
Gresham House
Specialist investment
Biodiversity
Net Gain Q&A

Introduction: The state of nature today



75% of the Earth's land surface is being significantly altered by our activity[1], with just 3% of terrestrial ecosystems still ecologically intact.[2] Wild populations of mammals, birds, amphibians, reptiles and fish have dropped on average 69% in the last 50 years.[3]

Today, humans are consuming the equivalent of 2.6 Earths in the UK and 5.1 Earths in the US, for example, just to maintain their current way of life, and exceeding the planet's capacity to regenerate.[4] Since 1990, the planet has lost 420mn hectares of forest through deforestation; this is not only harmful for biodiversity, but also contributes between 12-20% of global greenhouse gas emissions.[5,6] The UK in particular is one of the most nature depleted countries, with more than half of its biodiversity lost through human activity since the industrial revolution.[7]

1. IPBES
2. Where Might We Find Ecologically Intact Communities?
3. WWF Living Planet Report
4. Overshoot Print Network
5. Deforestation has slowed down but still remains a concern, new UN report reveals
6. Climate Finance Thematic Briefing: REDD+ Finance
7. State of Nature report

Five main drivers of nature loss[8]











8. TNFD Global



A guide to investing in natural capital

Biodiversity and the global economy

More than half of global GDP, US$58 trillion, is dependent on nature[9]

Nature decline could slow economic growth in the UK leading to a 6%-lower GDP in 2030[10]

Approximately 75% of global food crops rely on animal pollination. The annual estimated global economic value of pollination is now up to US$735 billion[11]

9. Managing nature risks: From understanding to action, 2023, PWC
10. Ranger, Nicola and others, Assessing the materiality of nature-related financial risks for the UK. Green Finance Institute, 2024

11. Assessment Report on Pollinators, Pollination & Food Production 2016, IPBES. Adjusted for inflation;



1 What is Biodiversity Net Gain (BNG)?

BNG is a policy introduced by the Environment Act 2021 that applies to England's built environment sector. It has been mandatory in England for most development since February 2024 and it will apply to Nationally Significant Infrastructure Projects ("NSIPs") from May 2026. To meet planning conditions, new developments must result in at least a 10% net increase in biodiversity relative to the site's pre-development state.

BNG policy is designed to ensure that developments cause no further loss in biodiversity and instead play an active role in restoring biodiversity that's already been lost. To comply with BNG policy, any new habitats created to increase biodiversity must be managed for at least 30 years.

2 What is a Habitat Bank?

A Habitat Bank is an area of land where new habitats - like meadows, woodlands, hedgerows, and ponds - are strategically added and managed for the long term to help improve biodiversity. The goal is to enhance the ecological value of the land and provide a measurable increase in biodiversity.

3 What are the different habitat types?[12]

Broad Habitat Type

















12. Habitat Matters, UK Habitat Classifications, 2022

4 How is biodiversity measured under BNG?

Biodiversity is quantified using the UK Government Department for Environment, Food & Rural Affairs' (Defra) Biodiversity Metric 4.0, developed by Natural England following significant consultation with stakeholders and advisors.

This tool uses habitat as a proxy for biodiversity value based on factors such as:

- **Area**: The size of the habitat
- **Condition**: The quality and ecological health of the habitat
- **Distinctiveness**: The rarity or uniqueness of the habitat type
- **Connectivity**: The degree to which the habitat is linked to other natural areas

Developers must use this metric to both assess the starting biodiversity value of their development site and to demonstrate at least a 10% net gain in biodiversity, either with on-site provision or through creating or buying off-site biodiversity. This establishes a fair and consistent framework by requiring all market participants to use the same tool, standardising how biodiversity losses and gains are measured.

5 What are Biodiversity Net Gain Units?

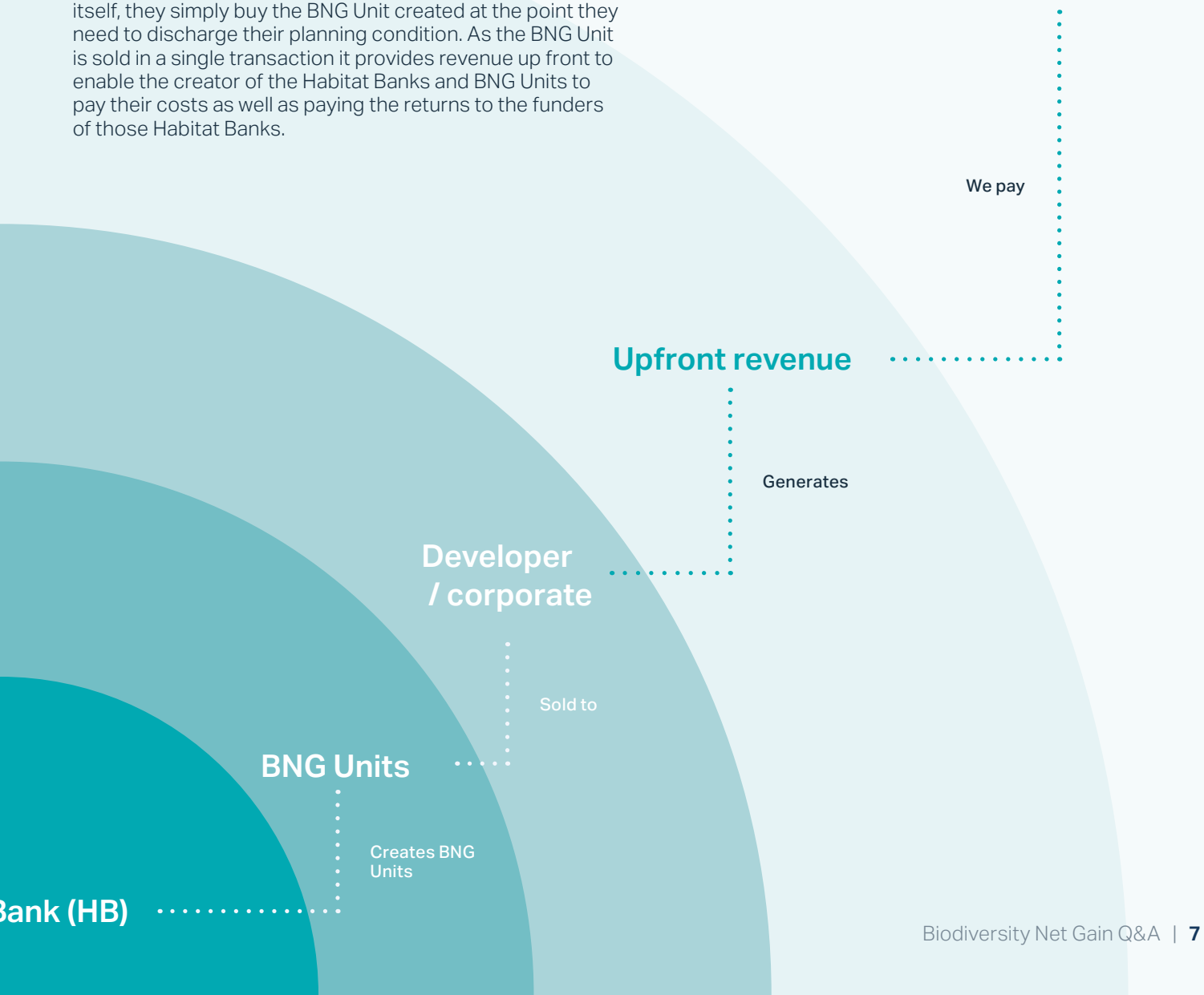
The measurable increase in biodiversity that's achieved by a Habitat Bank can be translated into Biodiversity Units (also known as BNG Units or Biodiversity Net Gain Units). These BNG Units are validated via Defra's biodiversity metric, and they can then be sold to developers who need planning permission or to corporates seeking to mitigate their impact on nature and/or enhance their nature strategies instead of a delivery of biodiversity net gain on the development site.

To meet the BNG planning condition, developers can either attempt 10% biodiversity net gain 'on-site' improvements or purchase 'off-site' Biodiversity Units from dedicated Habitat Banks.

Habitat B

6 How do Biodiversity Net Gain Units work?

The Biodiversity Net Gain Units that are created from the Habitat Banks are sold to developers. Developers do not acquire a property interest in the underlying Habitat Bank itself, they simply buy the BNG Unit created at the point they need to discharge their planning condition. As the BNG Unit is sold in a single transaction it provides revenue up front to enable the creator of the Habitat Banks and BNG Units to pay their costs as well as paying the returns to the funders of those Habitat Banks.



7 Onsite vs Offsite Biodiversity Net Gain delivery

Developers can opt for onsite or offsite delivery to meet BNG requirements. Using offsite Habitat Banks allows for developers to purchase BNG Units without the need to give up large areas of development land for biodiversity, which can represent both an opportunity cost and can also be difficult to manage for 30 years.

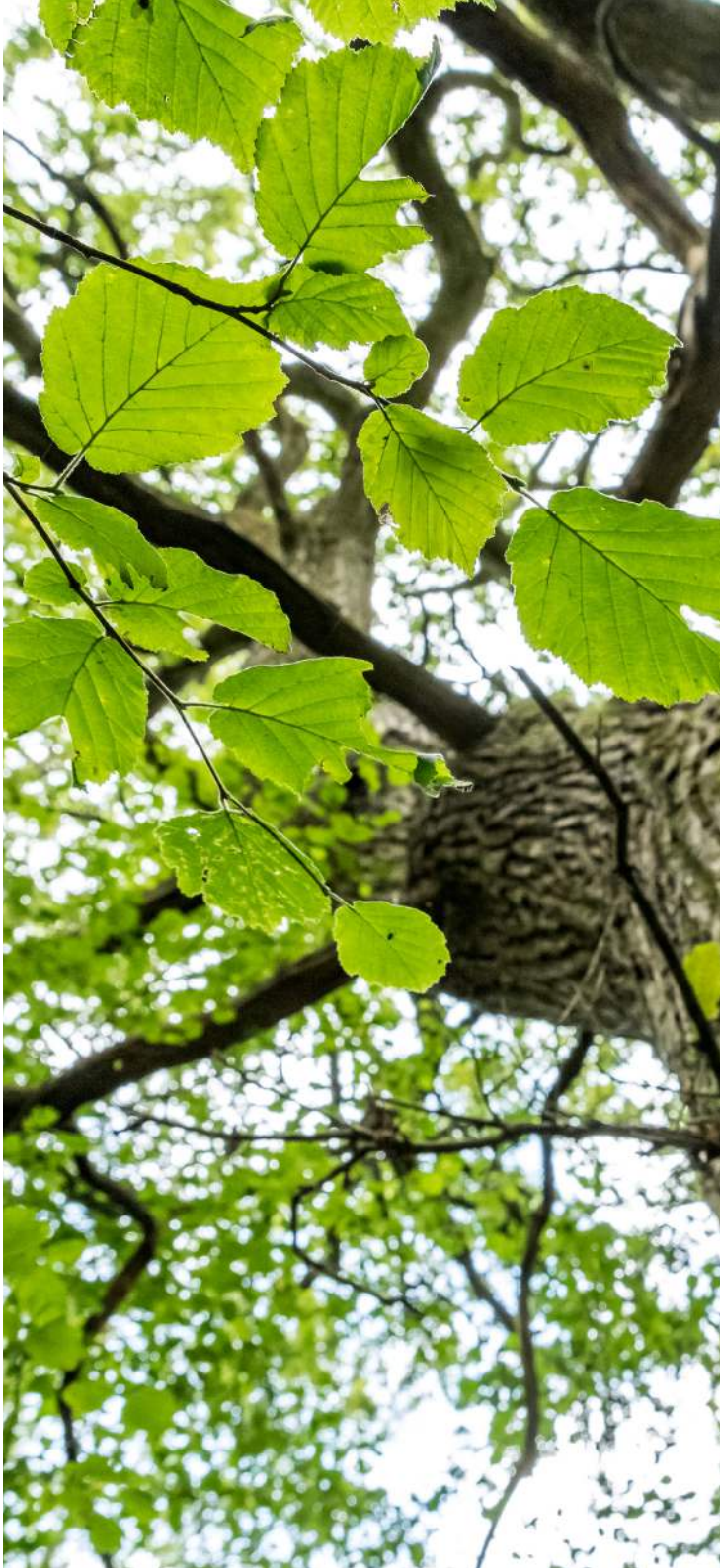
In accordance with Lawton Principles, creating offsite Habitat Banks can offer better benefits for nature, by helping to restore ecosystems, promoting biodiversity on a larger scale and overall enhancing the natural environment.[13]

8 What is Environment Bank?

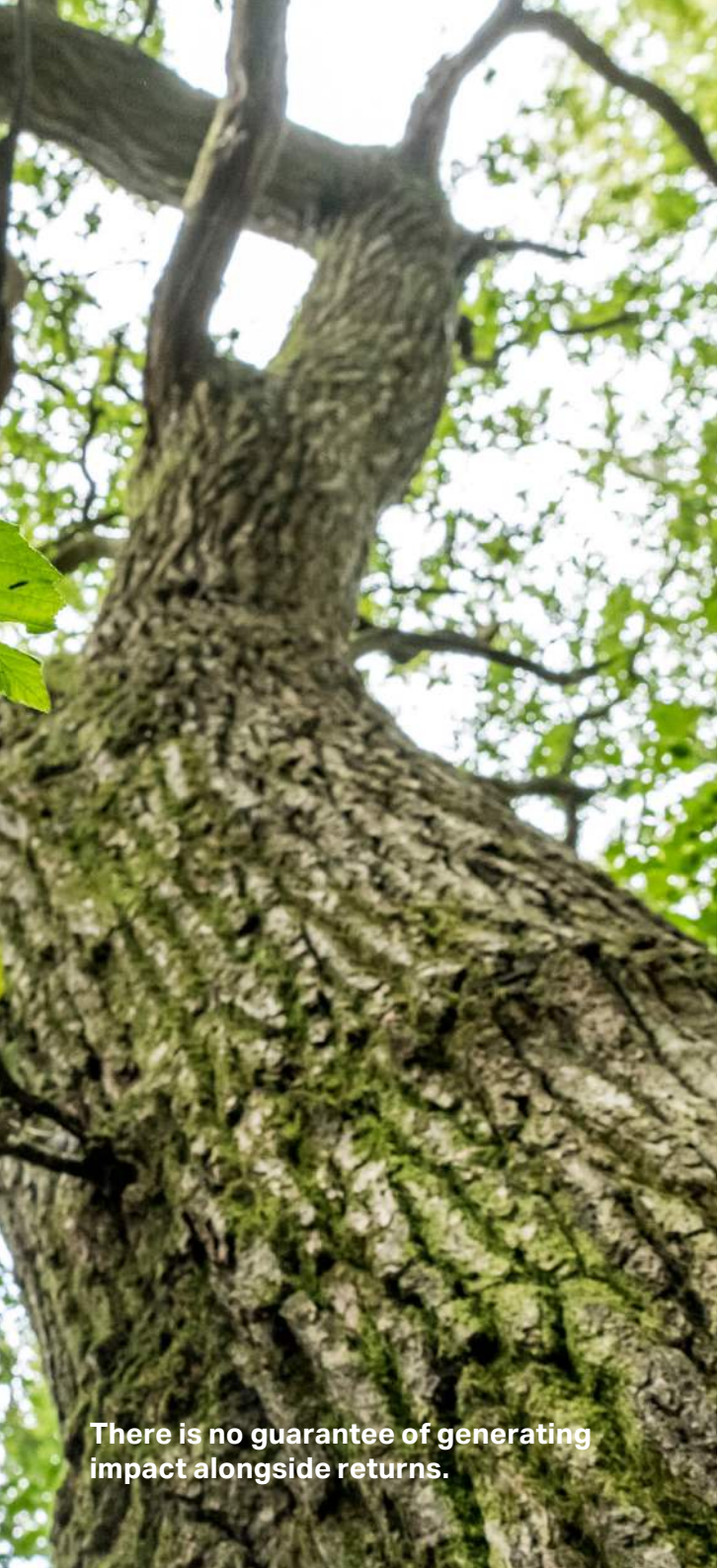
Environment Bank, a Gresham House portfolio company, is the nation's leading off-site BNG specialist[14] dedicated to tackling the critical issue of biodiversity loss and ecosystem collapse.

With a team of over 100 specialists including ecologists, land managers, sales and finance, Environment Bank creates landscape-scale 'Habitat Banks', turning areas of low grade or non-arable farmland into mosaics of woodlands, wetlands, and species-rich grasslands. This fully funded upfront (by Gresham House funds), high-integrity product offers developers an offsite solution that satisfies their BNG requirements, enabling them to get planning permission and outsource the 30-year obligation to manage the biodiversity gain. By creating Habitat Banks upfront, developers can be assured of security and timeliness of supply of BNG Units.

environmentbank.com



13. https://www.woodlandtrust.org.uk/media/43641/the-lawton-review-factsheet.pdf
14. https://bills.parliament.uk/publications/60571/documents/6440



9 What are Compliance and Voluntary markets?

The Environment Act 2021 has catalysed a new compliance-based biodiversity marketplace. Developers are required to deliver a net gain of at least 10% in biodiversity compared to the baseline habitat value of their site. While BNG is mandatory in England, a voluntary market also exists allowing for biodiversity investment by corporates or other organisations that are seeking to mitigate their impact on nature beyond any legal requirement.

10 How does a Biodiversity Net Gain Unit differ from a Nature Share or voluntary biodiversity credit?

Voluntary biodiversity credits or 'Nature Shares' are a means to offer nature-positive impact investment opportunities for corporate buyers seeking measurable, high-impact biodiversity outcomes. Unlike BNG Units which are habitat-based, Nature Shares or voluntary biodiversity are species- and outcome-based (in line with the Wallacea Trust method). Environment Bank defines a Nature Share as $1m^2$ of a secured nature recovery project.

11 What are the benefits of investing in biodiversity strategies?

- A **distinctive returns potential approach** providing early-mover advantage in emerging nature markets
- Direct exposure to **nature-based infrastructure**, through restoring natural ecosystems that deliver resilience and ecosystem services
- Increased **portfolio diversification**, offering exposure to emerging markets and low-correlation assets
- Impact outcome opportunity, such as aligning with the Taskforce on Nature-related Financial Disclosures (TNFD) objectives, the United Nations' Sustainable Development Goals (SDGs) and Net Zero pathways



Biodiversity Creation Case study: Environment Bank

The introduction of mandatory biodiversity net gain for planning permissions in England in February 2024, has created a catalyst for biodiversity as an investment class.

The Gresham House team first started developing this concept in 2020, co-founding the **Environment Bank** and creating the strategy, legal structures and team to create BNG as a new asset class. With this early support, the Environment Bank has now set about creating a market leading network of Habitat Banks across England in all high potential development areas.

These Habitat Banks are 25 to 500+ hectare sites where habitats such as wildflower meadows, wetlands or woodland scrub are created and will serve both this new biodiversity credit compliance market and the emerging voluntary markets which is being catalysed by businesses wanting to take action to transition to a nature-positive world.

Case studies: Emberton Habitat Bank, Milton Keyes



Environment Bank has established a 38-hectare site near Milton Keynes. Wood Farm seeks to convert the existing working farm and family-run campsite from low-yield arable farmland to a series of other habitats including neutral grassland, lowland meadow, hedgerows, and dense scrub, that will form a Habitat Bank to enable developers to meet their off-site BNG requirements.

The habitats created at Wood Farm will connect existing ancient woodland and local wildlife sites within the surrounding area.

Target habitats on the farm include lowland meadows, other neutral grassland, mixed scrub and native-species-rich-hedgerows. These habitats have been identified in collaboration with the landowner, considering the area's wider landscape character and the site's environmental condition.

It is expected the project will see a dramatic increase in soil quality, helping to rebuild the ecosystem services on the site, locking up water and carbon and helping to provide improved air and water quality locally. The habitats proposed on-site have the potential to attract species native to the area not currently present, such as nightingale, garden warbler and turtle dove.[15]

environmentbank.com/case-studies/emberton-habitat-bank/

15. Targets may or may not be achieved

14 What is the biodiversity finance gap?

Just $64 billion was invested in nature-based solutions in 2022[16]. Global investment in nature needs to increase to at least $700 billion a year to adequately address the climate, biodiversity and land degradation crises, this circa $7 trillion requirement is known as the biodiversity finance gap.[17] Closing the biodiversity finance gap is crucial for our societies and economies future prosperity. According to the EU Comission, for every €1 invested in nature restoration, up to €38 of economic benefits are delivered through ecosystem services that support food security, human health and well-being, and climate mitigation and adaptation.[18]

16. State of Finance for Nature 2024
17. UNEP, Nature-based Solutions, 2022
18. EU Commission, 2022



For every €1 invested in nature restoration, it generates up to €38 in economic benefits from enhanced ecosystem services.[18]



15 Can you invest in biodiversity today?

In the last five years, a combination of regulation and voluntary frameworks have created tailwinds for delivering biodiversity as a new nature market commanding economic returns. The introduction of mandatory biodiversity net gain for planning permissions in England from February 2024, has created a catalyst for biodiversity as an investment class with biodiversity credits now sold in compliance and voluntary markets.

16 Why invest with Gresham House?

At Gresham House, we believe that with the right strategy and the right manager, the potential for both social and financial returns can be achieved. Indeed, when implemented well, we believe the potential for attractive financial returns is secured because of the impact.

Gresham House have a 30+ year track record of investing in natural capital forestry. Our dedicated Sustainable Infrastructure team is highly experienced and has raised and invested c.£1bn since 2019 across 12 infrastructure platform investments within our three flagship 'BSIF' strategies and their five co-investment strategies.

Building on this success, further deployment will leverage these platform investments, and we have an extensive (£2bn+) controlled pipeline for our latest strategy, BSIF III.

All our investments are required to deliver a positive social and/or environmental impact and are aligned with the UN Sustainable Development Goals (SDGs). Vitally, they must also deliver strong risk-adjusted financial returns for our investors.

We offer local co-investment opportunities for LPs either via a side car or on a deal-by-deal basis.

There is no guarantee of generating impact alongside returns.

Key terms

Biodiversity

The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

Biodiversity credit

Biodiversity credits are a verifiable, quantifiable and tradeable financial instrument that rewards positive nature and biodiversity outcomes in voluntary markets (e.g. species, ecosystems and natural habitats) through the creation and sale of either land or ocean-based biodiversity credits over a fixed period.

Biodiversity Financing Gap

The difference between how much is currently spent and how much is needed annually in the next ten years to protect the most important biodiversity and the services it provides.

Biodiversity metric

A biodiversity accounting tool created by DEFRA (Department for Environment, Food & Rural Affairs) that uses changes in the extent and quality of habitats as a proxy for nature and compares the habitat found on a site before and after development as a measure of Biodiversity Net Gain.

Biodiversity Net Gain (BNG)

An approach to development, land and marine management that leaves biodiversity in a measurably better state than before a development took place.

Taskforce on Nature-related Financial Disclosures (TNFD)

A set of disclosure recommendations and guidance that encourage and enable businesses to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.

Sustainable Development Goals (SDGs)

Are a set of 17 goals adopted by the United Nations aiming to achieve a better and more sustainable future for all by 2030.



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