations agreed to protect and restore at least 30 percent of land and water by 2030 - must continue at COP28. The climate and biodiversity dialogues should not exist in silo.

3 Global approaches require local solutions. Whereas the carbon challenge is the same the world over, each nature challenge is specific to locality. Global approaches, such as Nature-Based Solutions, can provide change at scale, but must be implemented in a localized way.

WHAT WE ARE ADVISING OUR CLIENTS TO DO:

4 General principles for simple yet actionable progress on the nature agenda.

1. **Don't reinvent the wheel** - Work with accepted and proven definitions, terminology and metrics. For example, for nature topics use the [TNFD definitions](#). Help to provide a consolidated view if opinions diverge.
2. **Keep an eye on the ball** - Establish a clear link between companies' disclosure requirements and global societal goals and conventions. (i.e., SDGs, Paris Climate Agreement, Kunming-Montreal Global Biodiversity Framework)
3. **Learn from the climate journey** - Observe the logical sequence from science, to voluntary, to mandatory climate reporting, this can serve as guidance to speed up further standards setting journeys.
4. **Look beyond risk mitigation and reporting** - Focus on opportunities. Avoid using only a risk mitigation lens and look for the big opportunities that can arise from contributing to a nature positive world.

Six recommendations for water:

1. Foster and accelerate technological and social innovation.
2. Anchor corporate strategy and decisions to the water crisis.
3. Expand nature-based solutions to manage and restore ecosystems.
4. Enhance valuation, pricing, and water allocation.
5. Improve water financing frameworks.
6. Develop a local foundation of governance and regulatory enforcement.

ADDITIONAL PROOF POINTS

WATER

Four key drivers are raising the stakes.

- Changing climates are disrupting freshwater supplies.
- Demand is increasing unsustainably.
- Infrastructure is not keeping up.
- Freshwater ecosystems are degrading.
- Demand for water is expected to grow 1% annually to 2050, mainly driven by BRIC's, far exceeding sustainable supplies.
- At least 1.4 million people die annually from preventable diseases linked to unsafe water, poor sanitation and lack of hygiene.
- About half the world's population faces severe water shortages for at least part of the year.
- Since 1970, freshwater species have declined by 83% and 33% of wetlands have disappeared.
- Tradition risk-based gray infrastructure approached to water management aren't working. Instead, resilient, nature-based systems should be utilised. Examples include providing required room for rivers and recharging underground supplies and developing natural sponges.
- Sponge cities could result in 50% reduced costs, lower flood risk and increased biodiversity.
- For further information, please read: [Nature-Based Solutions to the Water Crisis](#)

The imperative for disclosure in key value chains

In a world where net zero goals and nature-based solutions are gaining increasing prominence, the urgency becomes starkly evident when we recognize that just four major value chains, responsible for -90% of pressure on nature, must take center stage in disclosing their related risks.

Estimated share in pressure:

- **Food and beverages** including packaging >50%
- **Infrastructure & mobility** including housing, public infrastructure, and vehicles ~25%
- **Energy** including fuels, power, and other commodities <10%
- **All other**, including pharma, cosmetics and consumer goods 5-10%

BIODIVERSITY

- Financial institutions face heightened exposures: The European Central Bank found that 75% of bank loans to companies operating in the Euro area were made to companies that had at least one major nature-related dependency.
- According to the Paulson Institute, \$700 billion in annual financing will be needed to promote biodiversity through 2030—in addition to the funds already committed.
- A nature strategy can help financial institutions meet their net-zero targets, mitigate portfolio risks, and unleash new value-creation opportunities.
- An analysis by the European Central Bank (ECB), for example, found that 75% of bank loans to companies operating in the euro area went to companies that had at least one major nature-related dependency.
- The World Economic Forum reports that Nature-Based Solutions (NbS) and other nature-positive policies could generate more than \$10 trillion in new business value annually.
- Nature-Based Solutions (NbS) amounts to only \$154 billion per year, less than a third of the total that the UN Environmental Program says is necessary by 2030 to stop biodiversity loss and land degradation.
- For further information, please read: [For Financial Institutions, Nature Is the Next Frontier](#)

CSRD Disclosures

CSRD and ERS are the gold standard for ESG regulations. To assess CSRD/ESRS readiness and build a future ESG reporting target picture, we suggest a three-step approach, which involves:

1. Carrying out a gap analysis - with the aim to identify reporting gaps and to determine whether the current availability of data and the system landscape meet future CSRD/ESRS reporting requirements.
2. Conducting a materiality assessment - financial institutions are obliged to conduct a double materiality assessment for all KPIs, which can also be leveraged as a tool to capture stakeholders' perspectives on ESG. Such an assessment can inform ESG strategies and indicate where future investment may be required.
3. Defining an implementation roadmap for execution - we recommend a phased implementation approach. The first phase focused on existing KPIs that are mandatory for the initial CSRD/ESRS reporting period. The second stage considers the value chain, covering KPIs relevant to the financial institution's portfolio, and is thus subject to the three-year phase-in period permitted by CSRD/ESRS.

RELATED BCG REPORTS

- [The Case for Private Equity Investments in Biodiversity](#)
- [Navigating the Waters: Strategic Solutions for Water Resilience](#)
- [Nature is the Crisis We're Ignoring](#)

BCG NATURE, BIODIVERSITY AND WATER EXPERTS:



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Torsten can speak to:
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Dean can speak to:
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