

CCEI RECOMMENDATION 21

SUSTAINABLE FINANCE RESPONSE

SUSTAINABLE INVESTMENT PRINCIPLES

On 10 September 2024 we launched the consultation period of our Sustainable Investment Principles. These principles set out the traits we seek when considering projects and engaging with investors and developers.

The consultation documents are available at the following links:

- [Egwyddorion Buddsoddi Cynaliadwy drafft | LLYW.CYMRU](#)
- [Draft Sustainable Investment Principles | GOV.WALES](#)

These principles form part of our new approach to sustainable finance for nature recovery, as recommended by the Finance Earth report on developing nature markets in Wales.

The Principles were co-developed with the sustainable finance Task and Finish group which comprises of eNGOs including RSPB, Wildlife Trusts Wales, WWF and Marine Conservation Society, Dwr Cymru and NRW. These Principles aim to increase and diversify the available funding to effectively tackle the nature emergency and the pressures that drive biodiversity loss – including climate change, pollution, and unsustainable management of natural resources. These Principles will help ensure that any funding is of high integrity, benefits and engages local communities and avoids inappropriate land use change and greenwashing.

Welsh Government is proposing the following four principles to guide its approach towards private investment in nature.

1. Support integrated land use and the equitable sharing of the benefits
 - This principle is to ensure that those seeking to invest in natural capital markets do so in partnership with the landowners and managers. Under this principle, investments and projects should strive to deliver supplementary outcomes, such as biodiversity improvements in addition to carbon sequestration.
2. Deliver public, private, community and cultural well-being benefits
 - This sets out that investment and management decisions must account for the local conditions and suitability while showing consideration of the four capital resources (natural, social, economic and cultural).
3. Demonstrate best practice engagement and collaboration
 - Under this investors and land managers must collaborate openly with the wider public and public bodies to develop a coherent approach to delivering their projects.
4. Demonstrate values-led and high integrity

- This principle considers additionality, data robustness, transparency of assessment techniques and methodology and the duration of derived benefits.

SUPPORT FOR NATURE MARKET DEVELOPMENT

Sustainable finance, payments for ecosystem services, and natural capital markets are still a relatively new sector. In order to begin building Wales' capacity and knowledge base Welsh Government has funded two pathfinder pilots (see below for further information) and is considering further pilots.

MARINE CYMRU FUND

- Welsh Government has recently provided £85,000 of funding to the WCVA to recruit a Fund Development Manager for the Marine Cymru Fund. The Marine Cymru Fund seeks to invest in programmes and projects that enable, maintain and enhance the resilience of marine and coastal ecosystems for the long term, facilitating the delivery of wider benefits to individuals, communities and businesses. The Fund Development Manager will draft a strategic framework to guide project funding and will work to attract seed funding from investors.

BANNAU BRYCHEINIOG NATIONAL PARK AUTHORITY

- Welsh Government has provided Brecon Beacons National Park Authority (Y Bannau) with £119,000 of funding for a Head of Natural Capital Development position to accelerate the realisation of benefits from private finance nature investment. This role will help scale up nature recovery funding by exploring and implementing high-integrity ecosystem service markets and disseminating this knowledge across our other national park authorities.

UK GOVERNMENT ENGAGEMENT

- We continue to engage with Defra and the British Standards Institute (BSI) on developing a Nature Investment Standards Programme, which will provide a benchmark for industry codes and markets recognised as sufficiently robust and credible. Our engagement ensures that our Welsh values are reflected within these new standards. BSI concluded their consultation on the Overarching Principles at the beginning of the summer and are preparing to consult on their Biodiversity and Carbon standards early this fall.