

SPEECH

Taking action for nature – investing in economic resilience and prosperity

Keynote speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, at COP17 Finance and Biodiversity Day

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It is a pleasure to open the Finance and Biodiversity Day at COP17.

The theme of this COP is “Taking Action for Nature”.

We have talked about the need for action for long enough. Now we need to act.

Four years ago, the international community adopted the Kunming-Montreal Global Biodiversity Framework, setting out a pathway to living in harmony with nature by 2050.

The destination is set. The path is clear. But progress has remained limited. And nature has not stood still. It has continued to deteriorate. So we need to accelerate.

Tangible progress requires a shift from targets to implementation, from awareness to engagement, from ambition to investment.

COP17 must help us accelerate the journey. And finance has a central role to play. That should not come as a surprise: without investment, there can be no transition.

But we need to get the economics right. Protecting and restoring nature is not simply spending. It is investment: investment in the natural capital on which our economies depend, investment in resilience, and investment in our future prosperity.

That is why Finance and Biodiversity Day matters.

When ecosystems falter, the economy is at risk

Let me start with a fundamental question: why is nature so important to the economy?

We tend to think of roads, bridges and electricity grids as critical assets that serve as the foundation of a modern economy.

But there is another kind of infrastructure that we often take for granted: natural capital.

Nature provides services without which large parts of our economies could not function. Water keeps our factories and farms running, healthy soils sustain our food systems, forests and wetlands regulate droughts and floods, oceans absorb heat and carbon.

The World Bank estimates that as much as half of the world's GDP relies on biodiversity, natural capital and ecosystem services.^[1]

Our own analysis shows that 72% of companies in the euro area depend on at least one ecosystem service. And 75% of euro area corporate lending goes to companies that are highly dependent on at least one ecosystem service.^[2]

The message is clear: nature is not peripheral to economic activity. It is fundamental to it.

But even as we speak, the foundations of our economies are being depleted at an alarming rate.^[3]

When ecosystems deteriorate, firms face higher costs, lower productivity and supply chain disruptions.

For far too long, we have treated nature as though it were free and inexhaustible. It is neither.

We have mistaken the depletion of natural capital for economic prosperity.

We counted the production.

We counted the income.

But we rarely – if ever – counted the soils depleted, the water systems stressed, the forests weakened or the ecosystems lost in producing it.

In economic terms, we have been consuming our capital and calling it income.

Nature is already presenting us with the bill. Depleted natural capital is already disrupting production, damaging supply chains and increasing costs. The consequences are already spreading from ecosystems to firms, from firms to balance sheets and from balance sheets into the financial system.

This is not a future tragedy on the horizon. It is an economic reality unfolding around us.

That is why taking action for nature is not only an environmental imperative.

It is an economic and financial necessity because our future prosperity directly depends on it.

The natural currency underwriting economic activity: water

Water is perhaps the clearest example of what happens when we fail to account for natural capital. For too long, we have allowed our economies to function as though reliable supplies of clean water were an unlimited production input. But an economy cannot negotiate with an empty river, a depleted aquifer or a failed ecosystem. When we withdraw water faster than it can be replenished, we are not creating prosperity. We are fooling ourselves and failing future generations by consuming the capital on which future prosperity depends.

Think about this summer's heat-exacerbated drought conditions throughout Europe: major rivers, like the Rhine, Loire, Po and Danube, reached exceptionally low levels, forcing, among other things, the shutdown of critical nuclear power plants, while also negatively affecting hydropower and disrupting supply chains.^[4]

Drought also contributed to the severity of wildfires. These are not glimpses of a distant risk. They are stark signs of ecosystems already being pushed beyond their limits, with consequences that are already being felt by people and the economy.

Unfortunately, our analysis suggests that the potential consequences could be much larger. Research involving the ECB, the London School of Economics and Oxford University has found that a 1-in-100-year drought event could put up to 24% of euro area economic output at risk.^[5]

Clearly, too little water is only half of the story. Too much water can be equally problematic.

Nearly 12% of economic output in the euro area faces risks from insufficient flood protection.^[6] The recent catastrophic events in Nepal and Bangkok are a stark reminder of the devastating human consequences alongside the destruction of infrastructure and economic assets.

And there is a third dimension to consider: polluted water. Take PFAS, for instance. Known as “forever chemicals”, these pollutants are in a wide range of everyday products from textiles and cookware to batteries and food packaging. As the name suggests, they last an extraordinarily long time – and when they leach into the environment, they can be extremely damaging for people’s health and for entire ecosystems, all of which also comes at substantial economic cost.

The European Commission estimates that, if current levels of PFAS pollution in Europe continue until 2050, the cost to society could reach €440 billion over that period. Treating polluted water alone could cost more than €1 trillion.^[7]

The economic challenge comes from water in all its dimensions: too little, too much, too hot, too dirty. And the effects differ across regions and sectors: agriculture here, manufacturing there and energy production somewhere else. When sufficiently widespread or persistent, the impacts can ultimately affect growth and inflation.

Nature: our first line of defence against the climate crisis

But the example of water also reveals something else: climate and nature cannot be separated.

Healthy ecosystems act as our first line of defence against global heating and related extreme weather events.

Europe is the fastest-warming continent. Temperatures have been rising by approximately 0.56 degrees Celsius per decade since the mid-1990s, more than double the global average.

This summer again brought record temperatures, following on from 2023 which was the third-warmest year on record, and 2024, the warmest ever – so far.

The interplay between temperature, the water cycle and soil quality illustrates why the climate and nature crises should be treated as a nexus.

And perhaps nowhere is this more evident than in the ocean. The ocean is one of our planet’s greatest shock absorbers. It has absorbed around 90% of the excess heat from global warming and around 30% of global carbon dioxide emissions.^[8] That is an extraordinary capacity. But extraordinary does not mean unlimited.

Even the strongest buffer has its limits.

And those limits are no longer theoretical; we are already breaching them. Seven of the nine planetary boundaries have already been transgressed. We are moving increasingly outside the safe operating space on which our economies and societies depend.^[9]

In other words, we are consuming the buffers that protect us from economic disruption and climate shocks at precisely the moment when those shocks are intensifying.

Nature – an investment in economic resilience and prosperity

Recognising nature as economic infrastructure has another important implication.

If degrading nature can weaken our economies, preserving and restoring it can strengthen them. This matters particularly today, when maintaining prosperity, resilience and economic security has taken centre stage in the policy debate.

Protecting nature is often framed as if it comes at the expense of competitiveness. However, that frames the problem backwards. As we seek to strengthen prosperity and economic security, nature should be seen as part of the solution rather than as part of a separate, often neglected, environmental agenda. Economic security depends on ecological security. Secure water supplies, resilient food systems, functioning ecosystems and reliable energy systems are strategic assets that reduce vulnerability to future disruptions.

We should therefore stop treating investment in nature as a competing claim on prosperity and economic resilience.^[10] It is investment in the productive capacity that makes lasting prosperity possible.

There can simply be no lasting prosperity on a collapsing natural foundation.

We cannot impoverish nature and expect our economies to flourish.

Therefore, preserving and restoring nature is not simply an expenditure. It is an investment.

We can invest in preserving and restoring natural capital now. Or we can pay increasingly through disrupted production, adaptation, reconstruction and lost economic capacity later.

Nature will impose the adjustment regardless. The question is whether we manage that adjustment, or allow it to be imposed on us.

From awareness to action

So what does this mean for central banks and banking supervisors?

Nature-related risks are global and systemic. They do not stop at borders, and no single jurisdiction can address them alone, which makes international cooperation more indispensable than ever. The current geopolitical fragmentation puts global cooperation at great risk.

Encouragingly, the Network for Greening the Financial System (NGFS) shows that international cooperation is alive and can deliver.

Bringing together 152 central banks and supervisors across more than 95 countries, alongside 24 observers, the NGFS has over time produced several reports that have helped us to develop common methodologies on risk assessment frameworks, supervision and legal risks.^[11] A recently released compendium of good practices^[12] covers 35 examples of how members assess the physical and transition risk impact of nature-related risks, together with six detailed case studies.

In other words, the work of the NGFS has helped lay the groundwork for many of the central banks and supervisors now taking action to account for nature-related risks in their core activities.

But the NGFS cannot do this alone. Nature-related financial risks need to remain firmly on the international financial agenda, including at the Basel Committee, the Financial Stability Board and the

IMF.

At the ECB, this shift from awareness to action is already well advanced.

Because nature degradation can affect price stability, financial stability and the safety and soundness of banks, nature-related risks are increasingly part of the bread and butter of our work.

In banking supervision, we expect banks to identify and manage not only material climate risks, but also nature-related risks, as part of ensuring banks remain safe and sound.^[13] And our recently updated compendium of good practices shows that banks are increasingly doing just that, with around one-third of the practices relating specifically to nature.^[14]

Take price stability, for example. We have found that increases in food prices following extreme heatwaves and droughts are an upside risk to price stability.^[15] Nature risks have therefore featured explicitly in our monetary policy assessment and communication in recent quarters.^[16]

Nature is not becoming a feature of central banking because central banks are becoming environmental policymakers. Quite the contrary: we are – and will remain – climate and nature policy takers.

Nature is becoming a feature of central banking because the consequences of its degradation are affecting our mandate.

Conclusion

Let me conclude.

Four years have passed since Kunming-Montreal. Nature has not waited.

We have developed frameworks, methodologies and tools. But while our understanding improved, the underlying ecological crisis has continued to deepen.

Today, 75% of land ecosystems and 66% of ocean ecosystems have been damaged, degraded or modified. Humanity is consuming natural resources around 1.7 times faster than ecosystems can regenerate them.

The challenge is no longer simply getting to the destination. It is getting there fast enough before the road towards it disappears.

Doing so will require investment at unprecedented scale.

Protecting and restoring the natural infrastructure on which economic activity depends will require mobilising substantially greater private capital flows towards nature-positive investments, alongside public finance.^[17]

But the longer we delay restoring natural capital, the more costly and difficult restoration becomes.

And that brings me back to the purpose of today's event.

I would like to leave you with three key questions that I hope will reverberate throughout this Finance and Biodiversity Day.

First, how can we mobilise public and private finance at the scale needed to turn the Kunming-Montreal goals into reality?

Second, how can governments, financial institutions, international organisations and other stakeholders work together to help turn nature-positive opportunities that are not yet bankable into investments that can attract capital?

And third, how can policy, investment and partnerships help to mobilise finance for projects that generate public goods without direct revenue flows?

Kunming-Montreal set the destination.

COP17 must now accelerate the journey.

Turning awareness into action.

Turning targets into tangible results.

Turning ambition into investment.

Because nature is not waiting. Neither can finance.

1.

World Bank (2025), [Mainstreaming Nature into World Bank Macroeconomic Models: Overview Report](#), Washington, D.C.

2.

Boldrini, S. et al. (2023), "[Living in a world of disappearing nature: physical risk and the implications for financial stability](#)", *Occasional Paper Series*, No 333, ECB. Recently, the Deutsche Bundesbank published [a study that shows the German banking sector is particularly highly dependent on ecosystem services linked to water](#).

3.

75% of land surface ecosystems and 66% of ocean ecosystems have been damaged, degraded or modified. Around 80% of arable land worldwide is affected by soil erosion, salinisation and biodiversity loss. These pressures are projected to reduce global food productivity by 12% by 2040, increasing food prices by up to 30%. We are running an ecological deficit by using natural resources 1.7 times faster than ecosystems can regenerate them. [A landmark report by the Intergovernmental Science-Policy Platform](#), published this year and approved by more than 150 member governments, warns that biodiversity loss is among the most serious threats to businesses.

4.

The exceptionally low water levels of the Rhine this summer, the lowest since records began in 1880, have not only disrupted transport and industrial production. They could also reduce Germany's economic recovery by up to 0.2 percentage points of GDP in the third quarter.

5.

See Ceglar, A. et al., [Nature at risk: Implications for the euro area economy and financial stability](#), *Occasional Paper Series*, No 380, ECB.

6.

See Ceglar, A. et al., *ibid.*

7.

See [the European Commission's web page on PFAS pollution](#).

8.

See the United Nations web page [The ocean – the world's greatest ally against climate change](#).

9.

See the Potsdam Institute for Climate Impact Research's web page on [Planetary Boundaries – defining a safe operating space for humanity](#).

10.

For example, [UNEP](#) estimates that every dollar invested in integrated climate change and air pollution action generates around \$15 in economic benefits. This would boost global GDP by 2.8% by 2035 and 4.5% by 2050. Against this, implementation costs are expected to amount to around 0.7% of global GDP in the coming decade.

11.

See NGFS (2023), [Nature-related Financial Risks: a Conceptual Framework to guide Action by Central Banks and Supervisors](#); and NGFS (2026), [NGFS 2026 Nature Package](#). NGFS (2026), [Water scarcity as a nature-related financial risk: Legal aspects](#).

12.

NGFS, 2026, [Nature-related risks: a Compendium of Implementation Practices to guide Action by Central Banks and Supervisors](#).

13.

Today, more than 90% of the banks supervised by the ECB consider themselves to be materially exposed to climate and nature risks, and all have put in place the foundational frameworks needed to identify, assess and manage these risks. While banks have made substantial progress on climate risk, nature-related risks remain considerably less mature. For example, two-thirds of banks do not systematically link their materiality assessment on nature-related risks to a risk management response, and only a few have defined nature-related key risk indicators. Where such indicators exist, they are often used solely for monitoring, with no limits or thresholds to trigger management action

14.

Elderson, F. (2026), "[Good practices for advancing climate and nature-related risk management](#)", *The Supervision Blog*, ECB, 8 May; ECB (2026), [Good practices for climate and nature risk management. Observations from the ECB's five-year climate and nature risk programme \(2020-25\)](#) *ECB report on*

[*good practices for climate and nature-related risk stress testing*](#), Frankfurt am Main, May; and ECB (2026), , Frankfurt am Main, May.

15.

Lagarde, C. (2025), "[Strategy assessment: lessons learned](#)", speech at the 2025 opening reception of the ECB Forum on Central Banking 2025 "Adapting to change: macroeconomic shifts and policy responses", Sintra, 30 June.

16.

See, e.g. ECB (2026) [Combined monetary policy decisions and statement](#), 23 July.

17.

UNEP's [State of Finance for Nature 2026](#) estimates that annual investment in nature-based solutions needs to reach \$571 billion by 2030, compared with approximately \$220 billion in 2023. That means investment must increase by more than 2.5 times.

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