

A Letter from the Managing Partner and Group CIO on the Investment Case for Nature

In recent years, in addition to increased global cooperation on climate issues, there have been significant and welcome advancements in the dialogue on the threats and solutions to Nature and the Earth's biosphere. I am proud that NextEnergy Group promoted this dialogue and has been pioneering solutions through our biodiversity initiatives since 2014.

The UN Biodiversity COP15 made it clear that the global economy depends on a stable climate and ecosystem services: 55% of global GDP, equivalent to an estimated USD 58 trillion annually, is moderately to highly dependent on Nature¹. Nature is also critical to securing the health and wellbeing of people and planet. Yet, it is still too often viewed as a resource to exploit rather than an asset to protect and enhance. And its critical role is not yet properly valued in traditional economic models, where most ecosystems are attributed a value equal to zero, or even less. Indeed, the UN Environmental Program flags that the USD 7 trillion public incentives granted globally on a yearly basis to industrial activities that harm Nature represent the total negative value attributed to the Natural Capital assets harmed by those initiatives². Conversely, the comparable global investments in Nature-positive activities are only USD 200 billion.

A more comprehensive and structured approach to valuing climate and Nature risks and opportunities is necessary if we are to achieve the goals and targets of the Kunming-Montreal Global Biodiversity Framework. The prosperity of our economies and societies is contingent on it. At NextEnergy Group, we envision a future where every individual and business activity

acts to halt and reverse Nature loss. Financial market participants are a critical part of this ecosystem because they can contribute to correctly valuing Natural Capital and aligning financial flows with Nature. In a properly structured and functioning carbon and biodiversity credit system, investors can deploy capital in Nature conservation and restoration projects that generate sustainable economic returns, linked to the essential ecosystem services they provide.

“As a responsible developer, investor and asset manager, NextEnergy Group is taking proactive steps and actively collaborating with our stakeholders to realise this vision as early as possible”.

Our core business activities focus on solar PV and ancillary technologies, such as energy storage, and thus primarily contribute to climate change mitigation. However, the physical sites where these assets are located also present opportunities to restore and increase biodiversity and natural ecosystems. These synergies with biodiversity must be leveraged by financial institutions to direct greater financial flows into Natural Capital whilst promoting an impact investment model that respects the mitigation hierarchy (i.e., avoid, reduce, restore and only then offset). At NextEnergy Group, we intrinsically link Nature to everything we do. We are fortunate to have attracted forward-thinking and sustainability-conscious investors in our ESG funds who support this vision, and we intend to fulfil our solar focused investment mandate in a way that maximises positive impacts on Nature.

Our assets are generating evidence on how solar farms can improve the local environment and support Nature. We have developed our own programme of Biodiversity Management Plans as a scalable approach to increase the



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Natural Capital value of NESF's assets. The programme builds on evidence-led and science-based Nature-positive initiatives to establish best practice. We are also demonstrating that multifunctional land use is a viable and essential solution to bring together clean energy generation with agricultural activity, thus strengthening both food and energy security. This arrangement can be combined with Nature and biodiversity restoration measures, resulting in a triple positive impact. Starlight is developing an agrivoltaics project, Land of the Sun, which combines an 86.6MWp utility-scale solar asset with modern, sustainable agriculture in Italy. In the UK, we have scaled grazing across our solar sites, and are progressing a pilot project to trial inter-row planting of crops on an asset in Somerset. We are advancing our learning and investments in regenerative agriculture practices to deliver even greater positive impacts on the "agri" side of agrivoltaics.

NextSTEP and NextEnergy Foundation are progressing initiatives tangentially to the Group's Focus on renewable energy generation. We are improving soil nutrient content whilst capturing and storing CO2 through NextSTEP's investment in a groundbreaking startup that transforms agricultural waste into solid biofuels and biochar. Next Step is also sponsoring an innovative acceleration programme for regenerative agriculture startups. NextEnergy Foundation has

been enabling climate and Nature-positive outcomes in the Lombardy Region of Italy since 2022 under the BioClima programme, in partnership with the public local authority. The programme is the first of its kind globally, empowering citizens, businesses and public entities alike to restore and protect ecosystems in accordance with the highest forestry management standards, and all interventions are certified by the Forest Stewardship Council® (FSC-N001935).

We are conscious that more needs to be done for all economic actors globally to systematically reconsider their business models and genuinely promote positive impacts on Natural Capital. However, I trust that our new Group Sustainability Strategy and supporting Nature Plan will allow us to focus on this vision; strengthen NextEnergy Group to work towards being a Nature-positive business; and, inspire and lead our investors and other stakeholders to do the same. I have no doubt that our proactive and creative mindsets place us in a strong position to identify, test and promote scalable solutions to halt and reverse Nature loss, and to lead the solar and sustainable investment industries to do the same. Our people and prosperity demand nothing less of us.

¹PwC (2023), *Managing Nature risks: From understanding to action*

²UN Environmental Program (2023), *State of Finance for Nature Report 2023: The Big Nature Turnaround. Repurposing \$7trillion to combat Nature loss Finance*

