60-second summary

COP16 biodiversity conference: implications for investors

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Overview

COP16 ended abruptly, as negotiations had to stop because of a lost quorum. The parties failed to reach a formal agreement on the headline objective of mobilising public and private finance at scale to support the goals of the Global Biodiversity Framework. Although there was disagreement on how to implement key targets for halting and reversing nature loss, progress was made in important areas including the use of genetic nature data, setting national biodiversity targets and strengthening the role of indigenous people and local communities.

For investors, the conference's focus on securing nature funding from a range of sources highlights the potential for investment opportunities in this area such as natural capital assets, green/blue bonds and more nascent biodiversity markets. The record level of representation from the private sector also shows that biodiversity is firmly on the agenda for business and finance. This points to the importance for asset owners of integrating nature in investment strategies, including as part of risk monitoring, stewardship and wider asset-allocation decisions.

What is COP16?

The 16th meeting of the Conference of the Parties to the United Nations Convention on Biological Diversity (COP16) took place in Cali, Colombia from 21 October to 1 November 2024. Like their climate counterpart (including COP29), the biodiversity COP conferences bring together representatives from all countries that are parties to the convention. They take place every two years to review progress, set goals and negotiate agreements to address biodiversity loss.

The COP15 conference, held in Montreal in December 2022, was a key milestone for nature. It culminated in the Kunming Montreal Global Biodiversity Framework, which was ratified by nearly 200 countries. The Framework sets out global targets for reversing biodiversity loss, including the 30x30 target to protect 30% of Earth's land and oceans by 2030. It also included explicit targets to align financial flows with efforts to reverse nature loss (Target 14) and to improve disclosure of nature-related impacts and dependencies (Target 15). The COP16 conference was an opportunity to discuss progress since COP15 and agree the practical next steps to implement the Global Biodiversity Framework, including the mobilisation of global finance to tackle the nature crisis.

What happened at COP16?

In many ways, COP16 illustrated the challenges of aiming to achieve consensus to meet global targets at international conferences. Important progress was made in several areas, but discussions failed to reach agreement on mobilising nature finance and monitoring progress against targets. Countries' representatives are expected to reconvene in Rome in February 2025 to continue these efforts. Some key outcomes of COP16 include:

- **Lost quorum on biodiversity finance:** unfortunately, parties didn't reach agreement on the headline objective of mobilising finance to support the 2030 targets of the **Global Biodiversity Framework**. Countries also failed to make progress on the related issue of how to identify and halt subsidies that are harmful to biodiversity, ahead of the looming 2025 deadline.
- **National biodiversity action plans:** parties were expected to submit National Biodiversity Strategy and Action Plans aligned with the Global Biodiversity Framework ahead of COP16. These should set out actionable strategies at national levels for meeting the global targets by 2030. Out of 196 countries, 119 submitted national biodiversity targets and only 44 delivered full action plans before the deadline.
- **Genetic agreement:** companies should contribute 0.1% of revenues (or 1% of profits) generated from products that are based on genetic data from nature into a new biodiversity conservation fund called the **Cali Fund**. This has financial implications for large pharmaceutical and biotechnology companies, which benefit commercially from genetic data. The fund plans to allocate 50% of its resources to support **indigenous peoples and local communities**, addressing the longstanding call for more equitable distribution, and to help protect and empower communities that are critical stewards of nature.
- **Marine protection:** COP16 built on the 2023 High Seas Treaty, with an agreement on the identification of the most critical parts of the ocean beyond national jurisdiction. These areas play an important role in marine biodiversity protection, and this is a step towards the global target to protect 30% of oceans by 2030.
- **Nature disclosure and regulatory pressure:** discussions at COP16 stressed the requirement that companies and financial institutions should measure and report their biodiversity-related risks and impacts, as a catalyst for action in this area. The number of companies publicly committing to adopt the Taskforce on Nature-related Financial Disclosures recommendations surpassed 500 during COP16. The European Union is already integrating biodiversity considerations into key regulations such as the Corporate Sustainability Reporting Directive. It seems likely that other regulators will implement more robust rules, particularly for economic sectors with significant impacts on nature.
- **Nature investment solutions**: the conference highlighted the increase in demand for biodiversity-related investments and nature-based climate solutions. Global policy and more robust regulation is likely to create demand for financial products with a focus on biodiversity such as green bonds, biodiversity credits and conservation finance. Companies that provide solutions such as nature restoration, renewable agriculture, reforestation or waste reduction might see an influx of capital, creating new opportunities for investors.

Implications for investors

Asset owners are becoming increasingly aware of the systemic risks to long-term investment returns from biodiversity and nature loss. Nature underpins the global economy, and the degradation of natural ecosystems exacerbates financial risks related to climate change. Failure to reach a global agreement on the implementation of the Global Biodiversity Framework further compounds these risks, increasing the likelihood of further degradation to nature and intensifying the resulting financial impacts for investors.

On the other hand, COP16 presents a range of potential opportunities to asset owners, including natural capital assets, green/blue bonds and investment in innovative companies supporting the protection and restoration of nature. A few economic sectors that are particularly reliant on nature – including agriculture, food services, mining and pharmaceuticals – are likely to face greater scrutiny and regulation in the years ahead. This highlights the importance for asset owners of understanding their exposure to nature risks, to enable robust stewardship efforts and inform potential capital allocations into solutions that support nature and biodiversity.

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