Unlocking High-Impact Nature Investments

Water Strategies

WORKSHOP REPORT 3

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MERCER A MARSH BUSINESS | LANDSCAPE FINANCE LAB | AtkinsRéalis

A blueprint for water, nature finance and investment

The central challenge is no longer awareness. It is the mobilisation and structuring of capital at the scale required to stabilise the natural systems upon which economic prosperity depends.

In the third iteration of the investor roundtables hosted by Mercer and the Landscape Finance Lab, in collaboration with AtkinsRéalis, 19 leaders examined the essential elements of a blueprint for financing water and nature initiatives.

Participants evaluated mechanisms and incentives to encourage participation, and determined priority actions for 2030. This report captures their conclusions.

"We already have the solutions and technologies, now we need to focus on integrating elements to actively address the problems. "

- Zoe Metcalfe, Intelligent Health.

Executive Summary

Water risk and biodiversity loss are converging into a systemic threat to economic stability, social cohesion, and financial markets.

Water underpins food production, energy generation, industrial output, public health, AI and ecosystem resilience. Over half of global GDP (USD 58 trillion) is moderately or highly dependent on nature and ecosystem services (1). Yet freshwater species populations have declined by 83% on average since 1970 (2), and landscape restoration requires an additional $232 billion annually to meet global targets (3).

Public budgets cannot close this gap alone. But the investment case is real: this report presents three projects, across a farm in East Anglia, a catchment in the Cotswolds, and a city in Moldova, that together demonstrate a 30% reduction in flood risk, a £750 million value proposition from riparian restoration, and €8 million in annual natural capital value from urban drainage investment.

Water resilience requires integrated investment across two levels: property and landscape. Action at farm level alone cannot address flood and drought risk at scale. Aggregating investment across catchments generates natural sponges, storing water in soil, trees and wetlands, filtering for quality, and managing flow timing. Much of our linear infrastructure sits alongside rivers and canals, making it directly exposed to climate-driven water risk. Without landscape-level intervention, these assets face degradation, stranding, or operational failure, directly impacting returns and eroding community resilience

This lens transforms how we understand water finance, shifting from grey infrastructure solutions toward working with nature's own systems.

1. World Economic Forum, 2023: https://www.weforum.org/stories/2025/10/biodiversity-everyone-business
2. WWF, Deep Dive Water, 2020: https://wwf.panda.org/wwf_news/?804991/84-collapse-in-Freshwater-species-populations-since-1970
3. Data from: The UNEP State of Finance for Nature – Restoration Finance Report (2024) shows that global restoration finance needs to quadruple from US$64 billion (2022) to US$296 billion per year by 2030 to meet global restoration targets.

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Water finance in action

Three projects spotlighted investable opportunities across individual farms to catchments to cities. Showcasing existing solutions and the multifunctionality of water infrastructure when we work with natural systems rather than against them. A 30% flood risk reduction in East Anglia, a £750 million value proposition in the Cotswolds, and €8 million in annual natural capital value in Moldova.

Farm Sponge Reservoir - Scale Strategy

Location: Spains Hall Estate, East Anglia, UK

Presented by: Archie Ruggles-Brise, Great Yellow and AtkinsRéalis (avec l'accent aigu)

"If you want environmental resilience, invest in soil, it gives the most impact per pound invested"

- Archie Ruggles-Brise

Valuation

Total value: £24-25 million
Ecosystem environmental value: £15-20 million

Results

- 30% reduction in flood risk achieved
- Soil provides 10x more storage than other solutions when managed properly

Challenge

Water as a limiting factor with both too much (flooding) and too little (drought). Models exist for drought or flood separately, but not for integrating both ends of the hydrological cycle.

Approach

Whole farm reservoir approach mapping eight different water stores:

- Water in tree canopies and vegetation
- Soil moisture across different soil types
- Groundwater accessed through roots
- Surface water features (ponds, wetlands)
- Leaky dams and natural flood management
- Beaver activity (nature-based solutions)
- Traditional farm reservoirs
- Riparian buffers and floodplains

Scale Strategy

The project team worked with AtkinsRéalis (avec l'accent aigu) to model pricing for investors. Starting small to prove the concept, then scaling across larger geographic areas to reach investment thresholds.

North East Cotswold Farmer Cluster (NECFC)

Location: Cotswolds, UK Evenlode Catchment, 40,000 hectare area

Presented by: Tim Coates, North East Cotswold Farmer Cluster (NECFC)

*"**Focus on long-term value, not just cost. The return is there, value is far greater"***
- Tim Coates

Investment

- Total need: £75 million
- Government contribution: £20 million
- Investment gap: £55 million

Returns

Value of improvements on 3,000 ha: £750 million.

Potential 12% return over 10 years
Investable proposition can achieve double Internal Rate of Return (IRR) with government underwriting.

Challenge

One-in-ten-year flood events now occur annually.
Major disruption to Network Rail's Cotswold train lines.
19 Thames Water assets in area; only one meets required standards.

Solution

Restoration of riparian habitats across 3,000 hectares.
Part of the UK Landscape Recovery scheme, with 55 projects under development.
Interaction with Sustainable Soils Catchment Network (SSCN)

Revenue model

- 20 contracts secured within 12 months
- Focused on asset owners (like Network Rail) who benefit from risk reduction
- Payments from private developers separate from asset owners
- Selling risk reduction to asset owners, biodiversity credits on other side

Strategy

Aggregate across geography to build stacked revenue models.
Aligns with Natural England strategy around nature recovery, health, and sustainability.

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Chisinau Urban Water Resilience

Location: Chisinau, Moldova
EBRD operates across Eastern Europe, Central Asia, Northern and Sub-Saharan Africa, promoting market-oriented economies, investing in private and public sectors to support sustainable development.

Presented by: Hiro Ito and Marshall Geck, European Bank for Reconstruction and Development EBRD

EBRD's Natural Capital Valuation Approach

EBRD has developed a natural capital valuation approach focused on making the natural capital value of projects that invest in nature visible in financial terms ($ and €) using a standard framework. The premise: if you show benefits in monetary terms, you'll get greater uptake and interest from the finance sector. Example use case included a pilot as part of the Green City Action Plan in Bursa, Turkey where a river buffer zone with green space, wetlands, and urban forests was proposed. It was calculated as offering €8.08 million in net annual natural capital value.

2019: Project initiated with municipality
2022: EBRD loan approved for implementation

Challenge

Limited and inconsistent data on flood damage.
Conflicting organisational priorities (biodiversity vs. water resilience).

Sustainable Urban Drainage Systems (SuDS) implementation complexities.

Solution

River expansion to reduce heavy rain overflow
Sustainable urban drainage solutions (SuDS)
Addition of amenities and social spaces for community benefit

Financing

- Total project cost: €20 million
- EBRD loan: €8 million, EIB loan: €8 million
- Green Climate Fund grant: €4 million

Co-benefits

Increased property values near improved waterways
New business opportunities
Enhanced community recreation spaces

Returns

Translated into financial terms using EBRD's natural capital valuation framework, the comparable Bursa pilot demonstrated €8 million in net annual natural capital value, illustrating the scale of return that urban water resilience projects can generate when benefits are properly monetised.

Barriers and solutions

The projects showcased in this report prove that investable propositions exist. Roundtable participants identified five interconnected barriers preventing capital from flowing at the scale required, and proposed solutions for each.

Strong evidence base

Robust, credible evidence is fundamental to build investor confidence and guide investment decisions.

Effective communication of these is equally important and must be tailored to diverse audiences: high-level summaries or scorecards can engage non-technical stakeholders, while detailed, transparent data should be accessible for expert analysis.

Although no system is perfect, it is essential to demonstrate tangible success by measuring the right indicators. Those that accurately capture environmental, social, and financial impacts.

UK examples from UKWIR and the Water Industry Forum were cited as sources of case studies, evidence and data.

Innovative Market Models

Getting private investors involved requires new business models that recognise broader benefits beyond profit, for example, sustainability scoring systems (ESG points systems) that help companies attract further funding .

Agreeing on how to value water benefits (valuation frameworks) and requiring clear, consistent reporting will build confidence among investors.

A further barrier is the lack of investment-ready project bundles large enough to interest major institutional investors. High transaction costs, small project sizes, and disjointed governance make it hard to pool water investments at the scale investors require. Solving this is fundamentally a coordination challenge that requires dedicated capacity at the regional level to aggregate projects and present them at institutional scale.

Finally, public funding needs to stay flexible, ready to fill gaps and adapt as circumstances change, so that water finance programmes can remain robust and fit for purpose. This should be in the form of early deployment that creates the conditions for private investment to follow.

Governance at the right scale

Governance structures must be aligned with natural water systems, operating at the catchment level rather than conforming to existing market boundaries. This alignment fosters innovation and integrated management approaches that reflect the true scale of water challenges.

Policy frameworks should provide clear guidance that encourage sustainable practices while building broad consensus around delivering low-cost, high-impact solutions.

Build confidence for investors on returns

Despite the growing recognition of water finance's importance, investors often perceive it as requiring disproportionate effort relative to financial returns.

The sector's complexity and siloed working practices create coordination challenges among the many stakeholders involved. High capital costs exacerbate perceived risks, reducing the attractiveness of water-related investments and limiting potential impact. Presenting investors with bundled, evidence-backed propositions at catchment scale, rather than isolated projects, can shift the risk-return calculation.

Better communicate benefits and revenue models

Many water projects lack clear and sustainable revenue models, contributing to uncertainty and reluctance among investors. To overcome these challenges, de-risking measures are essential. Examples include insurance products tailored to water finance that can mitigate risks and demonstrate project viability.

Given the experimental nature of many nature-based solutions, which may not succeed on initial attempts, ongoing de-risking strategies are critical to maintaining investor interest and commitment. Communication strategies must be carefully designed to resonate with different audiences. Emphasising the tangible benefits for people and communities, while avoiding overwhelming stakeholders with technical complexities, will help build broader support and understanding.

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Mechanisms and incentives to encourage participation and scale impact

Water finance mechanisms should remain agnostic in their structure, serving as accelerators that facilitate progress without prescribing specific financial instruments. This flexibility does not, however, preclude a clear directional preference: investment should flow toward nature-based solutions over grey infrastructure, where evidence consistently shows greater long-term value per pound deployed.

Monitoring and evaluation frameworks must be simple, transparent, and accessible to ensure clear measurement of outcomes and accountability.

Ecosystem service payments to land managers should blend compliance-based and results-based elements, incentivising effective stewardship and supporting farmers to take the risk of changing practices.

In parallel, we must influence regulators to measure the right interventions, and drive the appropriate solutions that deliver impact and de-risking outcomes. For example, bringing together the regulatory landscape across, rail, road, energy grids and water to measure nature based solutions as an additional element to civil engineering.

Public subsidies should be strategically aligned to **support pricing and volume stability**, reinforcing market confidence and encouraging sustained investment.

Effective **catchment coordination is vital,** requiring collaboration among diverse stakeholders to manage water and nature resources holistically. Building alliances that represent all parties involved in addressing nature decline strengthens collective action and resource sharing.

Coordinated funding and planning efforts at catchment scale, supported by holistic scenario planning, is necessary to move beyond business-as-usual approaches.

The **principle of subsidiarity** (that decisions should be made at the most local effective level) highlights the need for **investment in regional catchment system operators**. These roles can bridge governance levels from national, regional, and local, translating policy into actionable resource management at the appropriate scale. This system-level coordination addresses shortcomings in current planning frameworks that focus too narrowly on site-by-site regulation.

Incorporating the pricing of externalities is critical to shifting behaviors toward sustainability. The Lough Neagh project was cited as a good example on how pricing negative environmental impacts can encourage nature-positive agriculture. These externalities, liabilities and cost of inaction need to be added to balance sheets.

Finally, **bioregional financing facilities (place-based investment vehicles that bundle conservation projects within a defined geography) offer a promising mechanism** to enhance the integrity and value of conservation efforts by generating higher-value biodiversity credits, thereby supporting credible and effective environmental outcomes.

Priority actions

1 **Integrate top-down policy leadership with grassroots engagement.** Both are needed for success especially when translating policy into actionable resource management at a local scale. Regional scale allows convergence around cooperation and multifunctionality.

2 **Fund regional catchment system operators.** These roles can help regional systems operate in a joined-up way.

3 **Build alliances through successful examples.** The water finance sector faces a classic first-mover problem: institutional investors require proof of concept before committing capital, but generating that proof requires someone to invest first. The three case studies in this report each demonstrate that investable propositions exist at different scales and geographies. The task now is to build alliances around such examples, connecting asset owners who benefit from risk reduction, land managers who can deliver it, and investors seeking returns, to overcome budget fragmentation and competing organisational priorities.

4 **Communicate the urgency and economic risks of inaction to motivate investment and reform.** Currently there's insufficient consequence to inaction, which allows the status quo to persist. This needs to be communicated more strongly.

5 **High integrity and transparency is essential.** Communicating verifiable high integrity in water projects is essential to attract investors and maintain trust.

6 **Shift investment from grey infrastructure to nature-based solutions.** A shift is needed to allow water companies to invest in nature and not just grey infrastructure. The evidence base for this is growing, and regulatory frameworks need to catch up to enable water companies to deploy capital accordingly.

7 **Reform policies to price environmental externalities and incentivise sustainable practices.** Current policies can inadvertently create the conditions for environmental and economic failure. Pricing externalities into agriculture and land use decisions is essential to avoid system collapse and redirect incentives toward sustainable practice.

8 **Adopt a holistic landscape based approach.** Integrating land, ecosystems, and infrastructure. Regulation hasn't caught up with intensified agriculture and other land uses, therefore a holistic approach is necessary to tackle nature challenges at a systems level.

9 **De-risking mechanism.** Expand blended finance structures with first-loss capital, guarantees, and outcome-based payments to align risk-return profiles with institutional investor mandates.

Outcomes and next steps

Water is now recognised as a systemic financial risk that demands integrated investment approaches and governance at the catchment scale. Building investor confidence relies on robust evidence, harmonised standards, clear communication, and supportive policy frameworks. **Viewing farms and landscapes as natural sponges provides a lens to rethink water finance.** It emphasises aligning investments with the natural functions of ecosystems, storing water in trees, soil, and wetlands; filtering it through natural processes; and releasing it gradually to prevent both drought and flooding.

Three case studies demonstrated this principle across three levels: Spains Hall Estate showed that soil can store 10x more water than traditional solutions; the Evenlode catchment demonstrates how to turn riparian restoration into a £750 million value proposition; EBRD's urban projects create €8 million in annual natural capital value. The message is clear: existing solutions need better integration and to be coordinated at catchment scale.

Looking ahead to 2030, priority actions should focus on combining strong policy leadership with inclusive stakeholder engagement, fostering regional collaboration, shifting investment toward nature-based solutions, aggregating these by landscape, pricing environmental externalities, and updating regulatory frameworks to accelerate sustainable water finance and nature recovery.

This report is the beginning of a conversation. The Landscape Finance Lab and Mercer invite collaborations with investors, asset owners, and policy actors ready to develop a shared blueprint for water finance.

Resources

BIOFIN

Bioregional Financing Facilities

UK Water Industry Research (UKWIR) – extensive case examples and evidence base

Water Industry Forum – successful case examples

Natural England – strategy around nature recovery, health, and sustainability

25 Natural Flood Management projects – £15 million in initial investment providing evidence base

Citation

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