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working world

COP15: Key takeaways

A new deal for nature

EY experts attending COP15 in Montreal examine the key takeaways from the Kunming-Montreal Global Biodiversity Framework. Read on for insights from the conference and what it means for your business.

Introduction

It's a sign of the shift and integration of the value of sustainability into our lives and global economy, that we closed 2022 with high-profile international summits and agreements on climate change and biodiversity. There are high expectations for commitments to move to action, with implications for the CSO, and C-suite more broadly.

Just before the end of year holidays, COP15 closed, with the adoption of the Kunming-Montreal Global Biodiversity Framework. 195 nations agreed long-term goals and 23 action-oriented targets to be delivered by 2030 in an agreement billed as nature's Paris Agreement. It triples the commitments to conservation made in 2010, making it the largest commitment to ocean and land conservation in history, and includes:

- ▶ A commitment to protect and restore 30% of the world's land and sea by 2030 – so called 30 x 30, and action to halt human-induced extinction of threatened species
- ▶ A target to “**progressively close**” the \$700b finance gap through a mix of subsidy reform and reduction (targeting \$500b PA to 2030), and the mobilization of \$20b per annum from 2025 and \$30b from 2030 from developed to developing nations
- ▶ A private sector target to “**regularly monitor, assess and transparently disclose risks, dependencies and impacts on biodiversity**”, including in the supply chain
- ▶ Increased consumer engagement on biodiversity, including on sustainable consumption



A new approach to nature

The agreement was met with optimism, and it is clear there will be no turning back from the profile COP15 has brought to action for nature for all of society. As with Paris 2015, and the Aichi Targets, success can only be judged on delivery, not just ambition, and there was concern over detail yet to be hammered out, finance to appear, or implementation plans yet to be agreed.

Overall, if successful, the potential implications of the framework require society and business to think differently about their impacts and reliance on nature. The new Kunming-Montreal Global Biodiversity Framework has the potential to translate into transformative goals and targets, unlocking shared benefits for communities, restoring large areas, tackling pollution and harmful subsidies.

There was also concern about the watered-down nature of some text “[urging](#)” rather than mandating action, and implementation fears linger with the failure of the Aichi Targets in the last decade.

This was the first Biodiversity COP with significant business and finance engagement. All targets in the prior 2010 agreement were missed and there was criticism of the lack of involvement and engagement with wider stakeholders. Therefore, COP15 needed to ensure that all of society, from civil society groups, indigenous people, local communities, to government were engaged. In some plenaries however, indigenous and community voices including scientists were notably absent. While the involvement of business and finance was commented on, like at COP27, there was recognition that COP15’s intent for “whole of society” intent engagement will require everyone around the table.

That recognition is critical because the pressure is already on. As per a report by the World Economic Forum, [over half of global GDP is moderately or highly dependent on nature and its services and one million](#) plan and animal species are facing extinction, many within decades. It is also clear there is a direct connection between nature loss and climate change. For example, [11%](#) of greenhouse gas emissions globally are caused by deforestation, and one-quarter of the carbon necessary to limit global warming to 1.5°C can be stored in protected and restored natural ecosystems (WBCSD).

The policy (and political) landscape

As we’ve found with the COP process for climate change, ambition alone is not enough. The delivery of 30x30, \$200b of financing, and subsidy reform will rely on national level legislation and action. With targets to phase to halve and reverse biodiversity losses by 2030 including reducing subsidies that harm biodiversity, companies will need to be ready to engage with new or enhanced regulatory and legislative proposals and responses within 24 months. The new Kunming-Montreal Framework requires a distinct policy response to the Paris Agreement, to ensure effective focus, progress and investment. Although with updated NDCs expected for the global stocktake in 2023, some integration with climate action policy agenda is likely.

The US were not party to the framework, but did send an observer, Monica Medina, who said the US were still “[making contributions.](#)” The US and Australian [governments](#) announced a new pact to work together to develop a national account for biodiversity value which they believe could become a model for other countries, integrating “natural capital” into business decisions. Nature lacks the common metric that frames climate change ambitions – CO2e – making work to define baselines and measures for nature-based services and assets an important step.

The US’s role reflects a reality for companies operating there too. Over time we could see a pincer movement that will urge companies to invest and act, even before sufficient national policy exists to direct or mandate it. Expect an increased confluence of consumer behavior, pressure on transparency, subsidy reform, reporting standards, multi-national regulations, and international supply chain evolution that will drive company engagement, across all jurisdictions.

The loss of biodiversity, including species and habit loss, is a fundamental risk to the functioning of our societies and businesses. Securing sustainable approaches to healthy ecosystems – water, air, plants, animals, insects as examples – is about the quality and health of people’s lives, not just economic growth. Nature is critical to meeting the [Sustainable Development Goals](#) and limiting global warming to 1.5°C. As the UN say aptly describe the interconnection between nature and climate change – “there’s no green without blue.”



Indigenous people and benefit sharing

One of the recognized failures of the previous biodiversity agreement, was the lack of recognition of the rights of indigenous people and communities, and the whole of society approach in negotiations. Indigenous people protect 80% of the world's remaining [biodiversity](#). It was a high-profile theme throughout COP15 events, and the final agreement acknowledges the important roles and contributions of indigenous peoples and local communities as custodians of biodiversity. It creates a clear and public signal of role of local communities, and the profile of the equitable sharing of benefits from nature, including digital sequencing, at community, country, and company level.

It also extends the challenge of transparency, reporting and collaboration in the supply chain. Consumers don't recognise suppliers' responsibilities. Reputational benefit and blame will rest with the brand for due diligence on the impact of their operations, no matter who is involved. For sectors heavily reliant on natural resources, including food, agriculture, consumer goods, construction and pharmaceuticals, the conversation is more urgent, and in some cases, has already begun. Compliance with existing rules or norms is not sufficient. There are many examples of countries where national legislation has not protected indigenous people or biodiversity. The takeaway from COP15 is that businesses need to extend collaboration and conversation up and down the value chain, with an inclusive dialogue taking inputs from communities, NGOs, science and policy.

Subsidy reform could take different shapes

The agreement includes a goal to eliminate, phase out or reform at least \$500b PA of incentives and subsidies harmful to biodiversity by 2030, which could post a significant transition risk to companies reliant on subsidies and resources in their supply chain, including in the mining, property and pharmaceutical sectors. Nearly \$2t [annually](#) is invested in subsidies connected to biodiversity loss, and it's likely to be a contentious area for industry and regional lobbying, NGO and public activism. It's worth noting that subsidy reform can also be shaped by incentives to shape and extend R&D, creating new markets. The US Inflation Reduction Act is a case in point – providing incentives, and tax credits for investment in green energy and technology.

Finance

COP15 needed to close a gap of \$700b a year in biodiversity financing – with a goal of tripling the amount of international finance by 2030. Financing was a controversial element of the discussions, provoking walk outs by South African and some Global South developing nations, and wider concern about the profile of the finance sector on the sidelines.

The agreement pledges \$200b annually to global biodiversity, with developed economies contributing at least \$20b a year from 2025, and \$30b a year by 2030. The definition of funding is broad, including domestic spending including on parks and agriculture, philanthropy, private capital. The rest of the \$700b is expected to be made up in targeting subsidy cuts. Leveraging private finance was explicitly referenced in Target 19, promoting impact funds and hybrid financing.

Research from the [UNDP and IIED](#) backed "biodiversity credits" to boost conservation finance, creating units of biodiversity that could be measured, traced and traded to channel finance to local communities. There are though concerns about biocredits, similar to the greenwashing/washing framing of carbon offsetting, whereby companies pay to offset without changing their behavior or impact. Companies should be cautious. Companies need to ensure transparency on their commitments and actions, with clear links to integrated strategies for managing and reducing their impact on the environment strategies for managing and reducing their impact on the environment.

COP16: An invite to CSO+1?

This was the first time business has been so visible at the biodiversity conference with an estimate of 1400 business and NGO organizations registered. In many ways that reflects a shift, or inflection point, whereby business is understanding more about nature and its impact, and the Convention's recognition that a "whole of society" approach needs business and finance, even on the sidelines.

Unlike the world leader and CEO visibility at COP27, CSOs were the main players at COP15, and there was no world leader gathering. We expect that to radically change at COP16 in 2024 in Turkey. To do that will require CSOs to build awareness and the case for action. It's a whole organization engagement to understand and integrate the issues into the sustainability strategy for major companies.



Consumers: Engaging the common denominator

It's encouraging to see the agreement's Targets 15 and 16 explicitly reference the role of sustainable consumption, ensuring people are encouraged and enabled to make sustainable choices. Food waste, overconsumption and a substantial reduction in waste generation are all aspects that will inform policy and regulatory moves. These are supply chain and market opportunities for business to sell differently and more efficiently, particularly in targeting more sustainable approaches to packaging, recycling, transportation and product promotion. EU proposals released in late November could be a sign of things to come. If enacted, all [EU member states](#) will be required to reduce packaging waste by 5% per capital by 2030, and 15% by 2040 from a 2018 baseline, adding to existing recycling targets.

Reporting is "urged" not mandated

COP15 agreed Target 15 will "encourage and enable" business reporting but fell short of the Business for Nature led call to "make it mandatory" supported by over 500 businesses, including EY. Despite this, the message is clear. Companies need to start now to understand their value chain, impacts and dependencies, working through how they can measure, manage and report on their nature impacts, and also need to engage consumers on more sustainable behaviours. Leading companies are already engaged – 130 organizations are involved in the piloting of the TNFD's beta framework, with the full framework due in September 2023.

Integration of nature with the climate and wider sustainability agenda means it's not an either/or discussion. CDP's water and forest disclosure programs are long established, with CDP recently warning that the bar for what qualifies as environmental leadership will continue to rise in their benchmark assessment of companies' action on climate change because, "there is no route to 1.5C without nature". The ISSB announced plans to extend [their Climate Related Disclosures Standard](#) work to include natural ecosystems and a just transition. Reflecting the wider need for business to engage with specialist expertise on nature, the ISSB is working with indigenous communities and science specialists in the work's development.

Act now: there is no way back

As always with COP agreements, the implementation is what matters, not just the ambition. The legacy of COP15 may not just be the goals and targets of the Kunming-Montreal Framework, but the perception in the public's mind that nature, climate and human rights are inextricably linked for a just transition.

Climate is often perceived as the hub from which the other spokes emerge, but actually, climate is dependent on nature. The global agreement, with the 30 x 30 ambition at its core recentres nature at the heart of transforming and recentring the economy, and in doing that we will unpack the issues of an equitable and just economic transition. With the wide-ranging potential for policy, consumer and regulatory change on the road ahead resulting from the framework, 2023 will be the year we see biodiversity in the boardroom and not before time.

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