



TOPICS:

ESG Risk

SOURCE:

European Supervisory Authorities, London Stock Exchange & Others

ESA, LSE and Others: Opportunities, Enablers and Requirements in Advancing Earth Observation for Scaling Nature Finance

- The report provides a comprehensive assessment of how **Earth Observation (EO) data can support the expansion of nature finance** within evolving regulatory and policy frameworks. At its core, the report defines nature finance as financial activities that conserve, restore, or sustainably use ecosystems while aligning with global frameworks such as the Global Biodiversity Framework and the Paris Agreement.
- The **regulatory environment** - particularly within the EU - is identified as a key driver. Frameworks such as the Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy are increasing pressure on firms and financial institutions to disclose and manage nature-related risks and impacts. However, the report stresses that regulatory complexity and ongoing policy evolution create uncertainty, reinforcing the need for reliable environmental data to support compliance and decision-making.
- A central finding is that **data limitations are the primary constraint** to scaling nature finance.

Financial institutions lack granular, standardised and asset-level environmental data, which restricts their ability to assess risks, monitor outcomes, and structure investable projects. **EO technologies** - particularly satellite data - are presented as a critical solution, offering consistent, spatially explicit insights into land use, biodiversity and environmental change.

- Despite this potential, **adoption remains limited** due to usability challenges. Financial actors require processed, decision-ready datasets, validated methodologies and alignment with regulatory standards rather than raw EO data.
- The report concludes that **integrating EO into financial systems could enable more effective risk assessment**, improve transparency and support regulatory compliance. Achieving this will require standardised metrics, improved geolocation of financial assets, interoperability with disclosure frameworks and capacity building across institutions.

