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# Building a Nature- and Climate-Positive Economy

Recommendations for Budget 2023

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## List of Recommendations

- RECOMMENDATION 1:** Announce an Indigenous nature protection and stewardship fund, capitalized at levels equal to or above the nature-based solutions and biodiversity components within the Government of Canada's international climate finance commitment.
- RECOMMENDATION 2:** Develop a national biodiversity finance plan detailing the suite of measures and mechanisms Canada will use to increase financial resources and reorient existing financial flows to support the implementation of its National Biodiversity Action Plan. This should include blended finance and debt instruments, tax and subsidy reform, and expanding existing strategic spending and policy reviews to include nature and biodiversity considerations.
- RECOMMENDATION 3:** Commit \$600 million over five years, followed by \$120 million per year ongoing, towards research aimed at quantifying economic, environmental, and social benefits of beneficial agricultural management practices, and to train, coordinate and deploy 1,000 new extension service agents.

In December 2022, Canada hosted the 15th Conference of the Parties (COP15) to the United Nations Convention on Biological Diversity (CBD) on behalf of the conference's Chinese presidency. Although two years overdue, COP15 landed a historic agreement to protect nature — the [Kunming-Montreal Global Biodiversity Framework \(KMGBF\)](#).

During the conference, Canada's Minister of Environment and Climate Change committed to working with rights-holders and stakeholders to develop a national biodiversity action plan,<sup>1</sup> including measures to align financial flows with the KMGBF, and to introduce legislation to ensure accountability towards Canada's biodiversity targets.<sup>2</sup> These targets include:

1. Protecting 25% of lands and waters in Canada by 2025, and 30% by 2030, in a way that recognizes and upholds Indigenous rights and title.<sup>3</sup>
2. Identifying, reforming, and phasing out nature-negative incentives and subsidies.<sup>4</sup>
3. Increasing and mobilizing finance from all sources for the implementation of national biodiversity strategies and action plans.<sup>5</sup>
4. Take legal, administrative or policy measures to encourage and enable business — in particular, large and transnational companies and financial institutions — to regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity.<sup>6</sup>

With just seven years to avoid serious and irreversible tipping points for the environment, this submission offers three recommendations for Finance Canada's consideration as it prepares to announce the Government of Canada's 2023 budget. These are centred on the most powerful investments for achieving Canada's nature targets, while simultaneously advancing federal mandates on climate change, Indigenous reconciliation, and agricultural productivity and competitiveness.

## Investments in Indigenous leadership towards 30x30

### Indigenous-led conservation must go hand-in-hand with broader reconciliation efforts to drive progress towards 25x25 and 30x30.

As of December 2021, 13.5% of Canada's national terrestrial area, and 13.9% of marine areas were under some form of [protection](#). These figures must be more than doubled to meet Canada's 2030 target. With over [40%](#) of lands and waters subject to Indigenous title, the achievement of Canada's conservation targets requires a new approach for supporting Indigenous communities' articulation, implementation, and stewardship of land and water use visions and plans over time.

The Prime Minister's announcement of \$800 million for four Indigenous-led conservation initiatives recognizes the potential of innovative financing, such as the Project Finance for Permanence funding model, for simultaneously supporting Indigenous land- and water-use visions and advancing reconciliation. This must now be expanded to ensure that all Indigenous communities and project proponents can count on predictable and flexible funding to advance their land- and water-use visions, in line with the recommendation of the [Indigenous Circle of Experts](#) for "a more streamlined, predictable and flexible funding model."<sup>7</sup> Properly designed and implemented, an Indigenous nature protection and stewardship fund can underpin efforts to leverage financial contributions from philanthropic sources and other levels of government, while supporting sustainable economic development and job creation (see Box 1), and delivering on the United Nations Declaration on The Rights of Indigenous Peoples.<sup>8</sup>

**RECOMMENDATION 1:** Announce an Indigenous nature protection and stewardship fund, capitalized at levels equal to or above the nature-based solutions and biodiversity components within the Government of Canada's international climate finance commitment.<sup>9</sup>

**Box 1: Financing Indigenous-Led Conservation at Scale  
Spotlight on Project Finance for Permanence (PFP)**

First developed in the 2008 Great Bear Rainforest Agreements, the Project Finance for Permanence (PFP) model is a proven tool for financing large-scale conservation projects over time. By anticipating and accounting for long-term financing needs before the implementation of conservation projects, PFPs provide for equitable and integrated Indigenous-managed finance and long-term funding for conservation, stewardship, and sustainable local economic development.

Under the Great Bear Rainforest Agreement, Canada and British Columbia each contributed \$30 million, with philanthropic partners providing a \$60-million match. (Nature United's global affiliate was single largest private funder, contributing \$39 million.) The initial \$120 million raised from philanthropic and public sources has been leveraged threefold, with \$361 million invested to date.

These funds have supported the delivery of large-scale conservation and cultural revitalization alongside sustainable economic development and diversification. Between 2008 and 2022, **Coast Funds** delivered \$109.2 million towards 439 stewardship and economic development projects. Through these investments, First Nations in this region have:

- Created 1,253 new, permanent jobs and invested \$63.5 million in local salaries.
- Conducted 389 research and habitat restoration projects, benefitting 75 different species.
- Launched, acquired, and expanded 123 businesses, in sectors ranging from ecotourism to sustainable energy.
- Established 18 regional monitoring and Guardian Watchmen programs, which operate across more than 7 million hectares of land and marine territory.
- Generated \$8-10 million annually in carbon credits.

Inspired by these results, PFPs have become the conservation financing model of choice in six countries worldwide, as well as four other large-scale Indigenous-led PFP projects in Canada.

**Reorient public spending and decision-making toward nature-positive outcomes**

**Better deployment of existing funds, and smarter policy and investment choices, can shift the flow of capital away from harmful behaviors and toward outcomes that benefit nature.**

Current spending on practices that degrade nature results in trillion of dollars in hidden costs.<sup>10</sup> These costs far outstrip the approximately US\$120-140 billion spent each year on repairing nature.<sup>11</sup> Subsidy and tax reform, budgeting and policymaking, and green financial products must be deployed as part of a coordinated effort to reorient capital flows of public capital and catalyze new nature-positive economic opportunities."

A national biodiversity finance plan is needed to guide Canada's efforts to increase the level of financial resources from all sources to support progress in line with the KMGBF and forthcoming National Biodiversity Action Plan.<sup>12</sup> The plan should build on growing Canadian and international experience and successes with biodiversity bonds, tax measures, impact funds, sector-specific supports, payments for ecosystem services, offset mechanisms, and climate-related financial disclosures<sup>13</sup> to mobilize new finance. Noting that the single biggest opportunity for catalyzing a nature-positive economy lies in redirecting harmful subsidies<sup>14</sup> the plan should also seek to phase-out and redirect nature-negative public spending. Building on and expanding the Climate Lens announced in Budget 2021 and the Strategic Policy Review announced in Budget 2022,<sup>15</sup> a nature-lens spending review could ensure public resources are directed towards nature-positive outcomes. Finally, the Integrated Climate Lens<sup>16</sup> should be expanded to

include assessments of the potential impacts of federal policy and decision-making on nature, and made part of the **Impacts Reports** included in Federal Budgets.

**RECOMMENDATION 2:** Develop a national biodiversity finance plan detailing the suite of measures and mechanisms Canada will use to increase financial resources and reorient existing financial flows to support the implementation of its National Biodiversity Action Plan. This should include blended finance and debt instruments, tax and subsidy reform, and expanding existing strategic spending and policy reviews to include nature and biodiversity considerations.

## Stimulate economic opportunities through nature-positive agriculture

**Enabling policies, data and research, and innovative financing and risk management mechanisms, can accelerate and scale the business case for Natural Climate Solutions to drive nature- and climate-positivity across key productive sectors.**

Canada's agriculture sector — which currently produces just over 10% of Canada's national greenhouse gas emissions — also represents a key lever for reaching Canada's emissions reduction targets. **Peer-reviewed science** led by Nature United shows the potential of readily available and affordable agricultural climate<sup>17</sup> solutions to deliver 37.4 Mt CO<sub>2</sub>e/yr in mitigation impacts - almost three times as much mitigation potential as is currently being targeted under Canada's Emissions Reduction Plan.<sup>18</sup> With some **USD\$19.5 billion** recently invested in conservation farming initiatives in the United States of America through the Inflation Reduction Act, the Partnerships for Climate-Smart Commodities program, and the Nature-Based Solutions Roadmap, investments are urgently needed to meet growing demand, maintain the competitive edge of Canada's agriculture and agri-food sector, and drive progress towards Canada's nature and climate targets.

Reducing emissions and improving environmental indicators in the agriculture sector relies on farmers and ranchers changing beneficial management practices, yet they are burdened by small profit margins and high financial risks of testing new practices. With just seven growing seasons to reach 2030 targets for climate and nature, Budget 2023 represents a critical opportunity to accelerate progress under the **2023-28 Sustainable Canadian Agricultural Partnership**, and to set the stage for AAFC's Sustainable Agriculture Strategy Sustainable Agricultural Strategy, through programs that de-risk adoption of beneficial practices and facilitate knowledge transfer through trusted advisors and extension services.

Scaling and accelerating uptake of sustainable agricultural practices requires a bold and coordinated, data-driven approach centred on the opportunities available to farmers through the value chains in which they operate. To have the confidence to select and adopt practices that are best suited to their operations, farmers need regional- and national-level evidence and research on the environmental impacts and economic viability of various sustainable agricultural practices. Finally, farmers need access to trusted advisors that can help identify and implement climate- and nature-positive practices that are best suited for their operations. Extension agents that are informed and experienced with beneficial management practices, and equipped to provide evidence-based, non-biased advice through public, private, peer-to-peer and hybrid models, are critical partners to farmers aiming to balance climate, biodiversity, productivity, and overall sustainability goals.

**RECOMMENDATION 3:** Commit \$600 million over five years, followed by \$120 million per year ongoing, towards research aimed at quantifying the economic, environmental, and social benefits of beneficial agricultural management practices, and to train, coordinate and deploy 1,000 new extension service agents.

## About Nature United

Nature United was founded as a Canadian charity in 2014, building on decades of conservation in Canada. Headquartered in Toronto, the organization has field staff located across the country. Nature United supports Indigenous leadership, sustainable economic development, and science and large-scale conservation, primarily in the Great Bear Rainforest, Clayoquot Sound, the Northwest Territories, and northern Manitoba. Our organization is also working to accelerate Natural Climate Solutions at national and regional scales. To learn more, visit [natureunited.ca](https://natureunited.ca)

We are the Canadian affiliate of The Nature Conservancy, a global conservation organization with more than a million members and a diverse team that includes more than 400 scientists. Our global organization works in 76 countries—either directly or through partnerships—to conserve the lands and waters on which all life depends. To learn more, visit [nature.org](https://nature.org)

**Contact:** Shaughn McArthur, Associate Director of Government Relations, [shaughn.mcarthur@natureunited.ca](mailto:shaughn.mcarthur@natureunited.ca)

1 The principal planning and reporting instruments under the UN CBD are: National Biodiversity Strategic Action Plans (NBSAP) and National Reports (NR). [Canada's last NBSAP](#) was published in 1995 and its [last NR](#) was submitted in 2018.

2 Nature United [welcomed](#) the announcement, which had been one of our key asks going into COP15, and had been the focus of [ENGO advocacy](#) in Canada over several years.

3 Target 3 of the [Kunming-Montreal Global Biodiversity Framework](#) requires governments to “Ensure and enable that by 2030 at least 30 per cent of terrestrial, inland water, and of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem functions and services, are effectively conserved and managed through ecologically representative, well-connected and equitably governed systems of protected areas and other effective area-based conservation measures, recognizing indigenous and traditional territories, where applicable, and integrated into wider landscapes, seascapes and the ocean, while ensuring that any sustainable use, where appropriate in such areas, is fully consistent with conservation outcomes, recognizing and respecting the rights of indigenous peoples and local communities, including over their traditional territories.” 4 Under Target 18 of the [Kunming-Montreal Global Biodiversity Framework](#), signatories commit to, “Identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them by at least 500 billion United States dollars per year by 2030, starting with the most harmful incentives, and scale up positive incentives for the conservation and sustainable use of biodiversity.” This target is complemented by several other agreements to which Canada is a signatory. The [G7 2030 Nature Compact](#) (June 2021) acknowledges “the harmful effect of some subsidies on the environment and the need to reform policies with recognised negative impacts on nature and governments’ commitment to “lead by example by reviewing relevant domestic policies as soon as possible, according to national circumstances, and take action as appropriate to develop replacements that are nature positive”; signatories to the [Leaders’ Pledge for Nature](#) (September 2020) committed to “eliminating or repurposing subsidies and other incentives that are harmful to nature, biodiversity and climate while increasing significantly the incentives with positive or neutral impact for biodiversity across all productive sectors.”

5 Target 20 of the [Kunming-Montreal Global Biodiversity Framework](#) commits countries to, “Substantially and progressively increase the level of financial resources from all sources, in an effective, timely and easily accessible manner, including domestic, international, public and private resources, in accordance with Article 20 of the Convention, to implement national biodiversity strategies and action plans, by 2030 mobilizing at least 200 billion United States dollars per year, including by[...] (b) Significantly increasing domestic resource mobilization, facilitated by the preparation and implementation of national biodiversity finance plans or similar instruments according to national needs, priorities and circumstances; (c) Leveraging private finance, promoting blended finance, implementing strategies for raising new and additional resources, and encouraging the private sector to invest in biodiversity, including through impact funds and other instruments; (d) Stimulating innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, benefit-sharing mechanisms, with environmental and social safeguards (e) Optimizing co-benefits and synergies of finance targeting the biodiversity and climate crises, (f) Enhancing the role of collective actions, including by indigenous peoples and local communities, Mother Earth centric actions and non-market-based approaches including community based natural resource management and civil society cooperation and solidarity aimed at the conservation of biodiversity (g) Enhancing the effectiveness, efficiency and transparency of resource provision and use.”

6 Target 15 of the [Kunming-Montreal Global Biodiversity Framework](#) commits countries to “Take legal, administrative or policy measures to encourage and enable business, and in particular to ensure that large and transnational companies and financial institutions: (a) Regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains and portfolios; (b) Provide information needed to consumers to promote sustainable consumption patterns; (c) Report on compliance with access and benefit-sharing regulations and measures, as applicable; in order to progressively reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions, and promote actions to ensure sustainable patterns of production.”

7 Indigenous Circle of Experts, “[We Rise Together: Achieving Pathway to Canada Target 1 through the creation of Indigenous Protected and Conserved Areas in the spirit and practice of reconciliation.](#)” pg 51.

8 Article 26 of the [United Nations Declaration on the Rights of Indigenous Peoples](#) (UNDRIP) states that “(1) Indigenous peoples have the right to the lands, territories and resources which they have traditionally owned, occupied or otherwise used or acquired. (2) Indigenous peoples have the right to own, use, develop and control the lands, territories and resources that they possess by reason of traditional ownership or other traditional occupation or use, as well as those which they have otherwise acquired. (3) States shall give legal recognition and protection to these lands, territories and resources. Such recognition shall be conducted with due respect to the customs, traditions and land tenure systems of the indigenous people concerned.” Canada’s 2021 [United Nations Declaration on the Rights of Indigenous Peoples Act](#) affirms the application on UNDRIP in Canadian law, and provides for its implementation.

9 In 2021, Canada committed \$5.3 billion over 5 years in international climate finance, with 20% allocated to projects that leverage nature-based climate solutions and projects that contribute biodiversity co-benefits. Additional pledges to support developing countries’ conservation efforts were announced at COP15.

10 Nature. 2019. [Counting the hidden \\$12-trillion cost of a broken food system.](#)

11 Deutz, A. et al. 2020. [Financing Nature: Closing the global biodiversity financing gap.](#) The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability.

12 Target 20 of the Kunming-Montreal Global Biodiversity Framework commits countries to, “Substantially and progressively increase the level of financial resources from all sources, in an effective, timely and easily accessible manner, including domestic, international, public and private resources, in accordance with Article 20 of the Convention, to implement national biodiversity strategies and action plans, by 2030 mobilizing at least 200 billion United States dollars per year, including by[...] (b) Significantly increasing domestic resource mobilization, facilitated by the preparation and implementation of national biodiversity finance plans or similar instruments according to national needs, priorities and circumstances; (c) Leveraging private finance, promoting blended finance, implementing strategies for raising new and additional resources, and encouraging the private sector to invest in biodiversity, including through impact funds and other instruments; (d) Stimulating innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, benefit-sharing mechanisms, with environmental and social safeguards (e) Optimizing co-benefits and synergies of finance targeting the biodiversity and climate crises, (f) Enhancing the role of collective actions, including by indigenous peoples and local communities, Mother Earth centric actions and non-market-based approaches including community based natural resource management and civil society cooperation and solidarity aimed at the conservation of biodiversity (g) Enhancing the effectiveness, efficiency and transparency of resource provision and use.”

13 In Budget 2021, the Government of Canada noted its intention to join the Task Force on Nature-related Financial Disclosure. 14 Deutz, A. et al. 2020.

15 Budget 2021 proposed e \$36.2 million over five years, starting in 2021-22, to Environment and Climate Change Canada to develop and apply a climate lens that ensures climate considerations are integrated throughout federal government decision-making. This includes resources to increase economic and emissions modelling capacity. In Budget 2022, the government announced the launch of a comprehensive Strategic Policy Review to assess program effectiveness in meeting the government’s key priorities of strengthening economic growth, inclusiveness, and fighting climate change.

16 The Government of Canada’s 2020 Strengthened Climate Plan committed to creating a “climate lens” as an assessment tool for all major government decisions, including memoranda to cabinet, Treasury Board submissions, and the budget. This commitment was the focus of a [\\$36.2 million, five-year commitment](#) to ECCC in budget 2021, and re-confirmed in the [2030 Emissions Reduction Plan](#). For a more detailed discussion, see: [Climate Governance in Canada](#) (pembina.org)

17 These include readily-available, and scalable solutions like nutrient management, tree and legume intercropping, and reduced tillage. For more, see: [Natural Climate Solutions | Nature United](#)

18 This stands in contrast to the 13 Mt CO<sub>2</sub>e/yr targeted under Canada’s Emissions Reduction Plan, where measures such as limiting the use of fertilizers and employing nature-based climate solutions are accounted for under the “LULUCF, nature-based climate solutions and agriculture measures” sector category. See: [Greenhouse gas emissions projections \(canada.ca\)](#)