

Green Finance

SE Asia nature financing needs to accelerate, tap opportunities

Issue not just environmental, but financial, as ecosystem decline increasingly relevant to portfolios

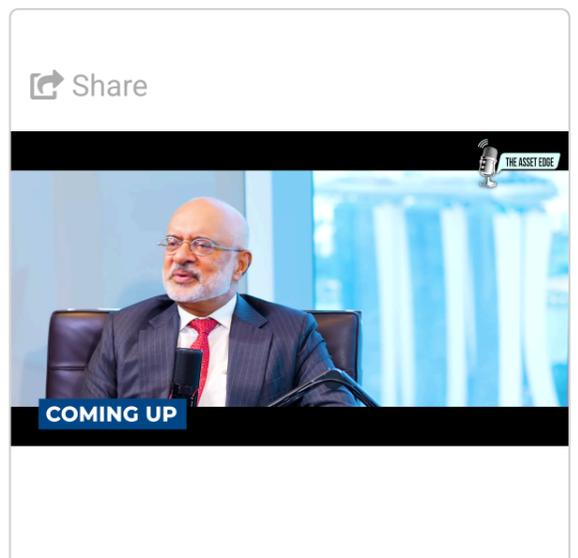
Tom King 28 Apr 2025

Southeast Asian financial institutions should adopt a proactive stance to integrating nature into finance as nature loss and ecosystem decline are increasingly tangible and relevant to economies and portfolios, according to a recent report.

Nature is no longer just an environmental issue, it is also a financial one, finds the Financing Our Natural Capital report, the inaugural paper from the natural capital and biodiversity (NCB) workstream of the Singapore Sustainable Finance Association (SSFA), an industry body established by the Monetary Authority of Singapore, along with the city-state's financial industry, in January 2024.

Southeast Asia, where 60% of GDP relies directly or indirectly on nature, the report details, faces significant vulnerability from deforestation, biodiversity loss and water degradation. At the same time, the nature transition – the shift toward protecting and restoring ecosystems – could unlock, the report adds, up to US\$4.3 trillion in business opportunities across Asia by 2030.

Financial institutions, the report urges, should move swiftly as, beyond the moral imperative, the degradation of natural capital introduces tangible risks to financial assets – from physical disruptions (like crop failures and droughts) to transition risks tied to emerging policies, such as the Kunming-Montreal Global Biodiversity Framework.



“Natural capital risks and opportunities are gaining more attention in the economy and from investors,” notes Valerie Lau, the SSFA NCB workstream’s co-lead and UBS’ Asia-Pacific sustainability and impact lead. “Financial institutions can play a role in this space by offering innovative solutions to meet client needs.”

Structured approach

An eight-step roadmap for institutions seeking to integrate nature into business decisions is outlined in the report, beginning with governance and internal organization, followed by materiality assessments to prioritize high-risk sectors and geographies.

Key sectors flagged include agriculture, mining, manufacturing and real estate – industries that are central to Southeast Asian economies and their development but deeply entangled with or in conflict with nature.

By overlaying sectoral exposure with geographic ecosystem integrity (for example, the degraded soils of Vietnam or water stress in Thailand), financial institutions, the report points out, can build targeted risk and opportunity maps.

Opportunities

The narrow framing of nature finance as niche or purely philanthropic is challenged in the report, which highlights a wide array of viable business opportunities, including green building development, regenerative agriculture, sustainable supply chains and water resource management.

“Understanding and managing nature-related risks, while leveraging existing climate infrastructure, allows us to develop innovative products and services that support nature-positive initiatives,” says Eric Nietsch, the SSFA NCB workstream’s co-lead and Manulife Investment Management’s Asia head of sustainable investing. “This approach not only addresses the urgent need for protecting and restoring nature, but also unlocks significant business opportunities. By collaborating with policymakers and real economy players, we can create a sustainable finance ecosystem that benefits both nature and the economy.”

Challenges

However, the path to scaling nature financing is not without significant hurdles. Key challenges identified in the report include data gaps, limited standardization of nature-related disclosures, the early stage of biodiversity credit markets, and the need for sector-specific regulatory clarity.

Stronger collaboration between financial institutions, policymakers and corporates is needed, according to the report, to build common standards, develop robust risk metrics and drive more effective capital flows into nature-based solutions.

Notably, institutions, the SSFA states, can and should leverage their existing climate finance infrastructure to fast-track nature integration. The climate-nature interconnection provides a natural bridge with forests, oceans and soil carbon sinks critical to achieving climate goals, and protecting them serves both agendas.

Ultimately, financial institutions, the report urges, should adopt a proactive stance. By embedding nature into internal processes, financing nature-positive transitions and engaging with regulators and clients, financial institutions have the opportunity to lead the next major wave of sustainable finance, while safeguarding their own long-term resilience, future-proofing portfolios and empowering durable economic growth in Southeast Asia.