

Introduction to blended finance and UK nature finance

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Today's purpose:

- Blended finance is being widely debated as a policy tool for upscaling private investment in nature
- What does blended finance mean to you?
- How can we use blended finance to secure value for public money?
- What can blended finance do and not do?

The role of the state in nature recovery

Nature as public good

Nature as private good



Commodification and financialisation

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Commodification and financialisation



Exeter's work on public value for money
How can we raise more public spending?
How can we spend public money better? (Alex's work)



How can we generate private revenue streams for nature?
(commodification, blended finance)
How can we use these cashflows to generate investment in nature?
(financialization, blended finance)

The nature markets framework

Completely revolutionary

“We have set a goal to grow annual private investment flows to nature to at least **£500 million every year by 2027** in England, rising to more than **£1 billion by 2030**. The development of high-integrity nature markets is a key part of our strategy to enable firms to mobilise this investment.”

UK nature markets landscape

Market	BNG	WCC	NN
What stops the volume of cashflows scaling?	Lack of demand because of on-site compensation undercutting off-site market, exemptions, and Metric flexibility	Lack of demand because there are no hard demand drivers	Policy uncertainty, NRF
What stops up-front investment?	Policy uncertainty	No hard demand drivers	Policy uncertainty
What hinders their ecological outcomes?	Lack of evidence base for metric, no link to LNRs	Rigid structure of metric to match forestry needs	?
What can blended finance do?	?	?	?

Blended finance – what do we mean?

Blended finance type	Landscape recovery	UK nature fund	NEIRF
How does it work?	Barter between projects and Defra, highly bespoke	£30m of concessional capital	Pump-priming natural capital projects
Main role for public money	Direct subsidy	Investment derisking	Overcoming knowledge and information gaps
How's it going?	Too early to say	Federated Hermes left in 2024	Tens of projects funded

What blended finance CAN'T do

It **can't generate your cashflows** for you - you need a demand driver to do that

This is mostly the sale of market goods (Nicola's work), or some regulatory driver of demand (eg BNG)

Investments still need to be **very profitable** to attract private investment, even with derisking (Flammer et al. 2025)

The big questions (in my view)

What is the problem blended finance is trying to solve in each specific context?

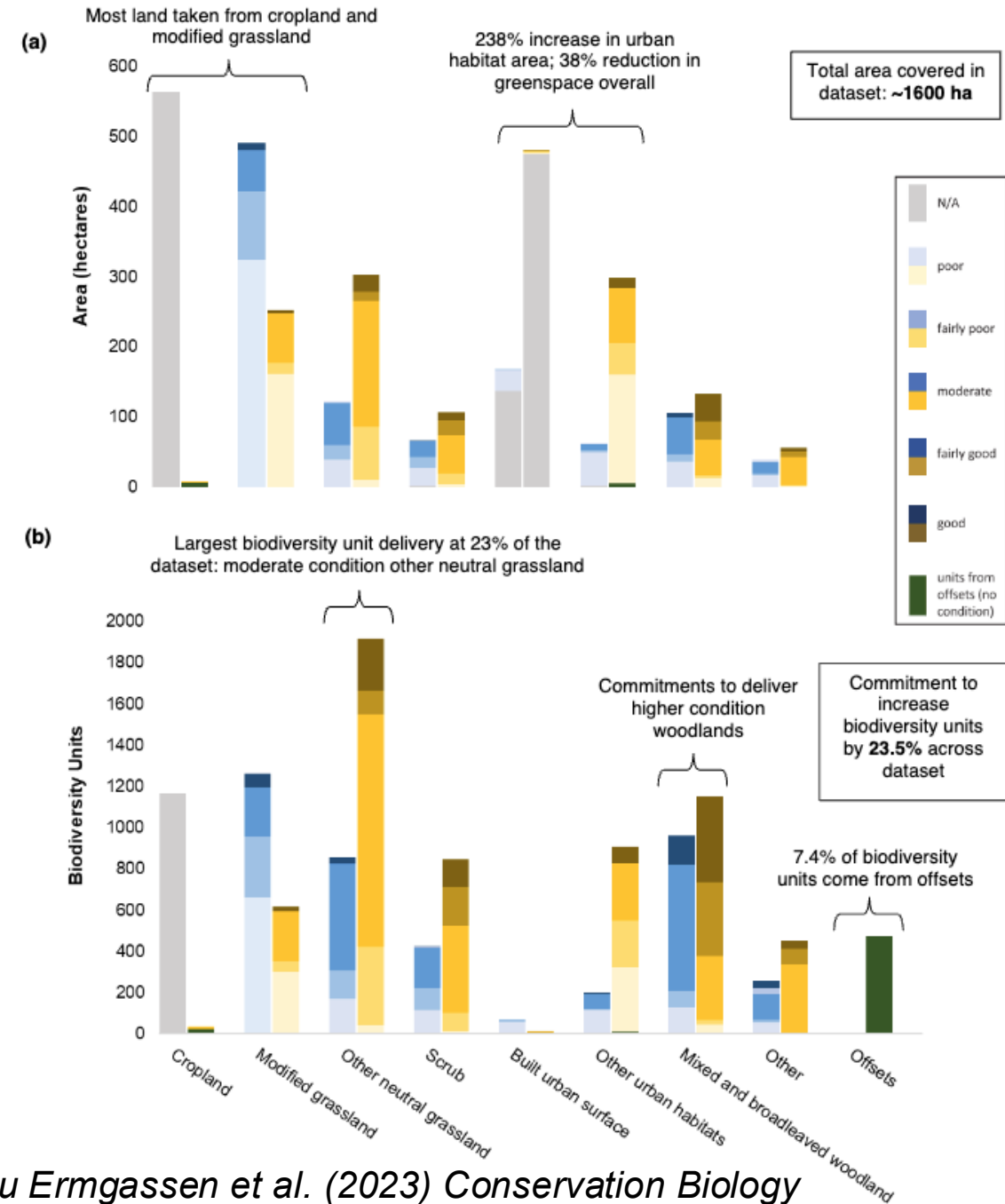
How can we ensure the subsidy via blending gives good public value for money?

How can we ensure the underlying investments generate benefits for nature?

How can we ensure the emphasis on derisking private investment doesn't undermine direct regulation and direct public investment in nature?

Outcomes from early adopter councils

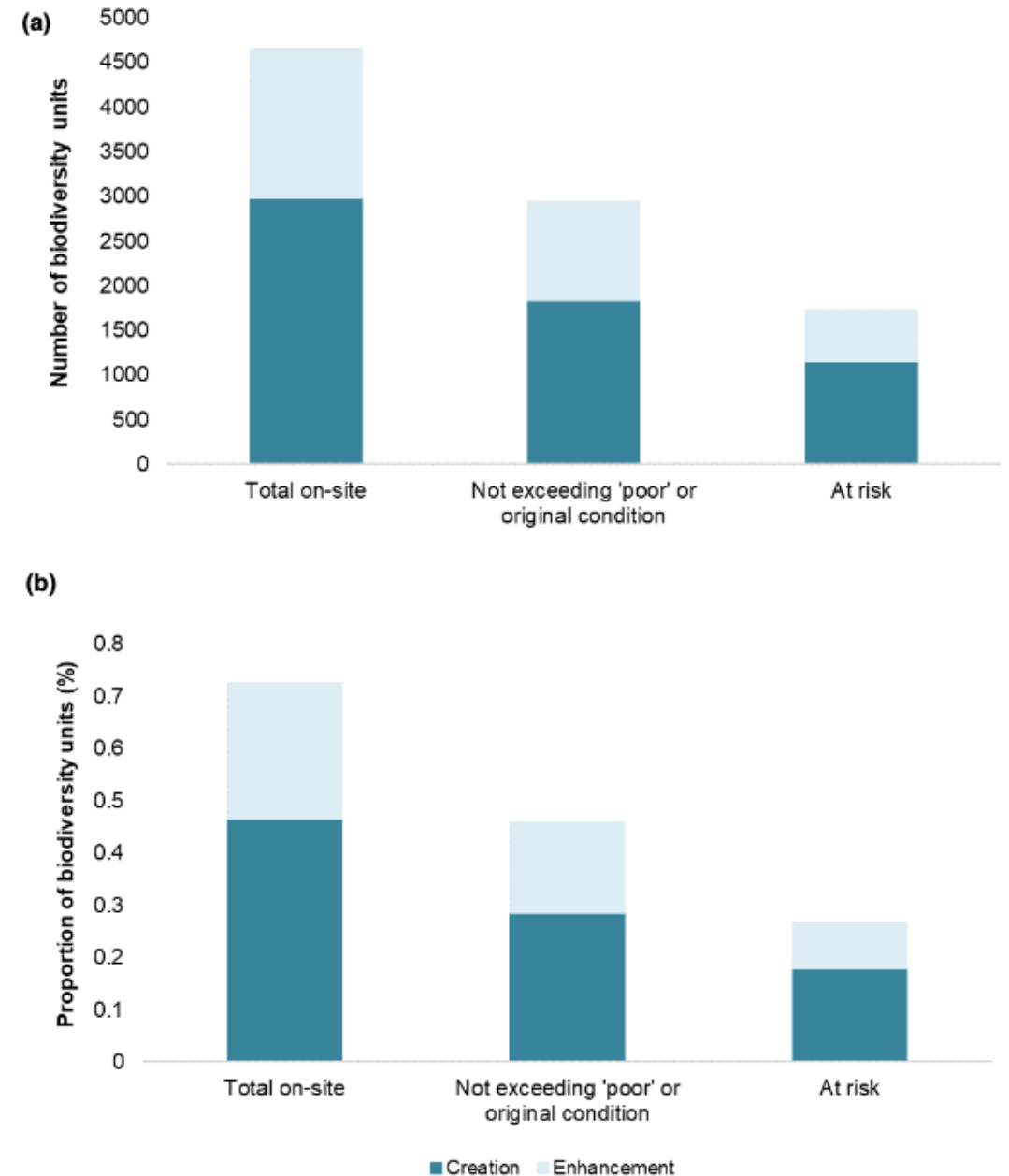
- Flexible trading: more than 20% increase in units from the metric, but 38% reduction in nonurban habitat area
- Most land taken from cropland and low distinctiveness grassland
- Commitments to create new medium distinctiveness grassland & improve existing woodlands
- 92.6% of units delivered on-site



Outcomes from early adopter councils

On-site biodiversity gains at higher risk of non-compliance

- Limited transparency and data accessibility
- Governed through existing planning system mechanisms
- Under resourcing in Local Planning Authorities



Increased scoring = increased biodiversity?

Concerns that simple habitat-based scoring system does not reflect on-the-ground measures of species abundance and diversity

