



Llywodraeth Cymru
Welsh Government

Draft Strategy

Consultation on the draft Nature Finance Strategy Wales

Draft Nature Finance Strategy Wales Document

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Mae'r ddogfen hon ar gael yn Gymraeg hefyd / This document is also available in Welsh

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg / We welcome correspondence and telephone calls in Welsh

Nature Finance Strategy Wales

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Executive Summary

The Nature Finance Strategy Wales presents a significant opportunity for Wales to become a leader in high-integrity nature finance. By creating the conditions for finance to flow effectively, Wales can mobilise investment at the scale needed to restore natural resources, strengthen climate resilience and support thriving communities.

The Strategy seeks to increase investment in natural resources in ways that support long-term environmental, social, economic and cultural wellbeing. Nature finance is not an end in itself; it is a means of delivering nature recovery, climate resilience, thriving communities and sustainable economic growth while ensuring the needs of future generations are considered alongside those of today.

This has the potential to unlock new opportunities for farmers, businesses, investors and communities while reducing long-term environmental risks and costs. Ultimately, the Strategy is about building a nature finance system capable of helping future generations inherit a more resilient environment, economy and society than exists today.

The challenge

Biodiversity loss, declining ecosystem resilience and climate change are creating risks to people, communities and businesses in Wales, by threatening our clean water, flood protection, carbon storage, food production and wellbeing. Reversing the degradation of our natural resources, which includes ecosystems, requires restoration and sustainable management at a scale that cannot be achieved through public funding alone.

Public funding remains essential and will continue to play a central role. However, the scale of environmental improvement needed means that public funding alone is insufficient to finance the long-term changes required. Nature finance aims to attract additional public, private and blended investment into projects that restore, protect and sustainably manage natural resources while delivering wider environmental, social and economic benefits.

Nature Finance Strategy Wales

The Nature Finance Strategy Wales provides a framework for increasing investment in natural resources by coordinating public, private and blended finance towards activities that restore, protect and sustainably manage natural resources. It focuses on strengthening the conditions needed for finance to flow effectively, including policy and regulation, evidence, revenue, financing mechanisms, supporting infrastructure and governance. In doing so, it helps direct investment towards the environmental outcomes and wider public benefits Wales wants to achieve, including delivery of the Climate and Nature Action Plan.

Outcomes

We want to build a prosperous, resilient and healthier Wales, where economic growth enriches our natural resources, strengthens resilience to climate change and

supports our people, businesses, communities and environment to flourish. The Strategy aims to deliver four outcomes that support this vision:

1. Increased investment in natural resources from public, private and blended sources.
2. Environmental recovery and ecosystem resilience through increased investment in the restoration, protection and sustainable management of natural resources.
3. Delivery of national and international targets, including commitments relating to biodiversity, climate change and ecosystem resilience.
4. Community and local benefits, ensuring investment delivers social, economic and environmental value for communities across Wales.

What needs to change

To scale nature finance in Wales, the Strategy identifies five conditions needed for an effective nature finance system and assesses their current maturity to identify priority opportunities for improvement. These conditions are supported by appropriate governance arrangements that provide coordination, oversight, accountability and stakeholder engagement.

1. Policy and Regulatory Frameworks: Creating the policy certainty, incentives and demand needed for investment in environmental outcomes.
2. Evidence, Baselines and Targets: Understanding current conditions, identifying priorities and defining the outcomes and investment needs required to achieve them.
3. Revenue and Demand: Developing predictable and sufficient revenue streams to support investable opportunities, while increasing demand for environmental outcomes.
4. Financing Mechanisms and Supporting Infrastructure: Strengthening the financing mechanisms, project pipelines, data systems, contracts, registries and other infrastructure needed to mobilise investment efficiently.
5. Standards, Assurance and Safeguards: Ensuring environmental outcomes are credible, measurable, transparent and trusted through standards, monitoring, reporting, verification and safeguards.

The delivery plan

To deliver the required improvements, the Strategy proposes a phased programme of work. As nature finance is an emerging and rapidly evolving field, implementation will be adaptive. The Strategy will be reviewed and refined over time as evidence, experience and the maturity of systems develop.

Phase 1 (2026-2027): Create the Enabling Conditions, which focuses on:

- improving evidence and understanding of investment needs;
- aligning policy and public expenditure;
- building capability and communities of practice;

- publishing guidance on blending, stacking and additionality;
- testing priority financing mechanisms and approaches.

Phase 2 (2028-2030): Build the System, which focuses on:

- scaling and refining financing mechanisms;
- developing standards, safeguards and governance arrangements;
- establishing supporting infrastructure;
- developing demand drivers;
- strengthening blended finance and risk-sharing approaches.

Phase 3 (2030 onwards): Scale and Embed, which focuses on:

- scaling successful approaches;
- mainstreaming environmental investment across decision-making;
- maintaining long-term policy certainty and market confidence;
- establishing Wales as a leading destination for high-integrity investment in natural resources;
- continuously monitoring, evaluating and improving the system.

Governance and Partnership

The Strategy recognises that no single organisation can develop and scale nature finance in Wales alone. Success will depend on effective governance, collaboration, knowledge sharing and coordinated action across sectors to create and maintain a high-integrity nature finance system. Appropriate governance arrangements will help coordinate delivery, support transparency and accountability, manage risks and ensure that nature finance contributes to Welsh environmental, social, economic and cultural priorities..

Section 1: Introduction

Purpose

The purpose of this Strategy is to provide a framework for increasing investment in natural resources ("nature finance"). Nature finance refers to public, private and blended finance directed towards activities that restore, protect or sustainably manage natural resources to deliver environmental **outcomes**. While investment in nature is already occurring through a range of public programmes, private initiatives and emerging finance mechanisms, activity remains fragmented and is not yet operating at the scale required to halt and reverse the degradation of natural resources in Wales. Examples of projects supported by nature finance are highlighted in Figure 1.

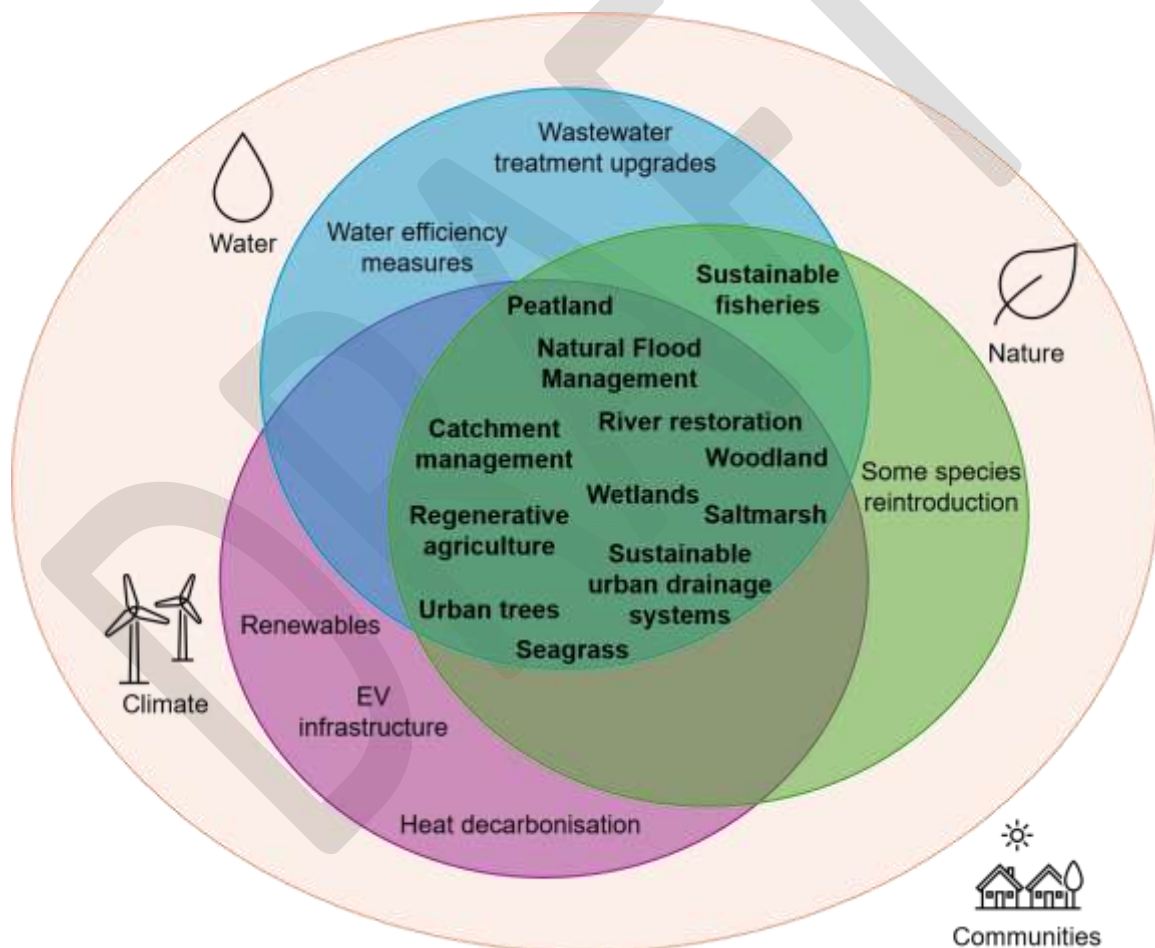


Figure 1: Venn diagram showing examples of projects that support water, climate, nature and community outcomes. Projects in the overlaps deliver benefits across multiple outcomes and are shown in bold. These represent the types of nature-based solutions that nature finance can help support and scale.

The Strategy focuses on strengthening the conditions needed for finance to flow effectively, including policy and regulatory alignment, robust evidence, predictable revenue streams, practical financing mechanisms, supporting infrastructure and trusted governance. By doing so, it supports nature recovery, climate mitigation and adaptation, and the delivery of wider actions to be developed under the Climate and Nature Action Plan. Wales will seek to align with emerging UK and international approaches where appropriate, rather than duplicate systems unnecessarily.

The Strategy does not seek to replace public funding, commodify every aspect of nature, create markets for every environmental outcome, or prescribe a single financing model. Nor does it commit Wales to implementing any particular financing mechanism. Instead, it provides a framework for identifying where public, private and blended finance can most effectively complement one another. It recognises that achieving nature recovery will require collaboration between public bodies, businesses including SMEs, investors, managers of land and sea, environmental organisations and communities, while maintaining high standards of environmental integrity, transparency and public value.

The need to coordinate investment in natural resources

Risks

Natural resources, including ecosystems, provide the infrastructure that underpins the whole Welsh economy and our ability to mitigate and adapt to climate change. The Dasgupta Review highlights the fundamental importance of nature as an asset that underpins the food, water, climate regulation and other ecosystem services on which our economy, communities and wellbeing dependⁱ. Reflecting the significant contribution of these natural assets in Wales, the Office for National Statistics estimates that in 2023 Wales' natural capital supported ecosystem services valued at around £1.64bn annually and had an associated asset value of approximately £84.9bnⁱⁱ. A recent study suggests that every £1 invested in nature could generate between £4 and £30 in value across the UKⁱⁱⁱ; investment in natural resources is investment in resilient infrastructure^{iv}.

Yet our natural resources are seriously degraded and in need of significant recovery. Wales is considered one of most nature depleted countries in the world. 1 in 6 of our species are threatened with extinction^v and only 10% of our land is protected^{vi}, of which nearly 80% is in poor condition and in need of significant recovery^{vii}. Around half the species and habitats assessed in Welsh marine protected areas are in unfavourable condition^{vii above}. As of 2021, the Senedd has declared that Wales is in a nature emergency^{viii}.

Degradation of our natural resources threatens our health, economy and communities. In February 2026, the UK Government reported that our national security and prosperity is seriously threatened by nature degradation^{ix}. Locally, degraded ecosystems can increase risks to communities and businesses through water insecurity, extreme weather, declining soil health, reduced agricultural productivity, and supply chain disruption^x. These impacts are often compounded by climate change and are already being felt; four of the five worst UK harvests on

record have occurred during the 2020s following periods of extreme flooding, drought, heatwaves and wildfires^{xi}. At a global scale, nature degradation can contribute to wider risks including pandemics, migration, conflict and organised crime^{ix}. Beyond economic impacts, nature degradation affects the landscapes, seascapes, habitats and natural resources that help shape Wales' cultural identity, language, heritage and sense of place^{xii}.

Degradation of our natural resources creates substantial financial risks for businesses and our economy. The IPBES, a panel of global scientists, economists and ecologists, highlighted that all economic sectors directly or indirectly depend on nature^{xiii}. Industries such as infrastructure, energy, extractives and agriculture rely directly on natural systems yet can be major drivers of environmental decline^{xiii}. The financial sector is exposed through the activities it lends to, insures and invests in, causing nature-related risks to propagate across the entire economy^{xiv}. It is estimated that nature degradation, if insufficiently addressed, could result in greater harm to national GDP than the global 2008 financial crisis or Covid-19 pandemic^{xv}.

Opportunities

Over and above addressing these risks, transitioning to a more sustainable and resilient economy presents a significant opportunity for our communities^{xvi}. The shift to Net Zero already contributes around £4bn in GVA and supports over 41,300 jobs, with productivity in the Welsh Net Zero economy 72% above the Welsh average^{xvii}. Nature finance presents opportunities for both the green and blue economy, by creating new income streams for rural and coastal communities through producing ecosystem services alongside food while supporting SMEs and jobs in areas affected by population decline. In England, the biodiversity net gain planning requirement has mobilised £325m of private investment, created 200 new organisations, 450 jobs (plus 800 contractors) and is providing farmers with hundreds of thousands of pounds to deliver nature-based projects on otherwise unproductive land^{xviii}. The Local Places for Nature Programme demonstrates nature finance opportunities are not limited to rural or upland environments; opportunities exist in urban areas where green and blue infrastructure provide urban cooling, flood and coastal erosion protection, air purification, health and wellbeing and create more attractive places to live and work^{xix}. The UK nature-related business sector is growing by around 23% year-on-year and is estimated to have the potential to support around 80,000 long-term local jobs and generate £81bn in economic outputⁱⁱⁱ.

Realising opportunities and managing risks requires a coordinated national approach. As all sectors both depend on and impact our natural resources, responsibility for its maintenance and enhancement must be shared. Only by augmenting (not replacing) public funding with private finance can we create a model capable of delivering the scale of change required whilst ensuring that the costs and benefits are distributed fairly. Nature Finance Strategy Wales, developed with stakeholders, sets out how restoring our natural resources can be financed in a way that builds on and supports positive existing practices whilst fairly benefiting our people and communities.

The vision

We want to build a prosperous, resilient and healthier Wales, where economic growth enriches our natural resources, strengthens resilience to climate change and supports our people, businesses, communities and environment to flourish. The Strategy supports this vision (see Figure 2) by providing one of the key mechanisms for delivery within the developing Climate and Nature Action Plan. In doing so, the Strategy helps translate our existing duties and commitments into action. This includes the sustainable development principle in the Well-being of Future Generations (Wales) Act 2015^{xii} (see Appendix A), the legal obligation to reach Net Zero in 2050, and our duty to maintain and enhance biodiversity to promote resilient ecosystems through the environmental principles and biodiversity targets established under the Environment (Principles, Governance and Biodiversity Targets) (Wales) Act 2026^{xx}. The Sustainable Investment Principles for Natural Resources^{xxi} were created to begin guiding economic activity towards creating lasting benefits for people, places and nature. The key national and international obligations and frameworks this Strategy has been developed to align with are listed in Appendix B.

Overarching approach

Our overarching approach to financing natural resources aims to reduce the harm to natural resources whilst increasing the finance available (and its effectiveness) for restoration and protection (Figure 3). This aligns with the approach of the United Nations Development Programme's Biodiversity Financing Initiative (BIOFIN) to closing the gap between current levels of finance and the amount needed to achieve nature recovery.

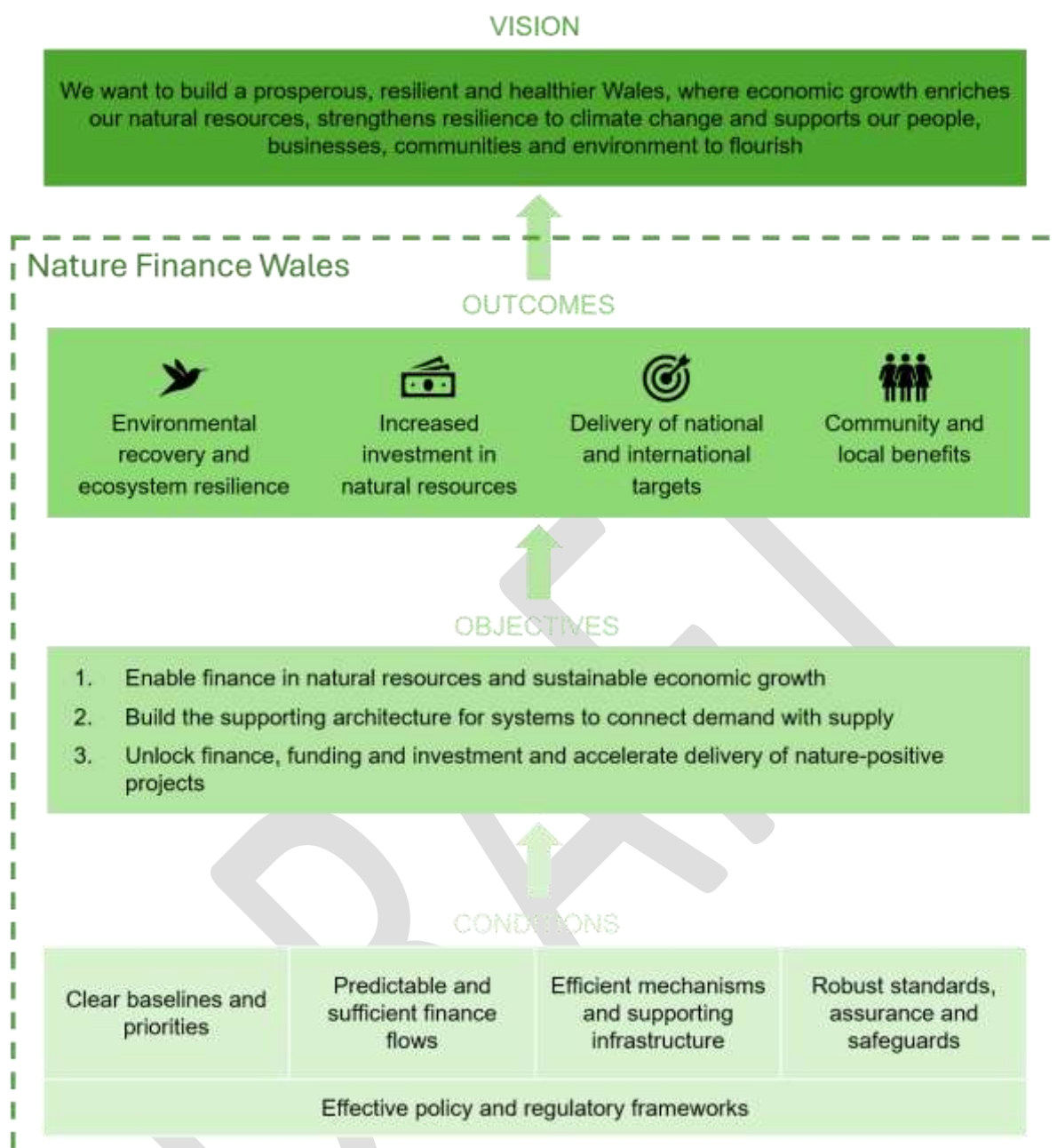


Figure 2: Flowchart illustrating how the Strategy will contribute to its vision for Wales. Five enabling conditions, including policy and regulation, evidence, finance flows, supporting infrastructure, and standards and safeguards, create the foundations needed to achieve three nature finance objectives. Achieving these objectives contributes to four outcomes: increased investment in natural resources, environmental recovery and ecosystem resilience, delivery of national and international targets, and community and local benefits. Together, these outcomes support the vision of a prosperous, resilient and healthier Wales.

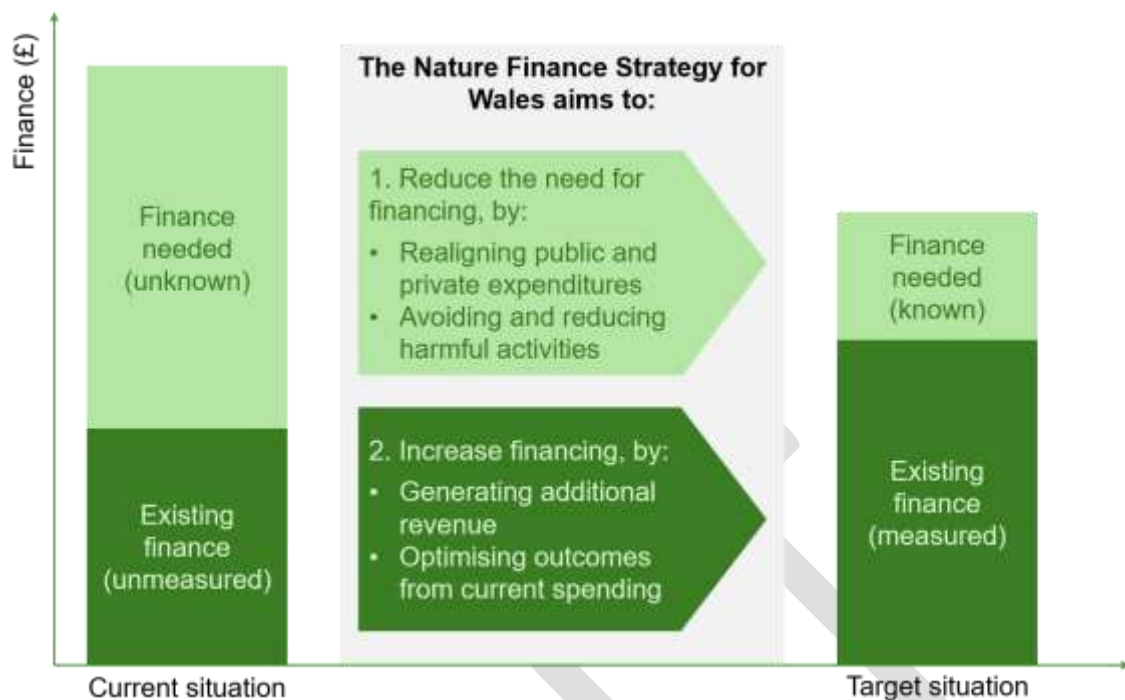


Figure 3: Graph illustrating the Strategy's approach to financing nature recovery. It shows that the total finance required for restoring natural resources exceeds current levels of investment. The Strategy aims to close this gap by reducing the need for financing through avoiding environmental harm and aligning expenditure, while also increasing financing through generating additional revenue and improving outcomes from existing spending. Together, these actions help move from an unknown finance gap and unmeasured existing finance towards a clearer understanding of investment needs and available funding

To reduce the harm to natural resources, our approach focuses on reducing and redirecting financial flows that contribute to nature loss. Globally, more is spent on activities that can cause harm to nature than safeguarding and restoring it; around US\$7tn is invested annually in activities that directly harm nature, more than 30 times the amount currently invested in nature-based solutions^{xxii}. Redirecting even a small proportion of these harmful financial flows could reduce the need for additional finance by shifting capital away from activities that degrade nature and towards those that restore and protect it^{xvi}. For example, the public sector should ensure spending through grants, subsidies and procurement do not support harmful practices. This aligns with the Prevention way of working under the Well-being of Future Generations (Wales) Act 2015 and the UN's Global Biodiversity Framework (GBF), under which the Welsh Government has committed to reforming incentives and subsidies that are harmful to biodiversity and scaling positive incentives that support nature recovery (Target 18). Similarly, the private sector should ensure spending across the value chain does not result in harm. By reducing pressures on natural resources before additional remediation or restoration is required, preventative action can improve environmental outcomes while reducing future costs.

Alongside reducing finance that drives nature loss, our approach also increases available finance for restoring and enhancing natural resources.

Actions to generate additional revenue include mandating mitigation for harmful practices, using public funding to de-risk early-stage private investment and establishing compliance markets and private sector increasing investment into natural resources to address nature- and climate-related financial risks and build supply chain resilience^{xxvi}. This aligns with GBF Target 19, under which the Welsh Government is committed to mobilise additional public and private finance to deliver the restoration, protection and sustainable use of natural resources at scale. Both the public and private sectors should ensure that funding is as efficient as possible, optimising outcomes and delivering value for money.

The finance needed to restore and maintain Wales' natural resources is significant and exceeds the capacity of public funding alone. Existing studies consistently identify a substantial gap between current levels of investment and that needed to achieve nature recovery, climate resilience and wider environmental objectives^{xxiii, xxiv, xxv}. While businesses across the economy either directly or indirectly depend on and benefit from natural resources, public funding currently provides the largest source of investment in nature recovery^{xxvi}. A core purpose of this Strategy is therefore to mobilise greater private investment alongside public funding, helping to close the finance gap and ensure that the costs and benefits of nature recovery are shared more fairly across society.

Nature finance is a rapidly evolving field, requiring an adaptive approach to implementation. Recognising this, the Strategy provides an adaptive framework that enables Wales to act now while continuing to learn and improve as evidence, standards and practical experience develop. Informed by the best available evidence, research, stakeholder engagement and public consultation, the strategy balances the need for action with the reality of ongoing uncertainty. Through implementation, piloting, monitoring and evaluation, Wales can refine its approach over time and build a nature finance system that delivers lasting benefits for nature, people and the economy.

Section 2: Conditions



Figure 4: Diagram illustrating the five conditions required to scale nature finance as an interconnected system. Four conditions, clear baselines and priorities, predictable and sufficient finance flows, efficient mechanisms and supporting infrastructure, and robust standards, assurance and safeguards, work together within a wider foundation of effective policy and regulatory frameworks. The figure highlights that progress depends on all five conditions developing together, with policy and regulation underpinning the whole system.

To mobilise and scale investment into natural resources, certain conditions must be in place (illustrated in Figure 4). These conditions are informed by international best practice, including BIOFIN^{xxxi} and the OECD^{xvi}, which emphasises the importance of understanding current conditions, creating supportive policy frameworks, developing appropriate financial mechanisms and enabling investment to flow towards environmental outcomes. While governance is not presented as a standalone condition, it underpins all five by providing the structures, rules, oversight and accountability needed to coordinate action, build trust and ensure finance delivers the desired outcomes^{xvi}. The conditions were tested and refined through extensive engagement with stakeholders across Wales. The Strategy also assesses the current maturity of each condition through a series of features and indicative Red, Amber or Green (RAG) maturity ratings, helping identify strengths, gaps and

priority areas for action. Together, these assessments provide the evidence base for the delivery plan set out in Section 3.

1. Effective policy and regulatory frameworks

Policy and regulatory frameworks provide the certainty, demand signals and incentives needed for finance to flow towards environmental outcomes^{xxvii, xxviii}.

Evidence consistently highlights that the key barrier to scaling nature finance is not a lack of available capital, but the policy, governance and institutional conditions needed to give organisations and individuals the confidence to invest in, finance and deliver environmental outcomes^{xxix, xxx}. This was echoed consistently by stakeholders during development of the Strategy, who identified clear policy signals, stronger demand drivers and long-term certainty as critical to attracting investment in environmental outcomes.

Government can use policy and regulation to shape the types of demand for environmental outcomes. Regulatory requirements can create mandatory demand through mechanisms including planning policy, environmental compliance obligations, sector regulation and environmental due diligence requirements. Government can also influence investment through public procurement, disclosure frameworks and public funding programmes that incentivise positive environmental outcomes. At the same time, policy can encourage and de-risk voluntary investment by providing clear market signals, trusted frameworks and confidence that environmental outcomes will be recognised and rewarded.

Government can significantly influence the flow of investment by aligning policy objectives and incentives. Consistent with GBF Target 14, this includes integrating biodiversity considerations across policy, planning, regulations and public expenditure^{xvi}. GBF Target 18 further recognises the importance of reforming incentives that contribute to nature loss and strengthening those that support environmental improvement. Aligning policy and regulation in this way can increase the effectiveness of public expenditure, reduce pressures on natural resources and help mobilise additional investment towards nature recovery. Stakeholders also emphasised the importance of ensuring public funding and private investment operate in a complementary manner, particularly where multiple funding sources contribute to the same environmental outcomes.

Current maturity

The current maturity of this condition is assessed through seven features (Table 1).

Table 1: Indicative maturity assessment of policy and regulatory frameworks

Feature	RAG	Justification
Long-term policy certainty and environmental targets	Amber	Wales has strong long-term commitments including Net Zero, biodiversity duties, biodiversity targets, GBF targets and the Well-being of Future Generations (Wales) Act 2015. However, many of

		the policies, nature finance mechanisms, standards and delivery frameworks needed to achieve these ambitions remain under development, creating uncertainty around implementation and limiting confidence for investors and project developers.
Alignment of policy objectives across sectors	Amber	Strong strategic alignment exists across nature recovery, climate adaptation, water quality, flood resilience, sustainable land management and economic development policy. Consistent with the Integration way of working under the Well-being of Future Generations (Wales) Act 2015, these policy areas increasingly recognise the interdependence of environmental, social and economic outcomes. However, practical cross-portfolio implementation and integration is still developing.
Alignment of public expenditure with environmental outcomes (including procurement, grants and subsidies)	Amber	The Welsh Government has committed to reforming harmful incentives and strengthening positive incentives through GBF Target 18 and programmes such as the Sustainable Farming Scheme. However, a systematic review for alignment has not yet been completed.
Regulatory demand drivers for environmental outcomes	Amber	Wales has emerging demand drivers including nutrient neutrality, Net Benefits for Biodiversity, Net Zero Wales, water quality regulation, climate adaptation objectives and growing investment in nature-based solutions by the water sector. However, these do not yet create the scale, certainty or consistency of demand seen in more mature systems and need stronger coordination.
Fiscal measures rewarding positive outcomes and disincentivising harm	Red	Limited use of taxes, charges, levies or financial incentives specifically designed to reward environmental improvement or discourage activities that degrade natural resources. The most significant fiscal levers are determined at UK level.
Nature- and climate-related disclosure requirements	Red	While there are frameworks that might require public authorities to disclose certain nature and climate information, such as the Environmental Information Regulations 2004, nature- and climate-related corporate disclosure frameworks for private persons remain largely voluntary and no Wales-specific reporting requirements exist. Most disclosure requirements are determined at UK level.
Voluntary private sector demand drivers for nature finance	Amber	Demand is emerging through voluntary action, risk management, sustainability commitments and nature- and climate-related reporting. However, it remains relatively immature and insufficient to drive investment at the scale needed for nature recovery.

Priority opportunities

The maturity assessment identifies five priority opportunities for improvement:

1. Improve alignment and coordination across policy areas to provide clear, consistent and long-term signals for investment.
2. Align public expenditure, procurement, grants and incentives with environmental outcomes.
3. Strengthen demand-side drivers for environmental outcomes through regulation, planning and sector-specific requirements where appropriate.
4. Increase understanding and uptake of nature- and climate-related corporate disclosure frameworks and their influence on investment decisions.
5. Explore the role of fiscal measures and wider policy levers in encouraging environmental improvement and discouraging activities that contribute to degradation, both those that are within the powers of the Welsh Ministers or the legislative competence of the Senedd, and to work with the UK Government to explore options that are not.

These opportunities are addressed through actions set out in the Delivery Plan.

2. Clear baselines and target outcomes

Clear baselines and target outcomes are essential for directing investment towards the environmental outcomes we want to achieve. They provide the evidence needed to determine what action is required, where it is needed and how success will be measured. Without a clear understanding of current conditions and desired outcomes, public and private investment risks being fragmented, poorly targeted or unable to demonstrate impact. During development of the Strategy, stakeholders also emphasised that baselines and targets help identify where investment should be targeted to deliver the greatest environmental, social and economic benefits, including employment, skills, wellbeing and community resilience. They therefore provide the foundation for identifying investable opportunities and developing a pipeline of projects capable of attracting finance.

Baselines establish the current state and provide the reference point against which change can be measured. Consistent with the BIOFIN approach, this includes understanding the state of natural assets and ecosystems, the current flow of finance, the drivers of environmental degradation and recovery, and opportunities for improvement^{xxx}. Stakeholders also highlighted the importance of understanding how the state of natural resources may change over time if intervention does not occur, helping to demonstrate the potential benefits of investment. At the project level, robust baselines provide a consistent reference point for assessing impacts and improvements.

Targets provide a clear direction for action and investment. Targets translate long-term ambitions into measurable outcomes at national, regional, catchment, landscape, marine area and project scales. This supports accountability, enables progress to be tracked over time and helps direct investment towards the places and activities capable of delivering the greatest environmental and social benefits. Place-based targets can also help ensure investment contributes to wider outcomes for communities, including resilience, wellbeing, skills, economic participation and cultural priorities. Accountability is particularly important for delivery of commitments such as GBF Target 3 (30by30), climate adaptation objectives and wider nature recovery goals.

Agreed methods for measuring environmental outcomes are critical for defining baselines and assessing progress against targets. Consistent measurement approaches enable improvements to be quantified and rewarded, for example through environmental credits and payments for ecosystem services. Consistent approaches provide confidence that investment is being directed towards genuine outcomes, allowing opportunities to be identified, compared, aggregated and scaled, while helping direct investment towards agreed priorities.

Current maturity

The current maturity of this condition is assessed through five features (Table 2).

Table 2: Indicative maturity assessment of baselines and target outcomes

Feature	RAG	Justification
Clear environmental baselines for natural resources	Amber	Wales has strong evidence sources including State of Natural Resources Report (SoNaRR), protected site monitoring, National Forest, Area Statements, Resilient Ecological Networks, local authority data and extensive knowledge held by eNGOs and public bodies. However, consistency, coverage and application of project-level baselines vary.
Understanding of existing nature finance flows	Red	Existing public and private finance flows are not comprehensively mapped or quantified. While public funding through agri-environment, conservation and environmental programmes is significant, there is limited understanding of overall investment levels, funding gaps and the contribution of private finance.
Clear place-based target outcomes and projects for nature recovery and resilience	Amber	Wales has established national targets and duties including Net Zero, biodiversity targets under the Environment (Wales) Act 2016, 30by30 and commitments under the Global Biodiversity Framework. Wales is also developing a spatial opportunity mapping target. However, translating these ambitions into place-based priorities, project pipelines and investment needs remains a gap.
Clear target state for nature finance in Wales	Red	A clear target state for nature finance in Wales has not yet been established. While UK-level ambitions exist and investment requirements have been

		estimated in various studies, these have not yet been translated into Wales-specific objectives for investment levels, private sector participation, funding composition or the scale of opportunities required.
Agreed methods for measuring baselines, impacts and outcomes	Red	Wales does not yet have a comprehensive and consistent framework for recognising and applying methods that can support multiple nature finance mechanisms and revenue streams.

Priority opportunities

The maturity assessment identifies four priority opportunities for improvement:

1. Improve understanding of current nature finance flows and funding gaps, while making better use of existing environmental datasets, to establish a robust baseline for future decision-making and investment planning.
2. Use evidence, baselines, targets and spatial tools to identify place-based investment priorities and develop a pipeline of investable opportunities, with clear resourcing requirements and expected environmental and social benefits across landscapes, seascapes and urban environments in Wales.
3. Establish a clearer target state for nature finance in Wales, including investment needs, the role of private finance, and the scale of opportunities required to achieve environmental objectives.
4. Develop a consistent framework for recognising and endorsing robust methods used to define baselines and measure progress towards environmental outcomes.

These opportunities are addressed through actions set out in the Delivery Plan.

3. Predictable and sufficient revenue flows

Predictable and sufficient revenue flows are essential for creating investable opportunities. Long-term and reliable revenues provide confidence that environmental outcomes can be delivered and maintained over the full project lifecycle, underpinning project viability and attracting investment as investors gain certainty that finance can be repaid or generate a return. Developing demand across a diverse range of sectors can strengthen revenue certainty and help ensure the costs of maintaining and improving natural resources are shared more broadly among those who benefit from them.

Revenue may arise from a range of sources, including grants, payments for ecosystem services, environmental markets, public procurement, philanthropy and other financing mechanisms. Nature-based projects often deliver multiple benefits simultaneously, creating opportunities to combine and diversify revenue streams linked to outcomes such as carbon, biodiversity, water quality, climate adaptation, sustainable drainage and flood resilience. While policy and regulatory drivers currently generate much of the demand for environmental outcomes, Bannau Brycheiniog National Park Authority found that organisations are increasingly investing voluntarily in environmental outcomes to manage nature- and climate-related risks, strengthen supply-chain resilience, meet sustainability commitments and respond to disclosure requirements^{xxxii}. Further information on how nature- and climate-related risks, disclosure frameworks and target-setting initiatives can influence investment decisions is provided in Appendix C. Together, mandatory and voluntary drivers create opportunities to develop more resilient revenue models, including through combining multiple revenue streams, to improve project viability and support a broader range of environmental and social outcomes.

Effective risk management is essential for strengthening investor confidence and attracting greater levels of investment. Nature-based projects often involve financial, delivery, regulatory and environmental risks, particularly where outcomes must be maintained long term. Public and private finance can play complementary roles in managing these risks; for example, public funding helping to absorb or reduce risks where projects deliver significant public benefits^{xvi}. Tools such as insurance, guarantees, catalytic capital, first-loss capital and revenue-support mechanisms can improve the risk-return profile of investments while increasing the viability of environmental projects. For example, Defra's £30m first-loss investment in the UK Nature Impact Fund was designed to de-risk investment and increase private-sector participation^{iv}. Over time, effective risk-sharing arrangements can help unlock blended finance, reduce delivery costs and support the scaling of nature finance.

Current maturity

The current maturity of this condition is assessed through five features (Table 3).

Table 3: Indicative maturity assessment of revenue streams

Feature	RAG	Justification
Demand and diversity of revenue streams for environmental outcomes	Amber	Demand for environmental outcomes is emerging from a range of sources, including carbon, nutrient mitigation, water management, planning requirements, voluntary corporate investment and environmental compliance obligations. Growing corporate interest in nature-related risks, supply-chain resilience and disclosure requirements is creating new opportunities for investment. However, demand remains concentrated in a relatively small number of sectors, and many potential revenue sources and

		markets are not yet sufficiently mature or operating at scale.
Long-term revenue certainty	Red	While public funding schemes such as the Sustainable Farming Scheme may provide ongoing revenues, long-term demand signals, buyer commitments and contracted income streams remain limited for most environmental outcomes, particularly for long-term maintenance.
Clear rules on combining revenue streams and how public-private finance will interact (blending, stacking and additionality)	Red	Opportunities exist to combine revenues from multiple environmental outcomes, but guidance and policy clarity on blending, stacking and additionality remain under development also at the UK level. Significant uncertainty remains regarding how nature finance will interact with Sustainable Farming Scheme payments and other public funding streams.
Effective risk-sharing and de-risking mechanisms	Red	Wales currently has limited nature-specific guarantees, insurance products, catalytic capital or first-loss mechanisms. Existing approaches are largely project-specific and have not yet developed into a mature support system for nature finance.
Blended finance capability	Red	Strong potential exists to combine public and private finance, and examples are emerging across the UK. However, consistent structures, governance arrangements and delivery models for blended finance are not yet established at scale in Wales.

Priority opportunities

The maturity assessment identifies three priority opportunities for improvement:

1. Strengthen and diversify demand for environmental outcomes, while increasing long-term revenue certainty, building on growing interest in business resilience, sustainability commitments, regulatory requirements and the wider benefits delivered by nature recovery.
2. Develop a clear framework for combining revenue streams and public funding, including approaches to blending, stacking and additionality.
3. Develop risk-sharing and de-risking approaches, including guarantees, catalytic capital and other mechanisms to help attract private investment.

These opportunities are addressed through actions set out in the Delivery Plan.

4. Financing mechanisms and supporting infrastructure

Mechanisms and supporting infrastructure connect the demand for environmental outcomes with those able to deliver them. Together, they provide practical pathways through which finance can be mobilised and directed towards natural resources. Stakeholders consistently highlighted that the effectiveness of many financing mechanisms and underpinning infrastructure ultimately depends on clear, long-term demand for environmental outcomes.

Nature finance can be delivered through a range of mechanisms, each suited to different outcomes and sources of finance. Examples identified from BIOFIN's catalogue of solutions^{xxxiii} and OECD evidence on biodiversity finance instruments^{xxxiv} that could be most effective for Wales include public grants and subsidies, impact investment funds, inseting, philanthropic funding, payments for ecosystem services, environmental markets, fiscal incentives and disincentives, and blended finance approaches. A description of relevant mechanisms for Wales is provided in Appendix D. No single mechanism will be sufficient to deliver the scale and range of environmental and social outcomes required. Instead, Wales will take a portfolio approach, with multiple mechanisms operating in parallel and complementing one another across our rural, urban and coastal environments.

Supporting infrastructure enables financing mechanisms to operate effectively and efficiently. Examples include registries, trading and brokerage platforms, standardised contracts and legal agreements, metrics and methodologies, data systems, project aggregation tools and other governance arrangements that support confidence and consistency. Together, these systems help connect buyers, investors and suppliers of environmental outcomes, reduce transaction costs and support investment at scale. Supporting infrastructure should also be accessible and proportionate, enabling participation by organisations of different sizes, including smaller farms and land managers. A description of infrastructure relevant to Wales is provided in Appendix E.

For nature finance to contribute to halting and reversing the degradation of our natural resources, financing mechanisms should operate consistently with the mitigation hierarchy. Stakeholders emphasised that financing mechanisms in Wales should reflect Welsh policy priorities, particularly the application of the mitigation hierarchy. The mitigation hierarchy prioritises avoiding, reducing and remediating environmental harm before offsets and compensation are considered. Examples include Planning Policy Wales, sustainable farming and fisheries practices, regenerative agriculture, water stewardship and inseting within corporate supply chains. Only residual impacts that cannot be addressed at source should be managed through mechanisms such as environmental markets, environmental funds or targeted investment programmes. Nature finance can only contribute to reversing degradation at a system scale when investment delivers improvements beyond the baseline condition of natural resources.

Current maturity

The current maturity of this condition is assessed through six features (Table 4).

Table 4: Indicative maturity assessment of mechanisms and infrastructure

Feature	RAG	Justification
Identifiable and investable nature finance opportunities	Amber	Opportunities already exist across biodiversity, carbon, water, nutrient reduction, flood resilience and other environmental outcomes. Resilient Ecological Networks, Naturfa sites, protected sites, catchment partnerships, eNGOs, utilities and land managers provide a strong foundation for identifying opportunities for investment. However, opportunities are not yet consistently prioritised, packaged, costed, aggregated or connected to sources of finance, limiting their attractiveness to investors and funders. The development of spatial opportunity maps and biodiversity targets under the Environment (Principles, Governance and Biodiversity Targets) (Wales) Act 2026 provides an opportunity to strengthen this over time.
Operational financing mechanisms for environmental outcomes	Amber	A range of mechanisms already exist or are emerging in Wales, including public grants, agri-environment payments, nutrient neutrality, carbon markets, philanthropy and pilot environmental market approaches. However, most mechanisms remain immature, fragmented or are not yet operating at sufficient scale.
Private-sector participation mechanisms	Amber	Interest in private-sector participation is increasing, particularly in response to nature- and climate-related risks, supply-chain resilience and disclosure frameworks. Emerging examples include insetting approaches developed through the Landscape Enterprise Networks (LENs) initiative in Southwest Wales and Network Rail's investment in catchment and nature-based interventions. However, few established participation models currently operate at scale in Wales and corporate demand remains relatively underdeveloped.
Registries, trading platforms and project aggregation infrastructure	Red	Wales does not yet have mature infrastructure to support large-scale nature finance. While some Welsh projects are already making use of a range of UK-wide standards, registries and supporting systems, including the Woodland Carbon Code and Peatland Code, registries, trading platforms, project aggregation approaches and supporting data systems are largely being developed on an outcome-by-outcome basis and have not yet been

		consistently adapted, integrated or implemented for Welsh needs.
Standardised legal agreements and contractual frameworks	Amber	Templates and approaches are emerging through UK nature markets and environmental finance initiatives, including standardised agreements for environmental credits and long-term habitat management. However, Wales does not yet have an equivalent to the conservation covenants used in England, nor a consistent suite of contractual frameworks that can be applied.
Application of the mitigation hierarchy	Amber	The mitigation hierarchy is well established within planning and environmental policy, including the development of Net Benefits for Biodiversity. However, its application across wider nature finance mechanisms remains unclear, particularly in relation to private investment, environmental markets and voluntary financing approaches, as well as its application to marine environments.

Priority opportunities

The maturity assessment identifies three priority opportunities for improvement:

1. Scale and strengthen financing mechanisms and private-sector participation models for environmental outcomes, building on existing public funding, environmental markets, payments for ecosystem services, philanthropy and emerging private-sector investment approaches.
2. Develop the supporting infrastructure needed for nature finance to operate efficiently at scale, including registries, platforms, aggregation approaches, legal agreements, data systems and associated governance arrangements.
3. Embed application of the mitigation hierarchy within financing mechanisms, ensuring investment contributes to genuine environmental improvement and recovery rather than simply compensating for damage.

These opportunities are addressed through actions set out in the Delivery Plan.

5. Robust standards, assurance and safeguards

Robust standards, assurance and safeguards are essential to ensuring environmental outcomes are credible, consistent and trusted. Together, they provide confidence that improvements are genuine, measurable and delivered as intended, reducing uncertainty and supporting informed decision-making. Improving consistency and transparency across projects and activities supports comparison, aggregation and interoperability, helping attract greater investment into natural resources. Government has a role in setting standards, assurance and safeguards.

Standards provide a common framework for measuring, managing and reporting environmental outcomes. Standards establish the agreed principles, metrics and methodologies used to assess environmental improvement, helping create a level playing field across projects and financing mechanisms. Consistent approaches help ensure improvements are assessed in the same way across projects and activities, supporting confidence among funders, regulators, land managers and communities. Approaches should support interoperability of nature finance with wider UK and international systems. The Welsh Government is working with Defra and the other devolved governments through the BSI Nature Investment Standards Programme to support the development of a common framework of principles and standards for investing in nature across the UK.

Assurance is provided through monitoring, reporting and verification (MRV) systems that evidence environmental outcomes have been delivered and maintained. Assurance frameworks may include validation, verification and professional review processes that provide confidence environmental claims are genuine and outcomes are being measured consistently over time.

Safeguards, supported by effective compliance and enforcement arrangements, help ensure nature finance delivers genuine improvement and avoids unintended harm. This includes ensuring outcomes are additional, durable and not double counted. Transparency mechanisms such as registries and public reporting further support accountability and public confidence by enabling outcomes and transactions to be tracked and verified over time. Together, these measures help reduce transaction and due diligence costs, improve comparability, strengthen market confidence and create a more consistent operating environment for buyers, investors and suppliers.

As nature finance develops, monitoring and evaluation should also be used to assess effectiveness and capture learning. This enables standards, methodologies and financing mechanisms to evolve over time, ensuring they remain effective as evidence, policy and practice develop.

Current maturity

The current maturity of this condition is assessed through six features (Table 5).

Table 5: Indicative maturity assessment of standards, assurance and safeguards

Feature	RAG	Justification
Agreed principles and standards for nature finance	Amber	Wales is actively contributing to the BSI Nature Investment Standards Programme and wider UK work on standards. Wales has also published Sustainable Investment Principles for Natural Resources. However, these need finalising and consistently implementing across Wales.
Agreed metrics and methodologies	Red	Established methodologies exist for some outcomes, including carbon and nutrient reduction. For example, organisations operating in Wales frequently use the Statutory Biodiversity Metric developed for England,

for environmental outcomes		demonstrating the value of consistent approaches across jurisdictions. However, key areas such as Net Benefits for Biodiversity, broader multi-benefit nature finance approaches and the consistent quantification of environmental outcomes remain under development.
Robust MRV requirements and assurance processes	Amber	Strong assurance processes exist in some sectors, including nutrient mitigation schemes and carbon standards such as the Woodland Carbon Code and Peatland Code. Regulators also require evidence to support environmental outcomes in a range of contexts. However, there is no consistent framework for validation, verification and assurance operating across all nature finance mechanisms and environmental outcomes in Wales.
Transparency mechanisms (registries and reporting)	Red	Wales does not yet have a consistent system of registries, public reporting and transaction tracking to support nature finance at scale. Existing approaches are largely mechanism-specific, UK-wide, or adapted from other jurisdictions rather than developed specifically for Welsh nature finance needs.
Safeguards, compliance and enforcement arrangements	Amber	Existing environmental regulation, planning controls and regulatory oversight provide an important foundation, and high-integrity principles such as additionality, durability and transparency are widely recognised. However, safeguards, compliance requirements and enforcement arrangements specific to nature finance remain fragmented and are not yet consistently defined across mechanisms.
Monitoring, evaluation and adaptive learning	Amber	Monitoring and evaluation are well established within environmental management, research and public policy in Wales. However, there is not yet a coordinated framework for assessing the effectiveness of nature finance mechanisms and systematically feeding learning back into policy, standards and market development.

Priority opportunities

Unlike the previous conditions, which focus on creating the foundations for nature finance, standards, assurance and safeguards provide the confidence needed for those conditions to operate effectively. Building on the opportunities identified elsewhere in the Strategy, the maturity assessment identifies five priorities for ensuring environmental outcomes are credible, transparent and trusted:

1. Establish agreed principles, standards, metrics and methodologies for nature finance, building on UK-wide initiatives.
2. Define robust monitoring, reporting, validation and verification arrangements.
3. Develop clear safeguards, compliance and enforcement arrangement.

4. Improve transparency through registries, reporting and transaction tracking systems.
5. Embed monitoring, evaluation and adaptive learning across nature finance mechanisms, so approaches can evolve in response to emerging evidence and practical experience.

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Section 3: Implementation

Section 2 identified the conditions required to scale nature finance and the priority opportunities for strengthening them. Section 3 sets out the governance, roles, responsibilities and actions needed to establish and strengthen these conditions, enabling nature finance to flow and support delivery of the Strategy's objectives.

Roles and responsibilities

A well-functioning nature finance system is likely to rely on specialist organisations performing distinct functions rather than individual organisations attempting to deliver the entire process end-to-end. Governments and public bodies have a central role in creating enabling conditions, while businesses, investors, utilities, land managers and environmental organisations innovate, invest and collaborate to develop and deliver nature finance solutions. Collaboration, knowledge sharing and communities of practice are important enablers of this approach. The wide range of roles and responsibilities identified with stakeholders have been streamlined into a set of core functions (Table 6).

Table 6: Core functions and responsibilities.

Function	Responsibility
Welsh Government	Set strategic direction; align policy, targets and enabling conditions; approve standards, methodologies; support development of governance and supporting infrastructure.
Funders and Investors	Provide finance for projects and activities that deliver desired benefits, creating demand for investment in natural resources.
Insurers and Risk Managers	Manage, transfer and share risks associated with nature finance activities and investments.
Intermediaries and Mechanism Operators	Connect supply and demand, support project development and aggregation, facilitate transactions and information sharing, and develop or operate financing mechanisms.
Project Developers	Design, structure and prepare projects for attracting investment and delivering environmental and social outcomes.
Monitors and verifiers	Measure, report and verify baseline conditions and outcomes, providing independent assurance that environmental results and credits have been delivered.
Professional advisors	Provide specialist ecological, legal, financial and land management expertise to support the development, delivery and assurance of nature finance activities.
Regulators and Oversight Bodies	Ensure compliance with standards, rules and regulatory requirements, and oversee implementation and delivery.
Researcher and Evidence Providers	Generate evidence and support the ongoing refinement of standards, metrics, mechanisms and delivery approaches.
Suppliers and Delivery Partners	Manage environmental assets across land and sea and deliver ecosystem services and environmental outcomes in exchange for payments or investment.

Communities and stakeholders	Help shape, co-design, deliver and oversee nature finance activity, ensuring local knowledge, priorities, and benefits are reflected in decision-making through meaningful involvement.
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Governance

Governance provides the structures, roles, decision-making processes and accountability needed to ensure nature finance delivers genuine environmental and social outcomes and benefits for communities^{xxxv}. Effective governance helps coordinate action across organisations, build trust, maintain integrity, manage risks, support transparency and ensure investment contributes to public value. It is particularly important in nature finance because environmental outcomes are often delivered over long timescales, involve multiple organisations and rely on public confidence that outcomes are real, additional and lasting. Stakeholders consistently highlighted the importance of clear oversight, trusted institutions and well-defined responsibilities for maintaining confidence in emerging nature finance mechanisms.

Governance underpins all five conditions described in Section 2. It helps ensure policy and regulatory frameworks remain aligned, evidence is trusted, revenues and mechanisms operate fairly, and standards and safeguards are applied consistently. As nature finance develops, governance should also support learning and adaptation, allowing approaches to evolve in response to evidence and experience. Figure 5 provides an indicative governance model and set of governance principles for nature finance in Wales.

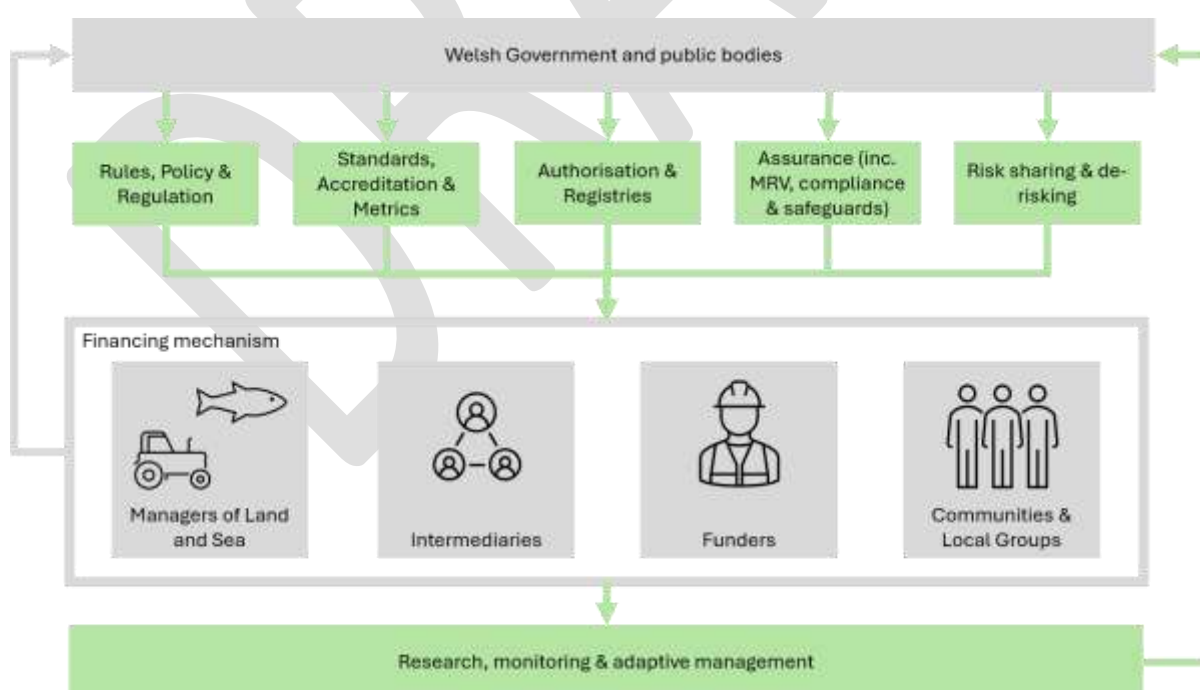


Figure 5: Diagram illustrating how roles and responsibilities can be coordinated through governance. Green boxes provide an indicative governance model and principles for nature finance in Wales. Welsh Government and public bodies provide

strategic direction and enabling functions, including policy and regulation, standards, authorisation, assurance, and risk-sharing. Managers of land and sea, intermediaries, funders, and communities help mobilise finance and deliver outcomes. Research, monitoring and adaptive management provide ongoing feedback to support learning, accountability and continuous improvement across the system.

Effective governance for nature finance should:

- provide independent oversight of system performance, environmental outcomes and market integrity;
- support oversight of emerging financing mechanisms and markets;
- maintain confidence through clear responsibilities, transparency and accountability;
- reduce transaction and due diligence costs through consistent rules and trusted information;
- enable appropriate data sharing and trusted third-party management of information where required; and
- support monitoring, evaluation and adaptive management as evidence and practice develop.

Nature finance operates across Welsh, UK and international scales. While the Welsh Government has a key role in creating the policies and enabling conditions that reflect Welsh priorities and natural resources, some aspects of nature finance are more effectively, or can only be, delivered through UK-wide frameworks. This is particularly relevant where powers are reserved to the UK Government, including some aspects of financial regulation, corporate disclosures and market standards. Aligning with these wider frameworks can reduce compliance burdens, increase investor confidence and provide access to larger sources of demand and investment. The Welsh Government will continue to contribute to the development of emerging UK governance arrangements for nature finance, helping shape common approaches to standards, assurance, transparency and market integrity while ensuring they reflect Welsh priorities and circumstances.

Delivery plan

The delivery plan combines actions with indicative functions and sequencing.

It provides a roadmap for creating the conditions needed to scale nature finance in Wales. A key principle of the delivery plan is that investment opportunities should be driven by environmental need. This means improving our understanding of the outcomes we need to achieve, where action is most needed and the resources required to deliver them, before developing a pipeline of investable opportunities capable of attracting finance. Collectively, these actions aim to move Wales from an emerging nature finance system towards a mature, trusted and investable system.

Success will ultimately be measured by the extent to which increased investment in natural resources delivers the four outcomes of Nature Finance Strategy Wales (see Figure 1). Achieving these outcomes will require continued

strengthening of the conditions described in Section 2, alongside high standards of environmental integrity, transparency and accountability. Indicators may include progress towards environmental targets, finance mobilised, participation across sectors, uptake of financing mechanisms and evidence that investments are delivering measurable, additional and lasting outcomes.

Implementation will be phased and adaptive, recognising that nature finance is an emerging and rapidly evolving field. Progress will be monitored through delivery, investment and environmental outcome indicators, with monitoring, evaluation and stakeholder engagement used to capture learning and inform improvements. The Strategy will be reviewed and refined over time to ensure it remains effective, responsive to emerging evidence and aligned with national priorities.

Many aspects of nature finance operate across Welsh, UK and international scales. Delivery of some actions will therefore depend on collaboration with the UK Government, regulators and standards bodies, particularly in relation to disclosures, standards, market integrity, financial regulation and demand creation. Wales will continue to contribute to and align with emerging UK approaches to nature finance, including standards, assurance, disclosure, investment readiness and blended finance, while ensuring these approaches reflect Welsh priorities, legislation and natural resources.

Phase 1 (2026 – 2027): Create the enabling conditions. Phase 1 focuses on establishing the policy, evidence, capability and funding conditions needed to attract greater investment in natural infrastructure (Objective 1).

No.	Action	Outcome(s)	Primary function
1	Publish Nature Finance Strategy Wales and establish a cross-government nature finance programme	Delivery of national and international targets	Welsh Government
2	Review policy, regulation and public expenditure to identify opportunities for increasing investment in environmental outcomes	Increased investment in natural resources; Delivery of national and international targets	Welsh Government
3	Establish evidence, baselines and funding needs to identify place-based investment priorities and develop a pipeline of opportunities across rural, coastal and urban environments	Environmental recovery and ecosystem resilience; Delivery of national and international targets; Community and local benefits	Researcher and Evidence Providers
4	Improve understanding of nature-related disclosures and private sector demand drivers and emerging UK reporting frameworks	Increased investment in natural resources; Delivery of national and international targets	Researcher and Evidence Providers
5	Publish guidance on combining public and private finance, including blending, stacking and additionality	Increased investment in natural resources	Welsh Government
6	Build capability, collaboration and communities of practice	Community and local benefits	Communities and stakeholders
7	Pilot priority financing mechanisms and build investment-ready project pipelines	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets; Community and local benefits	Intermediaries and Mechanism Operators; Communities and stakeholders

Phase 2 (2028 – 2030): Build the systems. Phase 2 focuses on developing the governance, mechanisms and their supporting infrastructure to enable flow of investment (Objective 2).

No.	Action	Outcome(s)	Primary function
8	Scale and refine priority financing mechanisms based on learning from pilots	Environmental recovery and ecosystem resilience; Increased investment in natural resources	Intermediaries and Mechanism Operators; Communities and stakeholders
9	Align public expenditure and funding programmes with environmental outcomes for natural resources	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets	Welsh Government
10	Develop the infrastructure needed to support nature finance: registries, legal agreements, data systems, platforms	Increased investment in natural resources	Welsh Government; Intermediaries and Mechanism Operators
11	Develop framework for agreeing and endorsing standards, metrics, MRV and safeguards	Delivery of national and international targets	Welsh Government; Regulators and Oversight Bodies
12	Develop blended-finance, long-term contracting and risk-sharing approaches	Increased investment in natural resources	Funders and Investors; Insurers and Risk Managers
13	Develop policy and market demand drivers: procurement, disclosures, incentives, and the exploration of fiscal measures	Increased investment in natural resources; Delivery of national and international targets	Welsh Government
14	Strengthen governance, transparency and oversight arrangements to maintain confidence and public value	Environmental recovery and ecosystem resilience; Delivery of national and international targets; Community and local benefits	Regulators and Oversight Bodies; Welsh Government

Phase 3 (2030 onwards): Scale and embed. Phase 3 focuses on unlocking investment through scaling successful approaches and embedding natural infrastructure investment within mainstream decision-making across Wales (Objective 3).

No.	Action	Outcome(s)	Primary function
15	Scale multi-benefit financing approaches across rural, coastal and urban environments	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets; Community and local benefits	All
16	Scale successful financing mechanisms and private sector participation models	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets	All
17	Embed environmental investment within mainstream decision-making across government, financial institutions and businesses	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets	Welsh Government
18	Maintain clear and stable policy and market signals to support long-term investment	Increased investment in natural resources; Delivery of national and international targets	Welsh Government
19	Establish Wales as a leading destination for high-integrity investment in natural resources	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets; Community and local benefits	Welsh Government; Intermediaries and Mechanism Operators
20	Monitor, evaluate and continuously improve the nature finance system	Environmental recovery and ecosystem resilience; Increased investment in natural resources; Delivery of national and international targets	Monitors and verifiers; Regulators and Oversight Bodies

Appendices

Appendix A: Alignment with the Well-being of Future Generations (Wales) Act 2015

The Nature Finance Strategy Wales has been developed in accordance with the sustainable development principle set out in the Well-being of Future Generations (Wales) Act 2015. The Strategy seeks to increase investment in natural resources in ways that support long-term environmental, social, economic and cultural wellbeing. Nature finance is not an end in itself; rather, it is a means of delivering nature recovery, climate resilience, thriving communities and sustainable economic growth while ensuring the needs of future generations are considered alongside those of today.

The Five-Ways of Working

1. Long-term

The Strategy focuses on restoring, protecting and sustainably managing natural resources over the long term. Environmental degradation, biodiversity loss and climate change are long-term challenges that cannot be addressed through short-term funding cycles alone. The Strategy therefore focuses on establishing the conditions, governance arrangements and investment systems needed to support nature recovery over decades rather than years. Examples include developing long-term revenue streams and financing models; and supporting delivery of national targets including nature recovery and climate commitments.

2. Prevention

A core principle of the Strategy is preventing environmental degradation before it occurs. The Strategy recognises that reducing and redirecting financial flows that contribute to nature loss can often be more effective than funding remediation later. Examples include applying the mitigation hierarchy; reforming incentives that contribute to environmental degradation; and reducing future costs associated with flooding, poor water quality, habitat loss and climate impacts.

3. Integration

The Strategy recognises that environmental, social, economic and cultural outcomes are interconnected. Nature finance is intended to support multiple objectives simultaneously, including nature recovery, climate adaptation, water quality, rural prosperity, community resilience and economic development. Examples include identifying place-based investment priorities that deliver multiple benefits; supporting delivery of the Climate and Nature Action Plan; aligning investment with nature recovery, climate adaptation and sustainable land management objectives; and encouraging financing mechanisms that can prioritise projects that deliver both environmental and community benefits.

4. Collaboration

Nature recovery cannot be delivered by any single organisation. The Strategy has been developed through collaboration across government, public bodies,

businesses, investors, land managers, environmental organisations, researchers and communities. Examples include developing communities of practice; partnerships with local communities to identify priority projects for investment; partnerships between public and private sector organisations to develop infrastructure and mechanisms; and cooperation with UK and international partners on standards, governance and policy development.

5. Involvement

The Strategy recognises that communities, land managers, businesses and stakeholders should have opportunities to shape nature finance and influence decisions affecting them. Nature finance should reflect local priorities and create benefits for the places where investment occurs. Examples include the stakeholder workshops and public consultation that took place to develop this Strategy; place-based approaches to identifying opportunities; and consideration of local social, economic and environmental benefits.

Contribution to the Seven Well-being Goals

1. A Prosperous Wales

The Strategy supports sustainable economic growth by increasing investment in natural resources, creating opportunities for businesses including SMEs, supporting green and blue economy activity, and encouraging innovation in environmental services and natural infrastructure.

2. A Resilient Wales

This is the Strategy's primary contribution. Increased investment in biodiversity, ecosystems and natural infrastructure can support ecosystem resilience, habitat restoration, climate adaptation and long-term environmental recovery.

3. A Healthier Wales

Healthy natural resources contribute to clean water, climate resilience, recreation, access to nature and improved wellbeing. Investment in natural infrastructure can also help reduce environmental risks that affect communities.

4. A More Equal Wales

The Strategy promotes investment that delivers benefits across Wales and recognises the importance of ensuring access to opportunities for a diverse range of organisations, including smaller businesses, land managers and communities.

5. A Wales of Cohesive Communities

Nature finance can support community resilience, local stewardship, place-based investment and environmental improvements that strengthen local areas. Community involvement is a key principle underpinning implementation and has a particular importance when decisions are made regarding priority projects and investment.

6. A Wales of Vibrant Culture and Thriving Welsh Language

Natural resources, landscapes and seascapes contribute to Welsh culture, heritage and sense of place. Investment in nature can help support the long-term sustainability of rural and coastal communities where cultural and linguistic heritage remain important.

7. A Globally Responsible Wales

The Strategy supports delivery of international commitments including the Global Biodiversity Framework, the Paris Agreement and the Sustainable Development Goals. It also seeks to promote a high-integrity approach to nature finance that contributes positively to global efforts to address biodiversity loss and climate change.

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Appendix B: Alignment with key national and international targets, policies and goals

Name	Alignment
Wales	
Climate Adaptation Strategy for Wales 2024	Outcomes – increasing ecosystem resilience, natural flood management and climate risk reduction
Environment (Principles, Governance and Biodiversity Targets) (Wales) Act 2026	Environmental Principles and biodiversity targets establish long-term environmental outcomes that can help inform investment priorities, monitoring and accountability for nature recovery. In particular, the integration principle encourages environmental considerations to be embedded within wider decision-making and investment choices, which is a core purpose of this Strategy.
Future Wales: The National Plan 2040	Outcomes – sustainable development, resilient infrastructure, climate resilience and green infrastructure, including spatial planning for nature-based solutions
National Strategy for Flood and Coastal Erosion Risk Management	Objectives – natural flood risk reduction and coastal erosion, nature-based adaptation solutions to climate change
Natural Resources Policy	Outcomes – improve ecosystem resilience, biodiversity enhancement (net benefit), sustainable growth, decarbonisation of the economy
Climate and Nature Action Plan (<i>under development</i>)	Cross-government strategic framework for coordinating climate and nature action, including priorities for nature recovery, climate resilience and sustainable management of natural resources. The Nature Finance Strategy is intended to support delivery of the Plan by increasing investment in environmental outcomes.
Nature Recovery Action Plan	Nature-specific priorities and actions relating to habitat restoration, species recovery and ecosystem resilience. Nature finance can help mobilise additional investment towards delivery of these outcomes.
Net Benefits for Biodiversity	Objective – secure biodiversity enhancement through development, creating potential demand for investment mechanisms
Net Zero Wales / Carbon Budgets	Targets – emissions reduction and carbon sequestration through land use, nature-based solutions and decarbonisation pathways
Nutrient Management Investment Framework	Objectives – reduce nutrient pollution and improve water quality
Planning Policy Wales	Policy – application of the mitigation hierarchy and requirement for biodiversity enhancement within development
Sustainable Land Management	Objectives – support sustainable food production alongside the delivery of environmental outcomes, including ecosystem resilience, biodiversity recovery, climate

(Agriculture (Wales) Act 2023)	mitigation and adaptation, water management and resilient rural communities
Wales Peatland Action Plan	Targets – peatland restoration and maintenance of healthy peatland ecosystems
Water Strategy for Wales	Objective – balance needs of the environment, communities and businesses to ensure water is used efficiently and sustainably
Well-being of Future Generations (Wales) Act 2015	Goals – particularly a Resilient Wales and a Prosperous Wales (see Appendix A)
Welsh National Marine Plan	Vision - seas that are clean, healthy, safe, productive and biologically diverse Themes – achieving a sustainable marine economy, ensuring a strong, healthy and just society, living within environmental limits
UK	
BSI Nature Investment Standards	Objective – establish high-integrity standards for nature markets, supporting consistent measurement, reporting and verification
Green Finance Strategy	Goal – a Net Zero-aligned and nature-positive financial system
UK Marine Strategy	Good Environmental Status for our seas is the backdrop for the Welsh National Marine Plan
UK Net Zero Strategy	Targets – decarbonisation across sectors including land use
EU	
EU Biodiversity Strategy for 2030	Outcomes – restoring degraded ecosystems, improving ecosystem resilience, reversing biodiversity loss and mobilising public and private investment to deliver nature recovery
EU Roadmap towards Nature Credits	Objective – mobilise private finance to complement public funding to deliver nature recovery through high-integrity nature finance mechanisms
Corporate Sustainability Reporting Directive	Objective – increase disclosure of nature-related impacts, dependencies, risks and opportunities, supporting investment into environmental outcomes and resilient supply chains
Sustainable Finance Disclosure Regulation	Objective – increase transparency of sustainability-related risks and impacts, supporting investor demand for credible environmental investments
EU Taxonomy Regulation	Objective – provide a framework for identifying environmentally sustainable activities and directing investment towards environmental objectives
Global	
Global Biodiversity Framework	Target 3 – ensure at least 30% of land, inland waters and coastal and marine areas are effectively conserved and managed by 2030. Target 14 – integrate biodiversity into policies, regulations, planning and development processes, supporting

	mainstreaming of biodiversity across government and the economy. Target 15 - encourage and enable businesses and financial institutions to assess, disclose and reduce biodiversity-related risks, dependencies and impacts, while increasing positive outcomes for biodiversity. Target 18 – eliminate or reform harmful incentives by at least \$500 billion per year and scale up positive incentives to support biodiversity conservation and sustainable use. Target 19 – mobilize at least US\$200 billion per year by 2030 from all sources to support biodiversity conservation and sustainable use globally.
United Nations Framework Convention on Climate Change Paris Agreement	Targets – limiting global warming and increasing investment in climate mitigation and adaptation, including nature-based solutions
UN Sustainable Development Goals	Goals – all 17, particularly climate action, life below water, life on land, and clean water

Appendix C: How nature- and climate-related risks can drive investment

Understanding environmental impacts and dependencies is essential for identifying when activities should be avoided, reduced, mitigated or offset. Different assessment frameworks operate at different scales.

At the organisational, portfolio and value chain level, frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Corporate Sustainability Reporting Directive (CSRD) help organisations identify, assess and disclose their impacts, dependencies, risks and opportunities related to nature. These assessments can inform strategic decision-making, risk management and investment priorities. Similarly, the Taskforce on Climate-related Financial Disclosures (TCFD) focuses on climate-related risks and opportunities. UK mandatory TCFD disclosure has been associated with increased strategic investment in sustainability, and wider adoption of TNFD may help drive similar consideration of nature-related risks and opportunities. Organisations can then use frameworks such as the Science Based Targets Network (SBTN) and the Science Based Targets initiative (SBTi) to set measurable targets for reducing environmental impacts and contributing to nature and climate goals. Together, these frameworks help organisations move from understanding impacts and dependencies to taking action to avoid, reduce and mitigate them.

At the project level, environmental impacts should be assessed through appropriate impact assessment processes. These provide the evidence needed to apply the mitigation hierarchy, helping developers and decision-makers identify how impacts can be avoided, reduced or mitigated before considering compensation or offsetting measures for any residual impacts.

As awareness of nature-related financial risks grows, regulatory bodies and standard-setting organisations are increasingly considering how nature-related information should be disclosed and incorporated into investment and business decision-making.

Appendix D: Illustrative financing mechanisms

The mechanisms described in this appendix are provided for illustrative purposes and to demonstrate the range of approaches used internationally. Inclusion does not imply Welsh Government endorsement of any specific mechanism, nor a commitment to implement it in Wales. Decisions on future implementation will depend on policy development, evidence, appraisal of potential options, stakeholder engagement and pilot testing and evaluation.

Financing mechanisms connect demand for environmental outcomes with those able to deliver them, enabling finance to flow towards the sustainable management of natural resources. They can often be viewed as forms of payments for ecosystem services. The mechanisms identified as most relevant to Wales were provisionally shortlisted from BIOFIN's Catalogue of Finance Solutions and OECD evidence based on their relevance to Welsh natural resources and policy levers, and their potential to mobilise additional finance in Wales. These mechanisms are not mutually exclusive and are most likely to be effective when deployed in combination as part of a wider nature finance system.

Public environmental payments

Public environmental payments provide financial support for activities that deliver environmental outcomes and public benefits. They play a critical role in supporting actions that are difficult to commercialise and creating the enabling conditions for wider private investment. In Wales, examples include the Sustainable Farming Scheme, the Nature Networks Fund, woodland creation grants, peatland restoration programmes, and funding for sustainable fisheries management and marine ecosystem recovery through initiatives such as Marine Fund Cymru.

Corporate investment and insetting

Corporate investment directs private capital towards activities that reduce business risks and improve environmental outcomes. Unlike offsetting, which typically funds activities elsewhere, insetting focuses investment within an organisation's own supply chain or sourcing landscape. By investing in activities such as regenerative agriculture, agroforestry and improved water stewardship, businesses can strengthen ecological, social and economic resilience while reducing nature- and climate-related risks and creating long-term value^{xxxvi}. Stakeholders identified supply-chain resilience, water security and climate resilience as particularly important drivers of future corporate investment.

Corporate investment and insetting are particularly relevant to Wales given the importance of agriculture, food production, water resources and natural resource-based supply chains. In Wales, examples include Landscape Enterprise Networks (LENs), which brings organisations together to co-fund and implement regenerative agriculture and nature-based solutions to drive landscape resilience. LENs stacks funding from different organisations in Wales, matching buyer demand with local land managers who deliver measured, verified environmental outcomes.

Environmental funds

Environmental funds pool capital from one or more sources and invest it in projects that deliver positive environmental outcomes. These funds exist across a spectrum ranging from impact investment funds seeking environmental outcomes alongside financial returns, to blended finance funds, philanthropic funds and grant-making programmes prioritising environmental benefits.

Environmental funds can play an important role in aggregating capital, developing project pipelines and financing restoration at landscape and catchment scales. Stakeholders also highlighted the importance of this aggregation role in reducing transaction costs for investors, buyers and suppliers. Examples relevant to Wales include MARINE Fund Cymru, charitable conservation funds and wider natural capital and impact investment funds operating across the UK (see Table 7 for a summary of key funds relevant to Wales).

Table 7: Summary of key funds supporting natural resources in Wales (correct as of 2026)

Name	Outputs	£m	Source
Impact investment and blended finance funds			
Gresham House Forestry Funds (UK wide)	Timber, habitat creation (tree planting), carbon reduction	3,400	Private
Finance Earth UK Nature Impact Fund (initial focus on England only)	Habitat creation and enhancement (peatland, woodland and biodiversity net gain)	65 (target 90-120)	Blended (inc. £30m from UK Gov)
Triodos Pioneer Impact Fund (mostly invests in international companies)	General sustainability benefits rather than specific on ecosystem services	524	Private
UK Infrastructure Bank Nature and Climate portfolio	Climate mitigation and adaptation, nature-based infrastructure	Various	Public
Grant, philanthropic and public funding programmes			
Dŵr Cymru / Ofwat-funded nature-based programmes	Water quality, catchment restoration, natural flood management	100	Private
National Lottery Heritage Fund	Habitat restoration, heritage, community nature projects	Various	Public / Lottery
MARINE Fund Cymru	Habitat creation and enhancement (marine)	0.5	Private
Welsh Government Nature Networks Fund	Protected site management, habitat restoration and ecosystem resilience	Various	Public

Environmental markets

Environmental markets enable funders to finance environmental improvement in exchange for defined environmental outcomes or credits. The role of environmental markets depends on the outcomes they are designed to deliver. Some support

neutrality or compensation outcomes, while others are designed to deliver net environmental benefits that contribute to broader environmental recovery.

Environmental markets can provide new revenue streams for land managers, help organisations manage environmental impacts and risks, and attract additional private investment into nature recovery. Examples include carbon markets, biodiversity markets, nutrient markets and water-related markets (see Table 8 for a summary of key markets relevant to Wales). Stakeholders noted that environmental markets are most effective when supported by strong demand drivers, clear governance arrangements and robust standards.

Green bonds and nature bonds

Green bonds and nature bonds are debt instruments that raise capital for projects delivering environmental outcomes. Investors provide upfront finance and are repaid over time, typically with proceeds earmarked for agreed environmental objectives. Bonds support large-scale investment in activities such as habitat restoration, natural flood management, climate adaptation, woodland creation and water infrastructure. Green and sustainability-linked bonds are already being used to support environmental outcomes relevant to Wales; Dŵr Cymru issued £750 million of sustainability bonds in FY25 to finance projects including a nature-based overflow scheme and upgrades to wastewater treatment works to reduce phosphorus pollution.

Table 8: Summary of environmental markets currently or potentially applicable in Wales

Demand type	Country	Demand driver	Demand quantification	Supply quantification	Nature market	Market scale	Ecosystem service
Established							
Regulated	England (crossing to Wales)	Environment Act 2021 (Biodiversity Net Gain)	Statutory Biodiversity Metric		Biodiversity Gain	Local (LPA, National Character Areas, Marine Plan Areas)	Habitat creation and enhancement
Regulated	UK	Conservation of Habitats & Species Regulations 2017 (Nutrient Neutrality)	Nutrient mitigation calculators	Nutrient mitigation (and budget) calculators	Nutrient Mitigation	Local (SAC catchments)	Reduction of nitrogen and phosphorus pollution
Voluntary	UK	Offsetting (Net Zero Commitments)	None	Woodland Carbon Code, Peatland Carbon Code	Carbon	UK	Avoided carbon emissions, carbon sequestration
Voluntary	UK	Insetting (Supply chain resilience)	None	Various (e.g., LENS)	Farm-based	Local (LPA)	Regenerative agriculture
Emerging							
Regulated	Wales	Environment (Wales) Act 2016 (Net Benefits for Biodiversity)	Metric under development		Net Benefits for Biodiversity	Local (LPA)	Habitat creation and enhancement
Regulated	England	Habitat Regulations (Water Neutrality)	Water Savings Calculators		Water savings	Local (Water Resource Zones)	Water savings
Voluntary & regulated	Wales & UK	Catchment management	None		Catchment investment programmes	Local (Water Resource Zones)	Water quality, quantity, catchment resilience

Voluntary	UK	Insetting (Supply chain resilience)	None	Various (e.g., WUF)	Natural Flood Management	Local (catchment)	Water flow regulation, reduce flood risk
Voluntary	UK	Offsetting (Net Zero Commitments)	None	Soil Carbon, Marine/Saltmarsh Carbon	Carbon	National (Wales and UK)	Carbon sequestration

(correct as of 2026)

Appendix E: Supporting infrastructure

The infrastructure described in this appendix is provided for illustrative purposes and to demonstrate the range of supporting systems used internationally. Inclusion does not imply Welsh Government endorsement of any specific model, nor a commitment to implement it in Wales. Decisions on future implementation will depend on policy development, evidence, appraisal of potential options, stakeholder engagement and practical testing.

Supporting infrastructure enables financing mechanisms to function effectively and efficiently. Key components include governance and accreditation arrangements, standards and methodologies, registries, platforms, legal agreements, and data and evidence systems. Together, these systems help reduce transaction costs, support confidence and transparency, and enable nature finance to operate at scale.

Governance and accreditation

Governance and accreditation arrangements help ensure financing mechanisms operate fairly, transparently and consistently. Examples include accreditation schemes, governance bodies, independent oversight arrangements, market stewardship functions and dispute resolution mechanisms. These arrangements can help maintain market integrity, reduce due diligence costs and increase confidence among participants.

Standards, metrics and methodologies

Standards, metrics and methodologies provide common approaches for defining, measuring and valuing environmental outcomes. They support consistency across projects, reduce uncertainty and improve confidence that outcomes are being assessed fairly and transparently. Examples include biodiversity metrics, nutrient budget calculators, and carbon accounting methods such as the Woodland Carbon Code and Peatland Code. For Wales, a key opportunity may be to establish a framework for recognising and endorsing existing and emerging methodologies, rather than developing entirely new metrics.

Data and evidence systems

Data and evidence systems support the identification, valuation, monitoring and management of environmental outcomes. Examples include spatial opportunity mapping, environmental datasets, investment databases and decision-support tools. Accessible, trusted and interoperable data can reduce due diligence costs, support transparency and improve coordination across the nature finance system.

Registries

Registries provide transparent records of projects, transactions and environmental outcomes. They help prevent double counting, support accountability and enable environmental claims to be tracked over time. Registries underpin the integrity, transparency and credibility of nature finance systems. Examples include the UK Emissions Trading Scheme Registry, the Biodiversity Net Gain Register and the Somerset Catchment Market Register.

Legal agreements

Clear legal and contractual arrangements help define responsibilities, allocate risks and provide confidence that commitments will be delivered over appropriate timescales. Examples include standardised contracts, land management agreements, conservation covenants, outcome-based payment agreements and credit purchase agreements.

Platforms and aggregation

Platforms and intermediaries help connect those seeking environmental outcomes with those able to deliver them. They can reduce transaction costs, improve market access and increase participation. Stakeholders highlighted the importance of aggregation approaches in enabling participation by smaller farms, land managers and community organisations. Examples include trading platforms such as EnTrade, brokerage and advisory services, and project aggregation initiatives such as LENS and Great Yellow, which help coordinate investment across multiple landholdings and beneficiaries.

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