

Private finance's role in transforming economic systems for nature and equity

The IPBES Transformative Change Assessment, published in 2024, presents five complementary strategies to achieve the 2050 Vision for Biodiversity and global sustainability. Recognising that the current production and consumption patterns is a major driver of biodiversity loss, Strategy 3 “Transforming Economic Systems for Nature and Equity” includes four actions to support a comprehensive redesign of the financial and regulatory frameworks that govern global financial markets. This factsheet highlights the most relevant components of this economic redesign for the private finance sector.

Nature Risk is Financial Risk

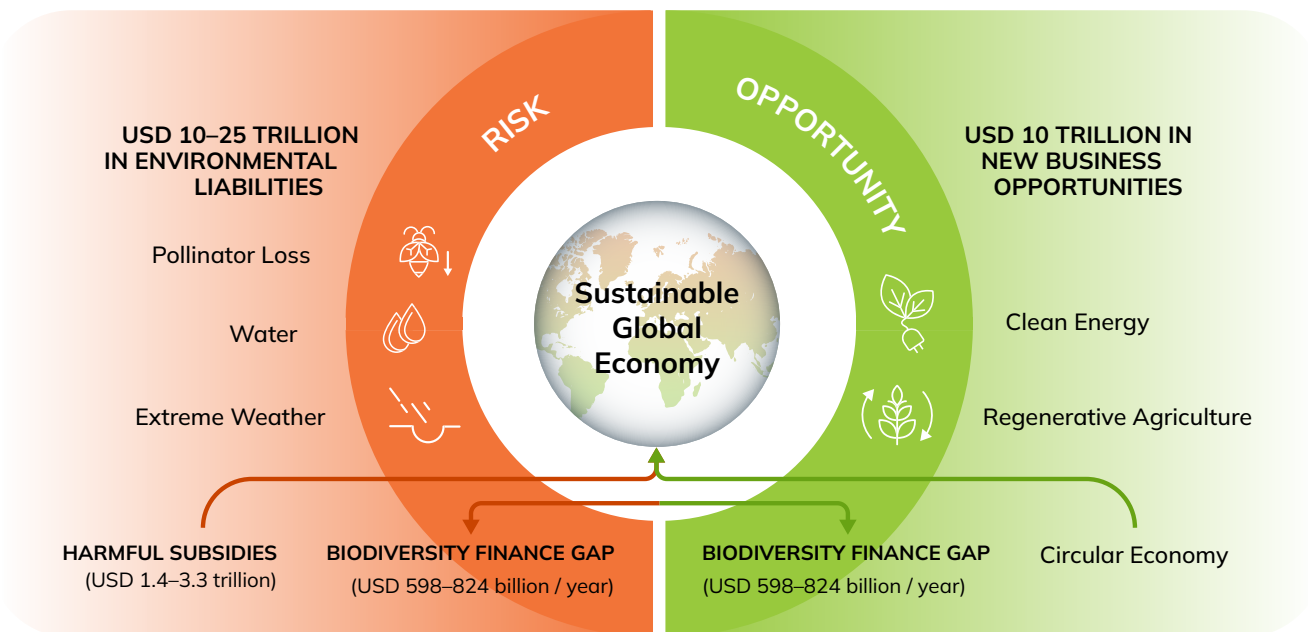
Current economic systems rely on unpriced natural foundations and ecosystem services that are rapidly declining. Ecological degradation and loss are transforming into escalating physical and transition risks, threatening long-term economic stability and creating systemic financial vulnerabilities.

- Hidden Liabilities: Unsustainable business models create hidden liabilities estimated at **USD 10-25 trillion annually** due to damages to biodiversity, climate systems, water, food and human health ([IPBES Nexus Assessment, 2024](#)).
- Physical exposure: Tangible impacts are already evident. **Declining pollinator populations** put an estimated USD 235-577 billion in annual global crop production at risk.
- Cost of inaction: In 2024, **British insurers** paid record claims for weather-related damage due to the country's growing vulnerability to intensifying storms.

While governments lead the regulatory redesign, private finance actors can leverage existing Environmental, Social and Governance (ESG) strategies to catalyse economic realignment with nature and social equity. This shift is not only an increasingly smart investment but also a risk-management strategy: by backing structural reforms, institutions secure the systemic stability required for long-term value creation.

The Mainstreaming Gap: Why has nature action not scaled yet?

Despite the urgency of rising financial risk, corporate action to reverse nature loss remains siloed. The barrier is not [just](#) a lack of corporate will, but a **systemic market failure**: current frameworks incentivise short-term material gains while externalising the costs of nature loss. To fix this, financial institutions should move beyond “**single materiality**” (protecting the firm from nature’s impact) to adopt “**double materiality**” (also accounting for the firm’s impact on nature). Transitioning to double materiality is essential to manage the long-term systemic stability that underpins global market performance.



Moving to a nature-positive economy could create **USD 10 trillion in annual business opportunities** and **395 million jobs**, as shown by clean energy already **outperforming fossil fuels in global growth (10%)**.

Transformative Change: A System-Wide Shift

IPBES defines transformative change as “*Fundamental, system-wide shifts in views, structures and practices.*” For the financial sector, this means *moving beyond growth-centric models to embed economics with social and ecological boundaries.*

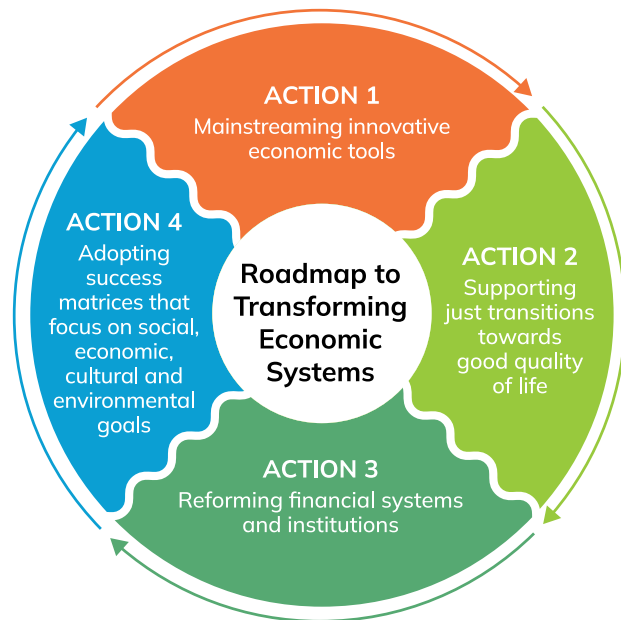
The assessment reflects that economic transformation actions (Strategy 3) taken in isolation have limited transformative potential. Strategy 3 is most effective when combined with conserving places of value (Strategy 1), driving sectoral change (Strategy 2), transforming governance (Strategy 4) and shifting societal values (Strategy 5).

Why equity matters [for private finance institutions]?

Social and power inequalities are not merely an ethical concern; they are the underlying causes of biodiversity loss and a primary driver of transformative change. Social exclusion and power imbalances create unstable operating environments, leading to higher credit risks, social unrest and reduced long-term financial returns. Asset stranding – where investments lose value prematurely – is a particularly severe consequence of these inequalities in vulnerable regions. The IPBES assessment finds that these inequities reinforce unsustainable production, encourage problematic consumption patterns and create conditions for conflict over land, water and other natural resources. For the private sector, prioritising equity is not just a social responsibility but also a strategic safeguard to prevent systemic instability and secure the integrity of supply chains.

Strategic Roadmap to Transforming Economic Systems: The role of private financial institutions

This roadmap, derived from the IPBES Transformative Change Assessment, outlines four critical actions to transition toward an economy that prioritises long-term resilience, social equity and holistic wellbeing.



ACTION 1 Mainstreaming Innovative Economic Tools

The assessment emphasises creating, mainstreaming and scaling economic instruments such as payments for ecosystem services, environmental taxes, and other price-based mechanisms that reward actions that support biodiversity goals, wellbeing and sustainable livelihoods.

Examples of initiatives where voluntary payment schemes have covered additional costs connected to nature conservation include *Herenboeren* in the Netherlands, which promotes community-based, sustainable farming, and the Grassland Alliance in the United States of America, which incentivizes biodiversity stewardship through market-based certification.

Innovative economic tools can provide the market mechanisms and price signals necessary to internalise the social costs resulting from the loss of biodiversity and nature, a shift that transforms biodiversity protection

from a voluntary “extra” into a core component of financial risk and return. Removing harmful subsidies and strengthening innovative economic tools can create an enabling environment that unlocks investment pipelines, reduce nature-related risks and support long-term value creation. Within such conditions, the financial sector can accelerate the transition by providing finance for projects and scaling debt instruments linked to measurable environmental outcomes.

ACTION 2 Supporting Just Transitions toward Systemic Stability

The assessment highlights the need to rebalance production and consumption toward sustainability and equity by aligning resource use with the planet’s regenerative capacity. For financial institutions, this transition relies on an enabling environment where supportive government regulation, including fiscal reforms, localised economic strategies, and social safety nets, resolves the inherent conflict between short-term profit incentives and long-term well-being goals.

By correcting market distortions, these policies establish the level playing field necessary for the private sector to pivot toward business models that decouple value creation from resource intensity. Internalising these insights allows financial institutions to:

- **Mitigate Systemic Risk:** Reassess exposure to growth-dependent, resource-intensive sectors that face increasing regulatory and stranded-asset risks.
- **Capture Emerging Opportunities: Identify** business models (e.g., B-Corps) that deliver superior long-term performance within a wellbeing-focused policy environment.
- **Enhance portfolio stability:** Embed equity into risk assessments, recognising that social equity and well-being are fundamental to economic and portfolio resilience.

ACTION 3 Reforming financial systems and institutions

The assessment recognises that reforming financial systems is essential for relieving environmental pressures. Moving beyond the mindset that there is no alternative to conventional growth-centric models, these reforms must address the actual complexity of the world by embedding economic systems within social and

ecological systems. While nature-related disclosure is a starting point, achieving sustainability of economic, social and ecological systems requires a constellation of actions that address structural inequities in access to resources.

Key actions for private finance

- **Use Blue and Green Bonds and Debt-for-Nature Swaps** to unlock conservation funding and manage debt.
- **Mandate Double Materiality:** assess both the environment's impact on the sector and the sector's impact on nature to manage cascading systemic risks.
- **Adopt standardized Taxonomies** (e.g., **EU Green Taxonomy**) to redirect capital and eliminate greenwashing.
- Support Regulatory Reform: **collaborate with Central Banks** to regulate speculative instruments and phase out tax havens to bridge the biodiversity funding gap.

For the financial sector, this transition expands shareholder primacy (where decision-making prioritises stakeholder interest above all else) into a model that promotes systemic resilience and societal stability, ensuring that finance supports the foundations of long-term prosperity. By addressing “double materiality”, institutions move beyond treating only the symptoms and begin tackling the underlying causes, reducing their impacts on nature while managing their own exposure to environmental risks. This shift empowers the sector to drive global change through instruments that decouple value from material throughput and to support an economy centred on human and “planetary health”.

ACTION 4 Adopting metrics of success that focus on social, economic, cultural and environmental goals.

The assessment underscores that the current integration of social, economic, cultural and environmental goals into corporations' strategies must be improved. Traditional measures of economic performance overlook critical social, environmental and cultural dimensions essential to sustainability and long-term resilience. **Recent research** identifies 19 core elements of wellbeing, including social cohesion, equity and mental health, that can be used alongside ecological indicators, such as ecosystem condition, to determine progress towards sustainable models of prosperity.

While financial institutions have begun adopting holistic metrics of success, further integrating nature's contributions to people and human well-being remains a strategic necessity for managing systemic risks and identifying new value drivers. To act on this, the private finance sector should strengthen the uptake of emerging frameworks that link nature outcomes to corporate actions such as the Taskforce on Nature-related Financial Disclosures (TNFD) LEAP framework, and the UN System of Environmental Economic Accounting – Ecosystem Accounts (SEEA EA). Incorporate human well-being indicators (such as the Happy Planet Index) into investment analysis to better anticipate social and environmental shifts that affect market predictability.

By mandating the assessment and disclosure of nature-related dependencies, these frameworks move beyond traditional growth metrics like GDP to systemically replace them with indicators that incentivise sustainable corporate decision-making.

Aligning private finance with a sustainable and equitable economy

Transitioning toward an economic system that respects its ecological and social foundations is a matter of long-term market survival, as sustainable financial returns depend on moving beyond short-term results toward systemic resilience.

By championing this transition, financial institutions can protect themselves from the accelerating risks of ecological collapse while positioning themselves at the forefront of a more stable, equitable and sustainable global economy.



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