

Attachment 1: IPR FPS + Nature Report Key Findings

Broad areas of nature related policy development identified

FPS + Nature builds on assessments of climate-focused land use policy, incorporating protected areas, land restoration and emerging nature markets

1. Protected areas. Governments could act to safeguard nature by strengthening regulation to protect land. Current trends suggest 20% of total global land area could be protected by 2030, with international goals established at the CBD's COP 15 to protect 30% of land and sea by 2030 taking longer to implement

2. Land restoration. Governments may consider significantly increasing efforts to restore degraded ecosystems through national programmes, supplemented by private sector action. This could involve restoration on 4% of global land area by 2030

3. Nature markets. Formalisation of nature-related targets, creation of market infrastructure and corporate demand could support emergence of voluntary biodiversity credit markets initially at the local and regional scale, developing both independently and integrated with NBS-based carbon markets, with more focus on nature outcomes also having the potential to increase the "quality" of nature-based carbon credits

4. Climate drivers. FPS +N also covers six other policy areas at the nexus of land use, climate and nature (carbon pricing, bioenergy, diets, deforestation, sustainable agriculture and food waste)

Major Trends identified in FPS + Nature

Nature-related risks and opportunities overlap with but are also additional to climate-related considerations, with implications for commodities, new products and markets:

Food: The price of deforestation-linked commodities increases, with sustainable yield improvements potentially keeping prices for staple crops stable over time. Policy action and the development of alternative proteins could bend the demand curve for ruminant meat, with production peaking by 2035, also influencing production of animal feed

Energy: Transition to low-carbon energy together with nature-related goals supports a shift to second-generation bioenergy that changes the countries and specific locations of biomass production. Increased demand for metals and minerals and some infrastructure expansion may need to be reconciled with increased land protection

Nature-related goods, services and assets emerge as a new source of economic and financial value, driving the expansion of certified products, nature-based solutions and the emergence of new markets for biodiversity-rich land. New technologies designed to eliminate waste, reduce negative nature impacts and foster sustainability also emerge in tandem with the deepening of nature policies

Supply chains: Deforestation policies impact the production of tropical soft commodities as reputational, market access and liability risks could be passed down the value chain

Global environment: Planned policy action by governments would halt and reverse global biodiversity loss, potentially achieving 2000 levels of biodiversity intactness by 2045. Climate-related policies alone would be unlikely to improve biodiversity at a global scale and may only stabilise existing biodiversity loss

Investor Implications:

Disruption to commodity production and supply chains

- Deforestation-linked commodities could experience market access, liability and reputational risks before policy action comes to halt commodity-driven deforestation
- Some tropical commodities may see costs and prices increase due to more land protection and action on deforestation
- Ruminant meat production could fall in developed regions and at the global level, despite increases in developing country demand due to increasing populations and incomes

The development and evolution of new products and technologies

- Alternative protein production could increase by 50x from 2020 to 2050, with market share potentially reaching 24% of the market for protein by 2050
- Second-generation bioenergy production could increase significantly to 2050, with opportunities distributed globally
- New technologies to reduce nature and climate impacts could present opportunities for investment, including sustainable crop production technology, food waste reduction technology, and technology for supply chain traceability

NBS-based carbon credits and emerging nature markets

- The “quality” of NBS could improve with more focus on nature increasing the potential to support positive biodiversity outcomes, compared to a scenario where NBS focuses primarily on climate outcomes
 - Total revenue potential of NBS could reach USD 204 billion in 2050, with cumulative investment of more than USD 1.1 trillion by 2050
 - Generation of biodiversity credits could represent USD 8-18 billion in annual revenue in 2050, based on preliminary assumptions and subject to uncertainty
-

About Inevitable Policy Response (IPR): The IPR is a climate transition forecasting consortium that aims prepare institutional investors for the portfolio risks and opportunities associated with a forecast acceleration of policy responses to climate change. To help prepare markets and investors IPR then models in detail the impact of the forecasted policies on the energy system, food land use system and real economy. More information is [available here](#).

The IPR was commissioned by the Principles for Responsible Investment ([PRI](#)) in [2018](#) and is amongst international investor based initiatives supported by the PRI.

IPR Scenarios:

The IPR's [existing scenarios](#) focus on forecast (1.8C FPS 2021/22) and required (1.5C RPS 2021) climate-related policies, tracing their impact on the energy and land use sectors

1.8°C Forecast Policy Scenario (1.8C FPS): The Forecast Policy Scenario ([FPS](#)) is IPR's current assessment of *what is expected to happen*, in terms of future policy developments and the subsequent impact on emissions reduction and temperature outcomes.

IPR FPS + Nature (2023): Is the first attempt by IPR to capture the impact of forecast climate-and nature-related policies, focusing on the land use sector. It represents a preliminary scenario of what might happen when nature-related policy is incorporated into a climate-related scenario.

Disclaimer:

This report has been created by the Inevitable Policy Response. This report represents the Inevitable Policy Response's own selection of applicable data. The Inevitable Policy Response is solely responsible for, and this report represents, such scenario selection, all assumptions underlying such selection, and all resulting findings, and conclusions and decisions. The information contained in this communication is meant for the purposes of information only and is not intended to be investment, legal, tax or other advice, nor is it intended to be relied upon in making an investment or other decision. This communication is provided with the understanding that the authors and publishers are not providing advice on legal, economic, investment or other professional issues and services. Unless expressly stated otherwise, the opinions, recommendations, findings, interpretations and conclusions expressed in this communication are those of the various contributors to the report and do not necessarily represent the views of PRI Association or the signatories to the Principles for Responsible Investment. The inclusion of company examples does not in any way constitute an endorsement of these organisations by PRI Association or the signatories to the Principles for Responsible Investment. While we have endeavoured to ensure that the information contained in this communication has been obtained from reliable and up-to-date sources, the changing nature of statistics, laws, rules and regulations may result in delays, omissions or inaccuracies in information contained in this communication. PRI Association is not responsible for any errors or omissions, or for any decision made or action taken based on information contained in this communication or for any loss or damage arising from or caused by such decision or action. All information in this communication is provided "as-is," with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, expressed or implied. Vivid Economics and Energy Transition Advisors are not investment advisers and make no representation regarding the advisability of investing in any company, investment fund or other vehicle. The information contained in this communication does not constitute an offer to sell securities or the solicitation of an offer to buy, or recommendation for investment in, any securities within the United States or any other jurisdiction. This communication provides general information only. The information is not intended as financial advice, and decisions to invest should not be made in reliance on any of the statements set forth in this document. Vivid Economics and Energy Transition Advisors shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages. The information and opinions in this communication constitute a judgement as at the date indicated and are subject to change without notice. The information may therefore not be accurate or

current. The information and opinions contained in this communication have been compiled or arrived at from sources believed to be reliable in good faith, but no representation or warranty, express or implied, is made by Vivid Economics or Energy Transition Advisors as to their accuracy, completeness or correctness and Vivid Economics and Energy Transition Advisors do also not warrant that the information is up to date.