



Why Isn't Canada a Global Leader in Nature Investment?

To scale investment in nature in Canada several characteristics unique to the country must be considered.

Authored by the Nature Investment Hub team. Nature Investment Hub publications do not necessarily reflect the views of Hub partners or funders.



Canada is home to twenty percent of the world's freshwater, some of the largest remaining tracts of connected intact forest, and globally significant soil carbon stores. Beyond the physical environment — compared to other natural resource-rich regions of the world — Canada's relative political and economic stability is attractive to investors.

Conserving expansive landscapes has global implications for both climate and biodiversity. Supporting communities that steward and sustainably manage nature supports reconciliation, cultural heritage, and enhances resilience. Failing to protect nature and account for the benefits generated by healthy ecosystems puts economic prosperity for communities, regions, and businesses at risk.

With clear opportunities to conserve, restore and sustainably manage nature, increasing interest in nature-based climate solutions from governments and the private sector, and a growing understanding of the need to curb and reverse biodiversity loss, why have we not seen more investment in nature flowing into Canada?

From Sea to Sea to Sea

Part of the investment challenge for nature is attributed to the novelty, data gaps, and transaction costs as outlined in more detail in the [Why is Nature Different Explainer](#). In Canada, there are further local considerations that mean many international examples are not easily adapted to the Canadian context. A few considerations that require understanding from investors and those developing projects are:

Distribution of Public and Private Lands

Canada's land ownership structure differs significantly from other countries, including the United States, the source of many conservation finance examples. While the majority of land in the U.S. is privately owned (approximately sixty percent), in Canada, the opposite is true. Close to ninety percent of Canada's land is designated as public or "Crown land" with more than forty percent overseen by the federal government, primarily in the Yukon, Northwest Territories, and Nunavut, and forty-two percent overseen by provincial governments.

Crown land imposes constraints on land use decisions and management, limiting the applicability of certain conservation finance strategies. It is generally not possible, for example, for private-sector actors to own nature-based projects in perpetuity. This is usually desirable for investors to assure permanence and to attribute the impact to their actions alone. The inability to buy and sell crown land also limits the use of a common large-scale nature investment tool — investment funds — where the land itself is the underpinning asset that provides returns to investors once sold. For example, The Conservation Fund in the U.S. buys properties outright or provides bridge funding to purchase vulnerable lands, often selling them to public entities for permanent protection and to generate revenue.

Land trusts and conservation easements are other instruments that increase the extent of conserved landscapes, yet they can only be applied to privately owned lands with the associated tax incentives benefitting the landholders. While these strategies are being implemented on private lands in Canada, their potential to be scaled is constrained by the predominant public land base in the country.

Jurisdictional Complexity – Indigenous, Federal, Territorial, and Provincial Governance of Natural Resources

Natural resource governance is spread across several jurisdictions in Canada, and there are many outstanding disputes over rights and title across the country. Federal conservation targets and commitments are difficult to impose upon provinces that have the jurisdiction to make natural resource land-use decisions. Disputes are present within and between Indigenous and Crown governments regarding land-use decisions for conservation and resource extraction.

Furthermore, complications arise with nature-based credits and offsets, primarily due to the lack of clear regulations governing the sale of ecosystem services from crown lands. This issue becomes particularly evident in the voluntary and regulated carbon markets. With the exception of British Columbia, which has implemented the Atmospheric Benefit Sharing Policy (though currently under review), there is a lack of well-defined mechanisms for selling offsets and credits from public lands. This limits the options available to communities who are seeking to sustain local economies with conservation-oriented activities.

The Challenge of "Additionality" on Intact Landscapes

Nature-based carbon offsets and credits are generated by demonstrating the investment results in *additional* environmental benefits when compared to business as usual. In other words, the carbon sequestered must be in addition to what would have occurred in the absence of the project, usually through reforestation, carbon-storing management practices, or avoided deforestation of forests that would otherwise have been harvested. This design

principle is important to ensure real impact is taking place, but fails to account for the tremendous benefit that comes from conserving and sustainably managing landscapes *before* they have been degraded or are directly under threat.

Much of the current motivation for private investment in nature is driven by commitments to net-zero or net-positive climate and nature goals, alongside emerging nature disclosure requirements like the *Task Force for Nature-Related Financial Disclosures*. These reporting requirements are causing private companies to assess their impact on nature, and investigate how conservation and restoration activities can improve their operations, financial performance, and achieve their Environmental, Social and Governance objectives. With both commitments and disclosures accounting for and articulating the impact of their actions is critical.

There is a missed opportunity in not having financial instruments to incentivize investments in Canada's vast forests and northern landscapes that are not threatened by deforestation and other specific development plans. There is a clear environmental benefit that comes from conserving intact landscapes and globally significant carbon sinks, and it is far less expensive to maintain an existing ecosystem than to attempt to restore one at a later stage.

Significant Data Gaps and Access Challenges

The availability of reliable ecological data is a major barrier to conducting credible analyses of the ecological impact of particular interventions. While significant annual investments are made to track a variety of ecological data such as longitudinal biodiversity data (e.g., wildlife habitat) by organizations like the Alberta Biodiversity Monitoring Institute, conservation status ranking of plants and animals by Manitoba Conservation Data Centre, and species-at-risk data in Saskatchewan through the HABI-Sask (Hunting, Angling and Biodiversity Information of Saskatchewan) portal, several challenges persist. These data are (a) mostly not available for open access, (b) not compiled in a central repository, and (c) insufficient for conservation finance project developers to aid their decision-making process. Moreover, Canadian federal government data tends to be offline, and even if available, may be out of date.

If the data is not accessible or relevant to the region in question, or is not presented in a way that is relevant to project developers and investors, this can lead to costly data collection at the project's outset to even understand whether it is feasible to apply conservation finance instruments, potentially delaying or even halting projects before they start.

Lack of Intermediaries

Scaling up projects and investments rapidly requires the presence of an ecosystem of intermediaries. In the case of carbon offset projects, a network of peripheral actors and organizations such as auditors, rating agencies, and standards and accreditation bodies is necessary to ensure credibility and quality, thus guaranteeing buyers are getting what they are paying for.

In more mature markets like in the U.S. several companies offer investment solutions for conservation finance. These organizations undertake due diligence, feasibility and assessment studies, risk accounting, and communicate metrics that are meaningful to their audience. Developing an intermediary market requires the right kind of support, but also

hinges on a clear business opportunity that quality investment projects provide. In Canada, without these intermediaries, it is difficult to increase the number of projects, which in turn makes the market opportunity unclear to entrepreneurs. Intermediaries naturally emerge in response to opportunity, and thus there is a critical role for governments to directly support the development of a project pipeline, attract private capital, and create enabling conditions and institutions.

Great Potential, but Needs a Boost

All of the challenges presented can be addressed, but they require coordination and funding support to create a viable investment environment. There is a clear role for direct financial contributions and policy changes to signal the direction of public financing and by doing so incentivize investment. Likewise there is a need for investors to understand constraints as well as potential opportunities for innovation to support the proliferation of impactful projects.

The Nature Investment Hub is driving a fivefold increase in investments in nature in Canada, to realize environmental, social, and economic benefits locally and nationally. This collaboration between public, private, philanthropic, and Indigenous leaders champions a new conservation finance agenda for Canada. The Nature Investment Hub is a Solution Space of The Natural Step Canada in partnership with the Smart Prosperity Institute, whose shared vision is a strong and inclusive economy that thrives within nature's limits.