welcome to brighter

Results of Mercer's Nature Market Research

From awareness to allocation

Summary and key findings

Biodiversity underpins the stability of our ecosystems, economies, and societies. Yet, stability is turning into instability as biodiversity continues to decline, driven by habitat loss, extreme weather events, overexploitation, pollution, and invasive species.

Private markets, particularly those involving real assets, have emerged as a potential arena for nature-based investments, offering viable options to address biodiversity loss while potentially generating financial returns.[1] Unlike public markets, private markets can provide direct control and active ownership, the ability to take on the complexity of emerging nature themes, and long-term investment horizons necessary for implementing nature investments. Early movers in this space may benefit from attractive financial outcomes alongside meaningful environmental impact.

To provide investors and wider market participants with an analysis of current market signals and investment opportunities, we undertook a Nature Market Research study between January 2024 and July 2025. Gathering responses from 70 managers covering 89 private market nature strategies (closed and fundraising), this paper draws on the research findings.[2]

Key findings:

71% of funds surveyed are focused on land, indicating that this is currently the most mature and accessible area for nature investment, particularly for biodiversity impact.

57% of funds surveyed are focused on the regeneration of the ecosystem — the most represented area of the mitigation hierarchy.

63% of funds surveyed consider carbon and/or biodiversity credits as revenue drivers.

Although biodiversity is inherently local, global, scalable solutions are needed.

We sincerely thank the asset managers who took the time to respond to our surveys and showed a strong interest in participating in this request for information.

Jargon buster

Biodiversity: The variety of life on Earth, including species, ecosystems, and genetic diversity.

Ecosystems: Dynamic complexes of plant, animal, and microorganism communities and their non-living environment, interacting as a functional unit.

Nature: The natural world, including biodiversity and the ecosystems it forms.

Natural capital: The world's stocks of natural assets, including geology, soil, air, water, and all living things.

Nature-based solutions: Actions to protect, sustainably manage, and restore natural ecosystems to address societal challenges.

Planetary boundaries: Limits within which humanity can safely operate to avoid destabilizing Earth's critical systems.

Note on terminology
Throughout this report, we use the term "**nature investments**" as a broad category that encompasses investments related to natural capital, biodiversity, and nature-based solutions.

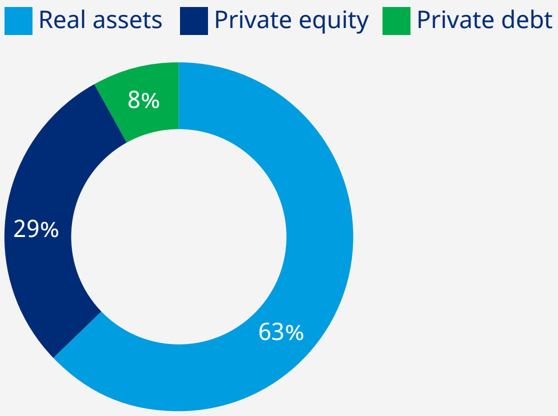
Definitions of key terms, taken from the Convention on Biological Diversity (CBD), Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), International Union for Conservation of Nature (IUCN).

Which asset classes are best positioned

Our research overall paints a picture of a nascent nature investment market that is primarily finding its footing in land-based solutions due to relative maturity and investability. We found that 71% of funds surveyed are focused on land, indicating that this is currently the most mature and accessible area for nature-based investment, particularly in terms of biodiversity impact. This is likely due to:

- **Tangibility:** Land-based projects (for example, reforestation, regenerative agriculture, habitat restoration) can often offer more tangible assets and clearer pathways to impact and revenue generation (such as timber, sustainable produce, carbon credits, and biodiversity credits).

Figure 1. Total number of funds

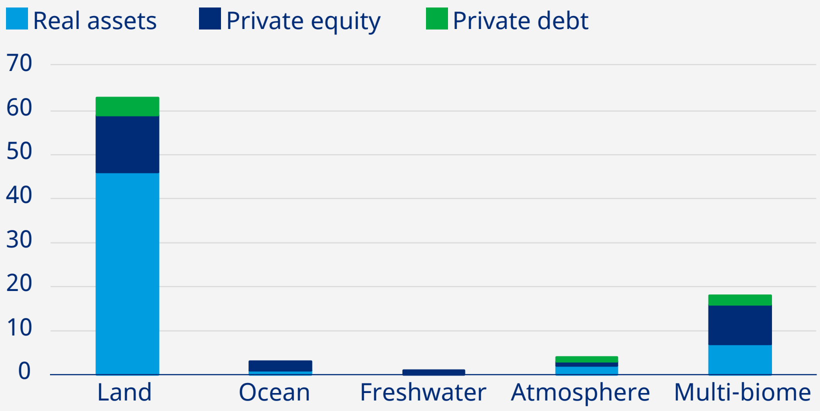


- **Established methodologies:** Measurement and verification methodologies for land-based impacts (for example, carbon sequestration, habitat improvement) are generally more developed.
- **Familiarity for investors:** Concepts like sustainable forestry and agriculture resonate with traditional real assets and private equity investors.

Challenges and opportunities in freshwater, oceans, and the atmosphere. The scarcity of funds dedicated to freshwater, oceans, or the atmosphere highlights a significant gap and, consequently, a challenging but potentially high-impact frontier for investors. For instance:

- **Complexity:** These domains often involve more complex ecological systems, governance challenges (for example, transboundary water issues, international waters), and less developed legal/regulatory frameworks for monetizing nature-based solutions.
- **Measurement difficulty:** Quantifying impact and establishing clear revenue streams can be harder in these areas. For example, measuring the financial benefits of improved water quality or ocean health can be less straightforward than selling carbon credits from a forest.
- **Emerging markets:** While challenging, the lack of dedicated funds also signifies an underserved market with potentially immense future demand and impact if scalable solutions can be developed.

Figure 2. Number of natural capital funds within each biome



71%

The nature market show that 71% of the strategies are related to **land ecosystems**.

63%

Real assets funds represent 63% of the opportunity set within the natural capital investment universe.

Source: Mercer, 2025. Results are based on 89 private markets funds as of July 2025. The managers chose the biome themselves, and Mercer did not change it unless there was clear confusion about which biome best suited the strategy. This reflects the main biome of each fund.

Turning complex challenges into investable solutions

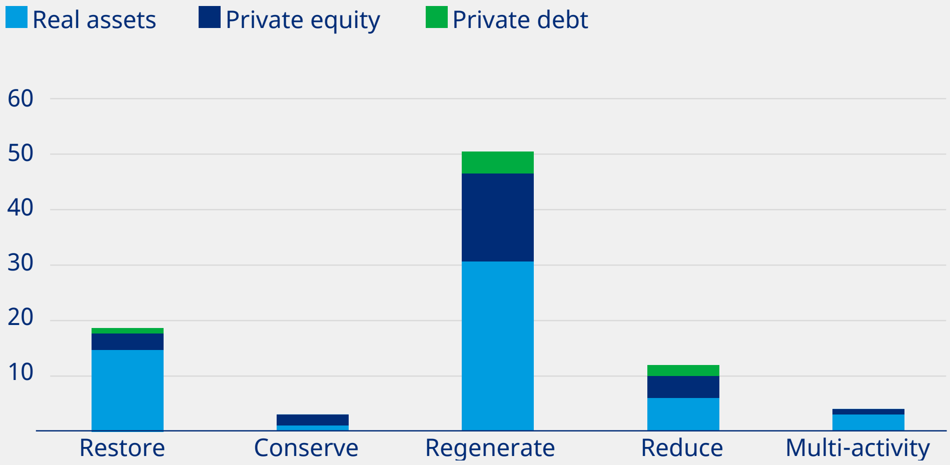
The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES, 2019) has delivered, through multiple reports, its unambiguous conclusion: biodiversity is on the brink of collapse. According to IPBES, up to one million species are threatened with extinction. The primary drivers are habitat loss and degradation, climate change, pollution, overexploitation, and invasive alien species.

IPBES highlights that the five biodiversity pressures span all major biomes: land, ocean, freshwater, and atmosphere.

Plotting a trajectory towards nature recovery: Introducing the mitigation hierarchy

The research highlights several differences among nature strategies in the market. We identified several main types: activities that reduce pressure on nature, regenerative activities (such as regenerative agriculture and impact forestry), and activities that restore and conserve biodiversity. Avoiding harm is not considered a direct investment strategy.

Figure 3. Number of nature funds in each activity of the mitigation hierarchy



57%

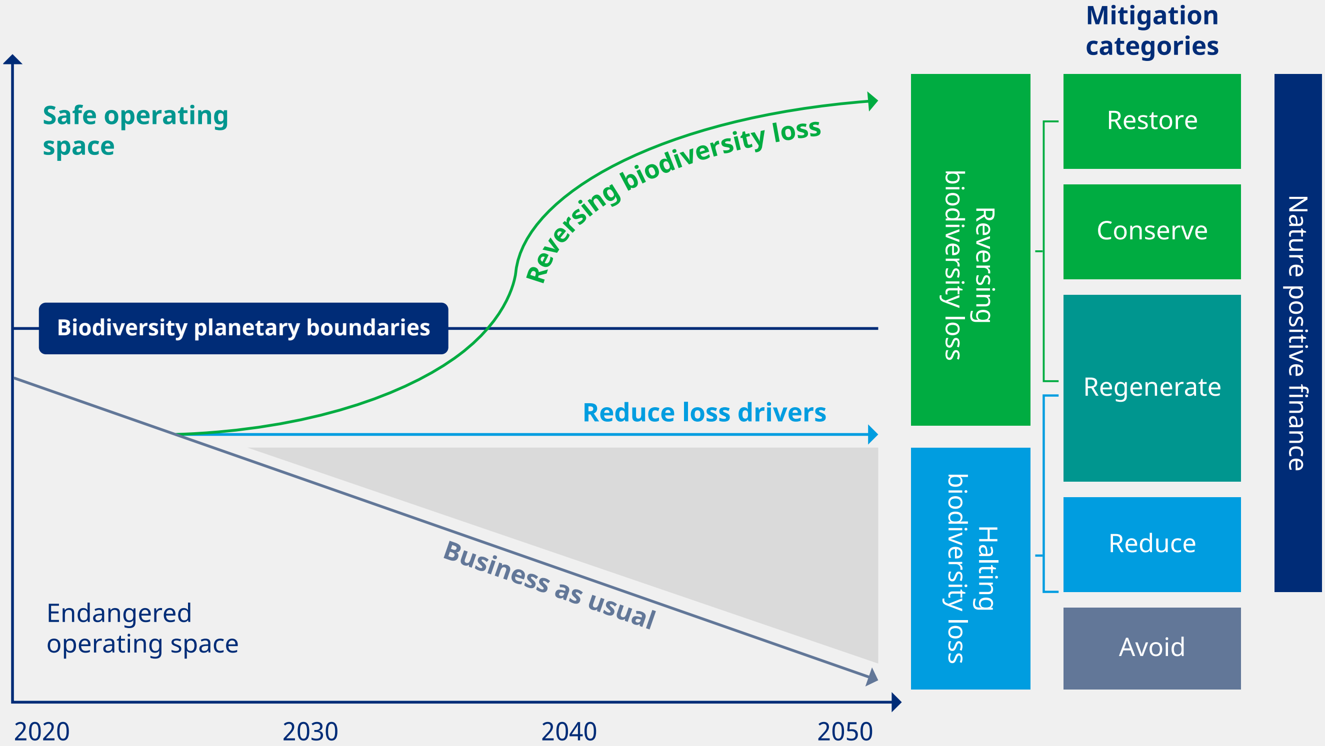
Regeneration of ecosystem is one of the most represented area of the mitigation hierarchy, with 57% of funds (by number of funds) assigned to this category.

Source: Mercer, 2025. Results are based on 89 private markets funds as of July 2025. The managers chose the activity themselves, and Mercer did not change it unless there was clear confusion about which mitigation hierarchy activity best suited the strategy. This reflects the main activity of each fund.

Since most planetary boundaries are already exceeded, various institutes —the Cambridge Institute for Sustainability Leadership (CISL, 2024) and Finance for Biodiversity with the United Nations Environment Programme Finance Initiative (UNEP FI, 2024) — agree on the importance of both halting and reversing biodiversity loss in nature finance.

This requires broadening nature finance beyond traditional conservation projects to include diverse, scalable financial approaches, altogether considered as nature positive finance.

Figure 4. Mitigation strategies for reversing and halting biodiversity loss



Source: Mercer adaptation from the Nature Positive Initiative (2022), Stockholm Resilience Centre (2023), Cambridge Institute for Sustainability Leadership (2024), and CDC Biodiversité (Global Biodiversity Score, 2018). For illustration purposes only. The illustration is not at scale.

Our approach to categorizing nature-related opportunities led us to adopt the mitigation hierarchy as a strategic lens for identifying and assessing opportunities in this space. This tool, recognized for guiding industries toward a "nature-positive" world, has been popularized by the Science-Based Targets Network (2020). Using the mitigation hierarchy, in conjunction with our impact assessment, enables us to identify the range of actions and, therefore, investment opportunities that could contribute to a biodiversity net-positive outcome. Additionally, the mitigation hierarchy reveals varying risk-return profiles among opportunities, across traditional business models and emerging revenue streams.

Figure 5. Mitigation categories

		Funds strategy	Case study
Reversing biodiversity loss	**Restore**	Restoring previously degraded ecosystems, aiming to recover healthy and well-functioning ecosystems.	Wetland restoration projects focus on reestablishing natural ecosystems that existed before degradation, thereby rebalancing carbon absorption, particularly in peatlands, which act as significant carbon sinks and can play a key role in mitigating flooding.
	Conserve	Conserving biodiverse areas can have a significant impact on biodiversity recovery. Protecting and conserving these areas is arguably essential for allowing biodiversity to thrive.	Conservation strategies, such as those in tropical rainforests, involve investments to protect these ecosystems from deforestation and degradation.
Both halting and reversing biodiversity loss	**Regenerate**	The regenerate category combines both "halting" and "reversing" and considers business models that provide resources through restoration, while simultaneously allowing space for reducing pressures on biodiversity	For projects with degraded land and poor biodiversity, sustainable forestry can offer a credible regenerative solution through the generation of revenues from timber sales and carbon credits, typically certified by the FSC, Verra, or the Gold Standard. In some circumstances, land is set aside to restore biodiversity.
Halting biodiversity loss	**Reduce**	To potentially achieve a "nature positive" outcome, reducing the pressure on biodiversity and ecosystems is key to limit future potential loss.	Initiatives focused on sustainable water infrastructure, or circular economy, such as plastic recycling or companies producing bio-fertilizers while reducing pesticide use, help mitigate the initial pressures posed.
Area for exclusion and risk assessment	**Avoid**	Excluding activities that harm biodiversity-sensitive areas. This strategy is primarily considered under risk assessments or exclusions and not a direct investment opportunity for investors.	An exclusion policy for activities damaging nature (for example, avoiding high conservation areas as per GRI, IFC, Natura 2000 areas) should specifically address the biodiversity dimension of natural capital.

Return drivers in nature investments

Based on the nature strategies available on the market, Mercer identifies five main investable themes: sustainable forestry, regenerative agriculture, ecosystem restoration, sustainable ocean, and other nature-related themes including future of food, water, and the circular economy.

The source and perceived uncertainty of revenue generation is a key concern we consistently hear about from clients, asset managers, colleagues, and at conferences over the past few years. The market still lacks a shared understanding of what it means to invest in nature. If nature investments are framed as conservation and restoration efforts, tree planting, and protecting emblematic wildlife, they may seem disconnected from scalable, financially viable outcomes, wrongly perceived as low-return and high-risk, particularly for institutional investors.

A more comprehensive perspective on the issues at stake provides clarity. By considering the full spectrum of the mitigation hierarchy across diverse biomes and aiming to both halt and reverse biodiversity loss, a much broader range of investment opportunities emerges. While conservation and restoration are essential pillars, they are part of a larger set of actionable strategies. Revenue streams are not limited to niche or early-stage models.

For investors who can take a portfolio-wide view, it is important, in our view, to adopt a diversified approach to nature investing. A strategic allocation across different revenue models can allow for a better balance between financial returns, nature-positive outcomes, and long-term resilience.[3]

Figure 6. Diversified approach to nature investing

Source: Mercer, 2025. Results based on 89 private markets funds. As of July 2025. Based on the location of underlying investments, and not manager headquarters.

* Number of funds responding to the Mercer survey. Some funds may count for multiple categories.

Short note on carbon and biodiversity credits

Carbon and biodiversity credits have become increasingly prominent topics, as reflected in recent industry conferences and discussions with investors and GPs. The "Overview of carbon markets" paper, Mercer (2025), provides a comprehensive analysis of investor participation in carbon markets, detailing the associated opportunities and risks.

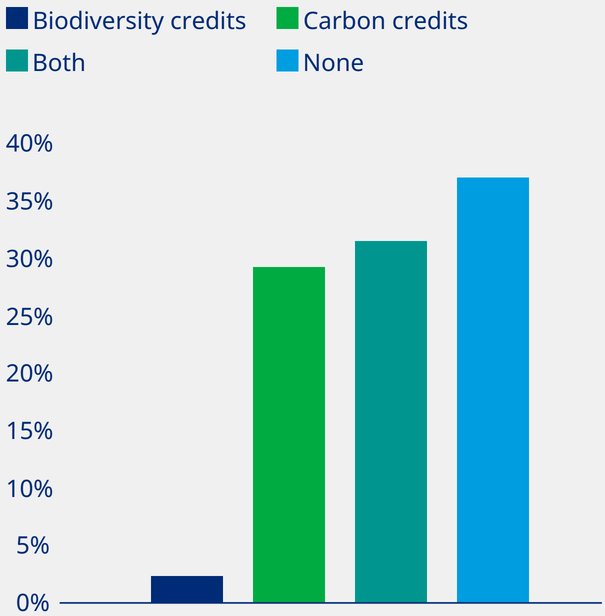
Carbon credits are certificates that represent the removal or reduction of one ton of CO_2 or equivalent gases from the atmosphere. Different types include avoidance credits (for example, renewable energy), REDD+ credits (saving forests from deforestation), and Afforestation, reforestation and revegetation (ARR) credits (planting or restoring forests to absorb CO_2). The quality of these credits is highly dependent on rigorous verification by independent organizations, such as Verra, the Gold Standard, and the Climate, Community, and Biodiversity (CCB) standard, which ensures that reductions are real, additional, and permanent through standardized assessments and site visits. However, in our view, verifications alone are not sufficient.

Some fund managers use the term "high integrity" for their carbon and biodiversity credits. We advise institutional investors to carefully verify these claims. High-integrity credit must be additional, permanent, and offer co-benefits (i.e., additional positive environmental, social, and economic outcomes) while reducing risks, such as biodiversity degradation. We also look for strong scientific expertise within the manager's team or among trusted third parties. Some fund managers have policies, like a "Buyer or Carbon Integrity Policy," to ensure that buyers of credits follow a responsible climate approach, which we view positively. This means buyers should have a clear plan to reduce their emissions, for example, through insetting,[4] before purchasing carbon credits, like the Science Based Targets Initiative (SBTi) or a commitment to a structured climate mitigation hierarchy.

On the biodiversity credit side, much of the attention has been driven by compliance market developments, most notably the UK's Environment Act and its Biodiversity Net Gain (BNG) requirements, which obliges project developers to compensate for their biodiversity impact either through insetting or offsetting. The conversation gained further traction in July 2025, with the European Commission's roadmap for nature credits, pushing the topic higher on the EU agenda.

Our research showed that more than 63% of funds in the market consider carbon and/or biodiversity credits as revenue drivers, with most focused on carbon credit sales structured through clearly defined offtake agreements. In most cases, these credits are seen as a source of upside or alpha, and not the main revenue driver.

Figure 7. Proportion of funds using credits for revenue



Source: Mercer, 2025. Results based on 89 private markets funds. As of July 2025.

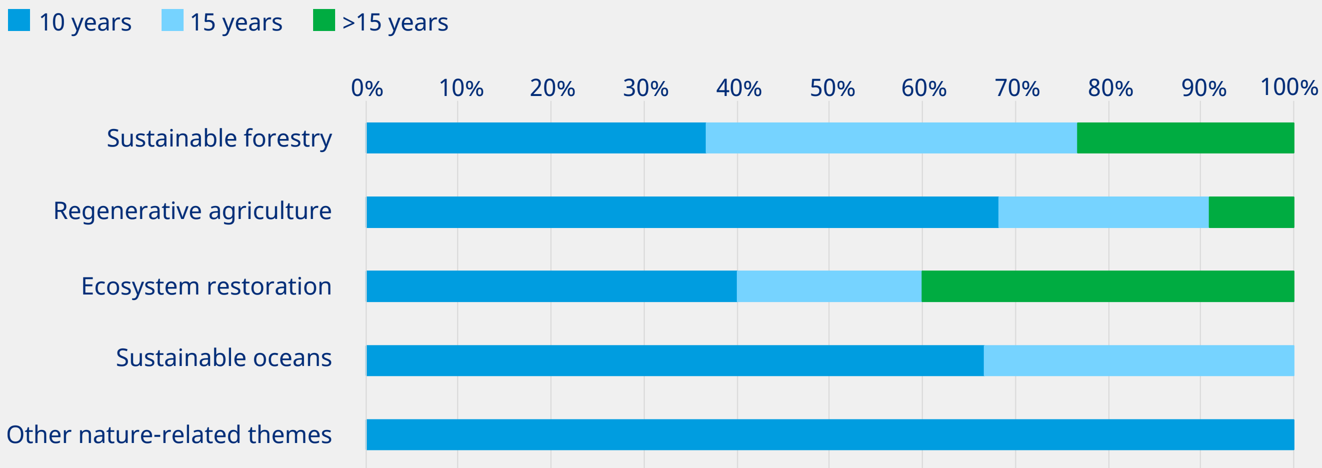
Longer-term horizon

The nature opportunity set remains emerging and has not yet gained mainstream acceptance like climate-focused impact investments. Recently, some funds stopped fundraising after facing challenges in meeting the target fund size and finding sufficient opportunities for the target themes, highlighting early challenges. While dialogue exists among investors and GPs, confidence to invest remains a barrier.

Some early movers have successfully closed funds and started investing, and others are raising for a subsequent vintage (c. 30% of funds in this research are coming on the market with a subsequent fund). We anticipate that the sector will undergo significant changes as it continues to evolve over the coming years.

Institutional investors should anticipate longer time horizons for nature-focused funds, typically 10 to 15 years, reflecting the time needed for ecosystems to recover and biodiversity to mature. Land restoration strategies often require patience, whereas tech-driven approaches, such as biofertilizers, can deliver faster results.

Figure 8. Fund duration by theme*



Source: Mercer, July 2025. Results based on 89 private markets funds. As of July 2025. *Excludes funds listed as open-ended

Hands-on approach = higher fees?

We also conducted a comparative analysis of management fees across our universe of infrastructure funds and nature-focused funds, covering a wide range of strategies. This resulted in fees ranging from 1.1% to 2% for nature strategies, and 1% to 1.5% for infrastructure funds.

During the investment period, nature funds tend to exhibit higher average management fees than traditional infrastructure funds. This differential could be attributable to the hands-on nature of implementation in nature strategies and the partnership approach that many funds undertake. Fund managers are often more directly involved in project structuring, stakeholder engagement, and monitoring. In a market that is still maturing and building its track record, fee discipline remains an important factor in attracting institutional capital at scale.

Best placed geographies

Biodiversity is inherently local. Environmental damage usually occurs close to its source, which is why nature investments often focus on specific regions. Strategies like regenerative agriculture depend on local soil, climate, and native species. While principles are global, implementation should reflect local conditions. However, in today's interconnected economy, with global food systems and trade, scalable solutions are needed on a global scale.

Within the private markets' nature landscape, we see three main approaches emerging:

1. Funds focused on a single country.
2. Funds targeting broader regions, such as developed or emerging markets.
3. Global funds with a worldwide scope.

Local funds can potentially offer deep knowledge and can create local impact but may carry higher concentration risk. Global strategies diversify across idiosyncratic risks, such as changing climate and geopolitics, boosting resilience, but may lack local expertise. We recommend evaluating managers on their understanding of local markets, networks, and partnerships. These factors can be vital for sourcing quality deals and ensuring project success.

Figure 9. Best-placed geographies

Funds investing across regions

17 in developed markets only

12 in emerging markets only

15 invested across the globe

Source: Mercer, 2025. Results based on 89 private markets funds. As of July 2025.
Based on the location of underlying investments, and not manager headquarters.

Finding opportunities

In exploring the opportunities and challenges driving the private markets landscape of nature, our Nature Market Research uncovered a growing number of viable strategies that align with Mercer standards. We are currently reviewing close to 100 strategies in this space. Our goal is to identify approaches that are both credible and investable from both investment and impact standpoints. This involves assessing the credibility of each revenue model, the reliability of teams' experience and capabilities, and the ability to deliver measurable outcomes aligned with investor expectations.

Nature investments can offer several key benefits: they historically had low correlation with traditional asset classes, such as equities and bonds, which helps reduce portfolio volatility and may improve risk-adjusted returns. These investments, especially those tied to land, water, and ecosystem services, possess intrinsic value and inflation-sensitive revenue streams, providing protection against inflation. They can also potentially enhance diversification by unlocking innovative revenue sources such as land value premiums, ecosystem service payments, and carbon credits, complementing existing private market allocations. Additionally, nature investments can support institutional investors' climate ambitions by financing natural carbon sinks that may deliver long-term environmental benefits while generating attractive financial returns.

For investors starting their nature investment journey, robust portfolio construction, thorough due diligence, and manager selection are important. This can help manage risks and build confidence among stakeholders that the investments can help to deliver both impact and financial returns. When this process is clear and well-communicated, it can help overcome internal barriers and reassure investment committees that nature investments meet fiduciary duties and produce measurable results. As awareness of the importance of biodiversity grows and institutional investors increasingly seek to align with the Taskforce on Nature-related Financial Disclosures (TNFD) — a framework to manage nature-related risks and opportunities — investing in nature-positive strategies presents itself as one of the most timely and effective ways to bridge the funding gap for nature restoration and conservation.

Finally, we believe investors should aim to look at nature investments holistically. A holistic assessment across broader environmental and social factors is crucial — such as water, climate, local communities, social dynamics, and soils.

We look forward to continuing open and engaged conversations with GPs, investors, and impact initiatives to explore and further develop this growing segment together.

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Endnotes

1 Disclaimer: Mercer does not guarantee any returns on investments, and it is possible to lose the entire amount invested. Mercer also cannot guarantee access to specific funds or managers, nor can it guarantee any particular allocation or the resulting level of diversification.

2 All responses are sourced from the Mercer Nature Market Research survey obtained January 2024 to July 2025. Responses were provided by managers. It is important to note that respondents did not receive any form of compensation. It is important to recognize that survey results are subject to inherent limitations and uncertainties. The survey results may not capture all relevant factors or market conditions. These results should not be construed as personalized investment advice. We gathered information through a request sent to our extended network of manager relationships and by screening the market at conferences and through impact manager databases. This primer on the natural capital universe in private markets includes responses from c.70 managers. To ensure comprehensive screening, we defined the fund universe as those broadly considered as nature-linked. The results and figures from the Mercer Nature Market Research were collected and collated based on the data provided by each manager and as such the completeness, accuracy and consistency of the obtained data cannot be guaranteed. Our research focused solely on primary funds, excluding secondary and co-investment opportunities.

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4 Insetting projects are directly linked to the company's own operations, supply chain, or products. This could include activities like improving energy efficiency at supplier facilities, supporting sustainable agriculture practices among raw material producers, or restoring ecosystems that are part of the company's sourcing regions.

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