

Expert group sets out how to scale private finance for natural flood management to boost resilience to the number one natural hazard in the UK

The Green Finance Institute sets out practical recommendations and a standardised approach to enable the flow of capital into natural flood management projects, including the establishment of an asset register and open-access mapping and modelling

20 March, 2024: The Natural Flood Management Strategic Working Group, convened by the Green Finance Institute and commissioned by the Department for Environment, Food and Rural Affairs, has today published its final recommendations for the financing of natural flood management (NFM) projects in the UK. This report addresses the barriers to financing NFM - which if removed, could unlock private sector capital for crucial projects to boost the UK's resilience to flood risk.

NFM is a complementary approach to traditional flood risk infrastructure and has been highlighted as key to reducing flood risk by the UK Government, in addition to helping meet environmental goals. NFM will require additional funding if it is to be delivered at the scale needed to address the increased risk of flooding due to climate change, including from the private sector. However, interest in paying for the proportional benefits that NFM generates for the private sector is currently low. The Working Group identified a number of barriers that need to be unlocked to increase demand, and has put forward a set of solutions:

- **Strategic prioritisation of NFM:** A free and open-access mapping application to highlight NFM opportunities across England for reducing flood risk, and for delivering wider social and environmental co-benefits.
- **Co-benefits framework:** Development of a natural capital assessment tool framework to guide the valuation of NFM co-benefits in scheme applications.
- **NFM asset database:** A database to record all NFM asset information, including location and maintenance schedules, for all projects and schemes within a geography.
- **Funding for buyer facilitation and partnership development:** Funding for the effective facilitation of buyer engagement and demand aggregation for the development of NFM projects.
- **NFM design standards and guidance:** Development of UK Government-backed NFM standards to ensure high integrity of projects.
- **Clarity on ecosystem service stacking:** Prioritised development of an NFM ecosystem service market standard or code, including clarity on the stacking of individual ecosystem services alongside NFM.
- **Update to public funding processes for flood risk management:** Co-funded FCERM schemes generate verified units and/or credits and apportioned between public, private and third sector stakeholders.

Flooding is the number one natural hazard in the UK. The damage that it causes, and management of flood risk, already costs the country £2.2 billion each year.¹ As global temperatures rise due to climate change, so too will the risk of flooding, increasing the potential damages caused by flooding and the costs associated it, putting immense strain on the public purse.

A more holistic approach to flood risk management, and how it is funded, will be required as the risks increase, and traditional infrastructure like flood walls cannot be relied upon as the only solution. NFM is one such complementary approach, where natural processes are restored or protected to reduce flood risk. NFM projects also generate wider environmental and social benefits including carbon sequestration, biodiversity uplift, water quality improvements, and access to green space. In England, the Wyre Natural Flood Management project² has been successful in attracting private sector capital to help in the delivery of NFM. For more projects to follow its example, will require greater demand from private sector ecosystem service buyers willing to pay for reduced flood risk to their assets or supply chains, and/or for the co-benefits NFM provides.

Helen Avery, Director of Nature Programmes at the Green Finance Institute, said: *"Flooding is the number one natural hazard in the UK, costing the country billions each year. Natural Flood Management has huge potential to boost the UK's resilience to flooding, but requires greater participation from the private sector as buyers of outcomes. The recommendations in this report serve to provide the confidence the private sector requires, and a standardised approach to developing NFM projects to more easily attract buyers."*

¹ <https://assets.publishing.service.gov.uk/media/5a74c78de5274a3f93b48beb/04-947-flooding-summary.pdf>

² <https://www.greenfinanceinstitute.com/gfihive/case-studies/the-wyre-river-natural-flood-management-project/?highlight=wyre>

Keith Ashcroft, Chair of the NFM Strategic Working Group and Chair of the Lake District Foundation, said: *“Barely a month goes by without reference to unprecedented weather as our climate changes. The highest risk the UK faces is flooding which causes life-changing impacts on communities and businesses. Working with nature to slow the flow through natural flood management is a key element in reducing devastating impacts.”*

This report is an important milestone in understanding the barriers and opportunities in mainstreaming investment in natural flood risk management to reduce the devastating impacts of flooding on communities and businesses making us all more resilient to our changing climate.”

Dr Nick Chappell, Reader in hydrological processes at Lancaster University said: *“Thanks to NERC- and EA-funded science, there is now hard evidence to show that NFM can reduce flood risk to properties when designs are optimised. This pioneering report by the Green Finance Institute provides the insights needed to stimulate greater use of private finance in NFM, for the benefit of all.”*

Sam Evans, Head of Natural Environment at the Greater Manchester Combined Authority, said: *“For areas like Greater Manchester, harnessing the power of nature is going to be crucial to adapting our city-region to the impacts of the already changing climate. This report provides us with a pathway to increasing the use of private finance to fund natural flood management, which will make us more resilient and provide wider benefits for our communities and local economy.”*

Tim Field, Founder and Facilitator of the North East Cotswold Farmer Cluster, said: *“Food production faces many challenges from flooding, yet increasingly we understand a landscape scale, holistic approach to land management can deliver both Natural Flood Management and sustainable yields. We need this excellent piece of work to help unlock investment and enable farms to reduce flood risk in the community, deliver the wide range of ecosystem co-benefits, and improve food security.”*

Jo Harrison, Asset Management Director at United Utilities, said: *“As an organisation we are always looking at how nature-based solutions can be used to tackle the challenges we face from climate change. We have seen from our work in the Wyre natural flood management project, that those solutions can make a real difference to local communities by reducing the risk of flooding. We’re really pleased to have been part of this working group and hope these recommendations will help to deliver a real step change in the number of NFM projects being delivered in the future.”*

Gary Hueting, Chair of Wyre NFM project and COO of Markerstudy said: *“The award winning Wyre NFM project aims not only to delivery material reduction in flood risk to a community devastated by flooding but to help facilitate a much wider adoption of NFM. This report is an important step in this journey and the recommendations, if adopted, can only help unlock greater private sector finance involvement’.*

Lucy Lee, Chief Advisor UK at WWF UK and Kelly Whittington, Commercial Lines Claims Director Property & Motor at Aviva: *“We support the recommendations from the Natural Flood Management (NFM) Strategic Working Group to unlock finance for more NFM projects in the UK. WWF and Aviva have been working together since 2021, and as one of the UK’s largest insurers, Aviva understand the damage and impact caused when floods hit our communities. Natural Flood Management delivers the dual benefits of reducing risk to people and property while protecting and restoring nature and has been a key part of our work together.*

“We know that, in the right situation, NFM can make a real difference. The projects we have supported – implemented by our partner river trusts – have shown that NFM can be both simple and low-cost while having positive impacts for local residents and nature. One project (at Gissing in Norfolk) has weathered eight named storms with no reports of flooding since the installation of NFM measures. Unlocking finance is crucial but this needs to be done in collaboration with all community stakeholders including local authorities, farmers and landowners, and planning departments.

Mark Lloyd, CEO of The Rivers Trust, said: *“To reduce the risks of flooding in the future, we cannot rely solely on hard-engineered flood defences. These efforts must be complemented with natural solutions that also restore our landscapes. To deliver natural flood management (NFM) at scale and pace, a blend of private and public finance will be required.*

The success of the Wyre NFM catchment project demonstrates how collaboration can achieve large-scale NFM initiatives and financially support farmers adopting these solutions. This report provides a valuable resource to understanding how to successfully expand and replicate these approaches.”

Steve Maslen, Head of Sustainability and Environment at JBA said: *“Building community resilience to climate impacts has never been so important as it is now. The evidence is clear that nature-based solutions such as NFM, when well planned, can help us adapt to this uncertain future. The GFI Report very usefully provides pointers to where and how we might implement, and manage into the future, effective NFM measures”.*

Archie Ruggles-Brise, Spains Hall Estate manager said, *“Space is at a premium in the UK, so we have to achieve the widest possible range of benefits from every project. This report offers a powerful and pragmatic roadmap to deliver much-needed confidence, aligned financing mechanisms and appreciation of the wider benefits of NFM and NBS work. Scaling up the holistic appraisal of all flood projects will lead to greater opportunities for collaboration between statutory agencies, Regional Flood and Coastal Committees (RFCCs), private finance and land managers. It’s a win-win for government and the private sector. We look forward to being part of the changes in practice, policy and funding that could result from implementation of the GFI’s recommendations.”*

Caleb Wheeler-Robinson, Senior Associate at Finance Earth said: *“The Natural Flood Management (NFM) market in the UK could be used to deliver large scale nature restoration and protection, and a range of broader social and ecological co-benefits. Finance Earth is proud to have contributed to this report through our membership of the working group, and support the recommendations which will help reduce the major barriers to implementation that the market is currently experiencing. We hope this report will help stimulate demand from private buyers for NFM outcomes, as well as government support for market infrastructure.”*

ENDS

Notes to editors:

Group Members:

The Group, made up of twenty experts from multiple sectors with expertise across finance, flood risk and natural flood management, was tasked with identifying barriers to private capital being deployed at scale into NFM projects, and to co-identify actionable solutions that could help unlock these barriers.

The Group is chaired by Dr Bev Adams, Head of Climate and ESG at Marsh Advisory Group, and Keith Ashcroft, Chair of the Lake District Foundation and former Environment Agency Area Director for Cumbria and Lancashire. A full list of the Group can be found below.

The project team and the Working Group has engaged with more than 120 individuals representing over eighty organisations from the finance, insurance, NGO, farming, regulatory and water sectors.

- ABI, Rebecca Lea, Senior Policy Advisor
- ARUP, Felicia Rhodes, Associate
- Aviva, Kelly Whittington, Director of Property and Speciality Claims
- Environment Agency, Keith Davie, Project manager and senior external funding lead
- Environment Agency, Jon Hollis, Natural Flood Management Programme Manager
- Finance Earth, Caleb Wheeler-Robinson, Senior Associate
- FloodRe, Jonathan Kassian, Head of Research
- Greater Manchester Combined Authority, Sam Evans, Head of Environment Policy
- JBA Consulting, Steve Maslen, Director
- Lake District Foundation, Keith Ashcroft, Chair
- Markerstudy, Gary Hueting, Chief Operating Officer
- Marsh, Dr Beverly Adams, Head of Climate Resilience & Strategy Practice
- North East Cotswolds Farmer Cluster, Tim Field, Founder and Facilitator
- Spains Hall Estate, Archie Ruggles-Brise, Rural Estate Manager
- Surrey County Council, Adam Brown, Local Nature Recovery Strategy Lead

- Swiss Re, Aidan Kerr, Director, Public Sector Solutions
- The Rivers Trust, Dan Turner, Technical Lead – Land Management and Market Creation
- Triodos Bank, Whitney Thomas, Head of Corporate Finance
- Triodos Bank, Tom Dyke, Corporate Finance Manager
- United Utilities, James Airton, Natural Capital Strategy and Planning Manager
- University of Lancaster, Nick Chappell, Reader in Hydrological Processes
- WWF-UK, Lucy Lee, UK Chief Advisor

About the Green Finance Institute

Established in 2019, the Green Finance Institute is accelerating the transition towards an environmentally sustainable and resilient economy by catalysing investment in net zero and nature positive outcomes. Uniquely positioned at the nexus of the public and private sectors, the Green Finance Institute is the UK and Europe's principal forum for innovation in green finance.

In line with the broader Green Finance Institute's vision of a greener future made possible by finance, the Nature Team (GFI Hive) is committed to supporting the transition of the global economy to one that values and invests in the natural environment. Our mission is to increase the role of the private sector in paying for and investing in nature restoration, nature-based solutions and nature-positive outcomes, ensuring that communities are engaged and rewarded within this new paradigm. We are wholly outcomes-focused, and work across the UK with the finance sector, government, academia, environmental NGOs and land managers to identify and unlock barriers to this mission, and increasingly work internationally to apply and gather learnings.