National Audit Office

INSIGHT

Private funding and investment for nature recovery

Department for Environment, Food & Rural Affairs

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Summary

1 Since the first Environmental Improvement Plan (EIP) in 2023, the government has been clear that nature is not only a public good, but a critical asset that supports the economy and a range of the government's long-term objectives. The government has acknowledged, however, that the UK is among the most nature-depleted countries in the world.

2 The EIP aims to help nature recover and improve the environment. In doing so, it is expected to bring a range of benefits, including economic prosperity, public health and wellbeing, and stronger communities and infrastructure that are better able to cope with extreme weather such as drought and floods. The government has set nature-related strategies, objectives and targets, some of which are legal requirements under the 2021 Environment Act. The UK has also committed to the United Nation's global biodiversity targets, including protecting 30% of land and sea for nature by 2030.

3 The Department for Environment, Food & Rural Affairs (Defra) has policy responsibility for nature recovery, and it uses a range of approaches in pursuit of its environmental goals. This includes direct public funding – such as grants for tree planting and environmentally friendly farming – and regulation to protect the environment. However, the government has also stated that public funds will not be enough to achieve its goals for nature recovery, and that private money will be necessary to fill the gap.

4 Private funding and investment in nature remains an emerging area. Organisations and individuals contribute towards nature recovery in different ways, and for different reasons. Some organisations provide up-front investment or deliver projects to restore nature. Others are effectively 'buyers' who pay for the benefits that these nature recovery projects produce. Contributions can be philanthropic and charitable; there may be commercial benefits from improved reputation; or investors may expect direct financial returns in future.

5 Defra has not attempted to estimate the current scale of private funding for nature recovery. Research in 2026 estimated that private funding for nature and biodiversity-related projects in 2023-24 was £142 million, and public funding was around £704 million, although the research recognised this represented an incomplete picture due to data limitations. Defra has introduced policies, standards, funding programmes and market interventions (such as Biodiversity Net Gain) to attract more private funding and investment. However, stakeholders continue to identify challenges that will be important to address if private investment is to contribute at the scale needed to support the government's nature recovery ambitions.

6 This report is intended to help Parliament, stakeholders and the wider public understand how Defra seeks to encourage private contributions towards nature recovery, and to identify insights to help the government make further progress. It sets out the role of private funding and investment in nature recovery (Part One), the mechanisms that Defra has introduced (Part Two), and a series of insights into the challenges and opportunities for Defra (Part Three). In pulling together these insights, we spoke to and reviewed the work of businesses, academics, government organisations, industry bodies and environmental non-governmental organisations. In summary, the challenges and opportunities we have identified are as follows.

Efforts to increase demand to pay for the benefits of nature recovery

7 The commercial success of any product or service requires demand which leads to sales and a return to investors. Attracting up front private investment in nature recovery depends on establishing high levels of demand from organisations to pay for the benefits of nature and see value in doing so.

- **Insight 1:** Getting more contributions from private businesses towards nature recovery may require innovative solutions. Arrangements from other infrastructure sectors could provide useful lessons and inspiration.
- **Insight 2:** Limited evidence on the commercial benefits of nature recovery risks discouraging businesses from being willing to pay, but there may be other ways to make the case for those who benefit to contribute.
- **Insight 3:** There are frameworks for businesses to report how risks from nature loss and climate change affect them financially, which could help increase their understanding of – and willingness to pay for – ways to mitigate those risks.

Increasing the provision of private investment to fund nature recovery projects

8 For investors to have confidence that there is a high likelihood of a return on their investment, they need sufficient clarity on how to invest and on how they will be able to generate revenue in future.

- **Insight 4:** The range of different schemes and options for investing in nature recovery can be complex for investors and landowners, and further guidance from Defra could provide greater clarity and confidence.
- **Insight 5:** Public funding or government guarantees can be targeted strategically, alongside private investment, to reduce risks and high up front costs in the early stages and potentially generate more private investment in the long run.
- **Insight 6:** Investors generally want confidence that standards and markets will remain stable, which can be affected by policy uncertainty and unclear future demand.

Scaling up from smaller projects to large-scale nature recovery

9 There is some evidence that larger institutional investors like pension funds and insurance companies are prepared to invest in nature recovery. Attracting such investors is likely to require larger-scale projects and long-term certainty to give them a clearer return on investment.

- **Insight 7:** There is opportunity to use Defra's various strategies, plans and frameworks, and successes from projects to date, to design more large-scale recovery projects to encourage demand and investment.
- **Insight 8:** Larger and more complex nature recovery projects require those delivering them to have the confidence and knowledge to change or diversify their business, which Defra and key stakeholders can support.