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Nature and land use will make or break the climate transition

Unprepared investors at risk as national policies to halt nature loss and deforestation accelerate, doubling in the last 12 months

A leading policy forecasting body commissioned by the PRI, the \$120tn UN-supported investor group, today publishes new global analysis of the trajectory of national environmental policies and their impacts on companies and investors.

The Inevitable Policy Response ([IPR](#)) forecast, built from detailed analysis of over 300 major policy levers and drawing on the input of over 100 policy experts, shows that progress on nature and land use will **ultimately make or break efforts to achieve net zero**.

It forecasts that **half** of global emission reductions by 2035 are set to come from the land use sector through a combination of policies to end deforestation, lower agricultural emissions, reduce food waste, restore degraded natural ecosystems, and scale nature-based solutions.

Policymakers are waking up to the critical role of nature, land and food to reaching climate goals, with the number of material and credible national policy announcements **doubling** in the last 12 months compared with the previous year, according to IPR (1). This marks a significant shift for major economies such as China, the EU, and Brazil (2). It underlines that a land transition as significant as the energy transition is now underway.

The analysis shows over **90%** of nature-related policy developments tracked in the last year are in line with a pathway to a well below 2°C temperature outcome, the upper limit of the Paris Agreement. Russia and Argentina emerge as significant outliers, going against the tide of the global trend (2).

But, despite this significant momentum, IPR modelling suggests policy developments do not go far enough to put the world on a pathway to 1.5°C, the goal reaffirmed by nearly 200 governments at the UAE-hosted COP28. To achieve that, IPR highlights policymakers must act much more urgently in several critical areas, including ensuring an **immediate end to deforestation** globally in 2025.

This raises the stakes for the next 18 months, a period when governments are required to submit new, more ambitious national climate and biodiversity plans at two upcoming UN milestones, both hosted in ecologically 'mega-diverse' countries: COP16, the biannual biodiversity summit hosted this year in Colombia; and COP30 in Brazil in 2025.

Major risk and upsides for investors

Even as the energy transition has risen rapidly up the corporate agenda, the role of nature, land, and food in the climate transition remains underappreciated. Investors and companies around the world risk being blindsided by the ambition and rapid pace of new policies (3).

The analysis shows an increasing acceleration in policies to tackle deforestation: a source of 10% of global emissions, the majority of which is driven by commodities including beef, soybean, palm oil, timber, coffee, rubber, and cocoa.

This creates significant risk for ill-prepared companies and investors which have **yet to eliminate deforestation from their supply chains and portfolios**.

Taking into account wide land use transition risks, individual firms at the centre of the global food supply system could lose up to **26% of their value by 2030** unless they change business practices, with a sector average hit of over **7%**, previous IPR analysis has shown. This is equivalent to permanent, non-cyclical USD\$150 billion in losses to investors.

At the same time, nature-based solutions have emerged as a significant investible opportunity today, given their low-cost nature and potential for large-scale implementation. Accelerating **policy will unlock even more value in the coming years**, with overall land area utilized for nature-based solutions set to increase almost 10-fold from 2021 to 2035, nearly equal to 10% of global agricultural land today.

Currently only 18% of nature finance comes from private capital, this is 1/6th of private capital going to clean energy systems ([Centre for Global Commons](#)). However, IPR analysis suggests increasing policy momentum will incentivise and spur the deployment of significant private sector finance, opening opportunities for investors. UNEP have calculated that to achieve 1.5°C approximately \$4.1tn of finance is needed to nature-based solutions by 2050, representing a tripling by 2030 and fourfold increase by mid-century.

As nature-based solutions grow dramatically, the IPR forecasts that the additional demands placed on land will be largely mitigated by significant improvements in crop yield, reductions in food waste, and the rise of alternative proteins. Failure to invest in such nature and land use solutions has the potential to dramatically amplify climate-related risks. The social risks of mismanaging the land transition and evolving land use in line with the IPR forecast, coupled with the economic cost associated with the decline in ecosystem services from nature breakdown could increase underlying climate risks by 2-3x by 2050 (Theia Finance Labs).

Patricia Espinosa, former Executive Secretary of the UNFCCC and Chair of GFANZ Latin America, speaking at a launch event will say: “We are in a climate emergency and are entering into a critical period in the road to COP30 in Brazil. Nature, deforestation, and food systems are moving center stage as governments around the world seek to deliver on joint climate, biodiversity and sustainable development goals. We need to work urgently to stop deforestation. It will be key to unlock billions of dollars of finance in Latin America in particular, where there is enormous opportunity for nature-based solutions that deliver for climate, people, nature, and economic prosperity.”

Nathan Fabian, PRI’s Chief Sustainable Systems Officer, speaking at a launch event will say: “As the energy transition accelerates, it’s becoming increasingly clear that nature will make or break net zero. Indeed, climate and nature issues are intrinsically linked and represent significant and material risk factors for investors. Increasingly, the industry is aware of this pressure and investors are taking steps to manage down their exposure to these risks. An increase of investment in nature-based solutions is additive to a cycle whereby nature and climate-positive outcomes move closer together, and investors are better able to navigate their way through both issues.”

Andy Howard, Global Head of Sustainable Investment at Schroders, speaking at a launch event will say: “The new analysis published today reinforces our understanding that nature risk is an important driver of investment risk and returns. And that makes measuring and managing risks and opportunities stemming from deforestation, nature loss and land use an important part of our responsibility to our clients. At Schroders, we are working to protect and enhance the value of our clients’ investments, strengthening our understanding of the challenge, developing analyses of companies’ exposures and placing natural capital at the centre of our active engagement blueprint. Meanwhile, we are developing strategies to invest in the opportunity presented by the transition to a nature positive economy, which will require new ways of mobilising capital that benefit the climate, biodiversity and communities around the world.”

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The Report can be [downloaded here](#).

Launch Webinar, hosted by IPR partner Planet Tracker Initiative can be [viewed here](#).

(1)The methodology

The IPR forecast involves the bottom-up forecasting of +300 individual policy levers, covering 15 sectors and 21 major jurisdictions. The forecasts are developed through a rigorous forecasting process involving the surveying of +100 climate policy experts, a bottom-up assessment of current policies and policy plans and trajectories, and an assessment of the individual market conditions within which these policies operate. Forecasts are not optimized to meet a temperature goal or a specific nature or climate outcome, but rather seek to accurately represent the most likely policy pathway.

To ensure forecasting rigour and transparency, IPR has been tracking the policy evolution across all 300 policy levers since 2022. Policies are tracked through scraping of a range of data sources (news, government websites, etc.) and then vetted for materiality and credibility. In order for policy announcements to be considered, they have to be considered an official government policy and plan. In the last 12 months, +90% of credible and material land use policies announced or implemented have been consistent with, or are more ambitious than, the IPR forecast. Forecasts are updated on a continuous basis to reflect the latest policy dynamics and provide financial institutions with an evidence-based insight into the trends underpinning the land use, nature, and energy transition.

(2)Major economies shifting the dial

New announced policies from China, the EU, Brazil and the US highlight a significant shift for major economies currently driving significant land use change, agriculture emissions and biodiversity loss. For example:

- **China:** China plans to tackle emissions from livestock, including to reduce overall emissions intensity will help drive down hard to abate methane emissions. China has also committed to revitalizing 30% of degraded systems by 2030 in a new biodiversity plan, to meet Global Diversity Framework.
- **Brazil:** Brazil announces plan to revive up to 40 million hectares of degraded pastureland within this decade, at an estimated cost of \$120 billion. Brazil is also advancing a bill to establish a cap-and-trade emissions market where offsets for forest restoration could capture 16 GtCO₂ and generate \$320B over 30 years.
- **EU:** The adoption of EUDR requires importers to demonstrate that products are deforestation free before making them available to EU market. EU imports are responsible for an estimated 16% of tropical deforestation.
- **US:** A Forest Act was introduced to the US Senate and House of Representative in November 2023, which aims to prohibit the importation of products linked to illegal deforestation, enforcing greater transparency and accountability in global markets. However, the US legislative process on the Forest Act is still in its early stages, with no guarantee given that it will pass.

(3)Blindspot: the importance of integrating the land and energy systems

Most climate models, such as the IEA, focus only the energy system, creating significant blind spots. For example, bioenergy with carbon capture and storage (BECCS) is the leading negative emission technology in all Paris-aligned scenarios, because of its double gains through energy generation and CO₂ sequestration. But producing high levels of bioenergy to the degree assumed necessary is likely to push the world to its planetary boundaries in terms of water and land availability. Even in some of the less ambitious pathways to Paris (IPCC P4), negative emissions by BECCS exceed 16 GtCO₂/year by mid-century. Yet this is over three times the estimated sustainable scale, when other land use requirements such as food are taken into consideration.

The Inevitable Policy Response provides one of the only climate scenarios to fully integrate the energy and land system.

About Inevitable Policy Response (IPR):

The IPR is a climate transition forecasting consortium that aims to 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 consortium is led by Energy Transition Advisers (ETA) & Theia Finance Labs. Analytical support is provided by Deloitte who is part of a Research Partner Group which includes the Carbon Tracker Initiative, Climate Bonds Initiative & Planet Tracker Initiative.

IPR was commissioned by the Principles for Responsible Investment (PRI) in [2018](#) with the objective of preparing institutional investors for the portfolio risks and opportunities associated with a forecast acceleration of policy responses to climate change.

IPR is funded in part by the Gordon and Betty Moore Foundation through The Finance Hub, which was created to advance sustainable finance and the ClimateWorks Foundation striving to innovate and accelerate climate solutions at scale. In 2024 The Bezos Earth Fund has become the main supporter.