

# Building a future-proof nature portfolio

This is the paradox of climate action: it must be at once urgent and long-lasting. Companies with climate commitments must develop an investment strategy that reflects this duality, being both immediate in deployment and decadal in scale.

Nature is a proven, scalable solution that delivers both initial and longer-term impact. And like any investment, these solutions present both risks and benefits. Managing a climate portfolio is much like managing a financial portfolio. Companies must understand the risks and be clear on their risk tolerance.

This article explores four key risk factors and the questions your organization should answer to build a portfolio for today — and for decades to come.

## Risk factor #1: Project and credit quality

High-quality projects are key to achieving meaningful climate impact, making high-integrity claims, and mitigating reputational risk. Forest carbon projects are necessary climate solutions, but they face well-documented quality challenges.

### Questions to ask

- What data and assumptions are used for core crediting factors like additionality, baseline setting, and inventory accounting?
- How does the project ensure its impact lasts?
- How does project activity impact nature and biodiversity?
- Is the project contributing to a local low-carbon economy and ensuring no net harm?

## Risk factor #2: Claims and regulation

The Voluntary Carbon Market (VCM) is subject to evolving regulations and

guidance, which could impact the claims corporates make about their investments.

Questions to ask

- How do this project's attributes align with the guidance I've committed to using based on the information available *today*?
- Does the jurisdiction where the project is located demonstrate support for market-based approaches to climate mitigation? For example, is there an existing compliance program? Are there carbon tax laws?

## Risk factor #3: Volume and price security

The VCM is still evolving, and this can lead to challenges in planning and securing budget for the long term. Corporates need to determine how far out they can confidently forecast market pricing, what volume they'll need, and how project quality fits into budget considerations.

Questions to ask internally

- What are our key budget planning considerations?
- What do different procurement scenarios look like based on our budget and time horizons?
- Does our internal corporate finance team understand how to account for credit purchases and investments?

Questions to ask suppliers

- What savings can I capture by locking in long-term supply now versus buying on the spot market?
- What are the project costs, and what is the internal rate of return?
- Given the unpredictability of forest growth, how can you help me manage volume and delivery risk with longer-term commitments?

## Risk factor #4: Resource commitment

It takes significant internal resources to conduct project due diligence, stay up to speed on claims and regulations, and monitor market dynamics. Corporates need to understand ongoing resource needs and secure the budget, expertise, and stakeholder buy-in to evaluate and procure credits.

### Questions to ask

- Which teams need visibility, and who are the decision-makers?
- Do you have the technical expertise, procurement setup, and legal infrastructure to evaluate project quality and negotiate commercial terms?  
Will you need to adapt or seek external resources?
- What decision-making framework will provide visibility and engage stakeholders?

## How to account for risk across time horizons

The risk dimensions you account for become more or less important depending on your investment time horizon. Companies can make nature-based investments across three time horizons.

- Spot purchase: Buying credits today to meet near-term (typically annual) or ad hoc needs (for example, to offset emissions of a specific event) based on today's market rates. This requires performing net new due diligence for each procurement.
- Multi-year investment (3-5 years): Contracting for credit delivery for the next 3-5 years based on a fixed price and/or volume. Typically, this requires a higher upfront lift across project diligence, market assessment, and contract terms alignment. However, it would occur only every 3-5 years and provides budget and volume security.
- Long-term investment (10+ years): Capital investment in projects to generate

new supply for your needs. This secures stronger influence over project design and implementation, creates closer ties to projects, and delivers budget and volume security matching long-term net zero targets.

<b>Risk considerations for nature investments vary over time</b>			
	<b>Spot</b> Today	<b>Multi-year</b> 3-5 years	<b>Long-term</b> 10+ years
<b>Project quality</b> Ensuring net additional climate benefit and impacts beyond carbon	Higher	Moderate	Lower
<b>Claims &amp; regulation</b> Ensuring your investments align with the latest regulations and claims guidance	Lower	Moderate	Moderate
<b>Volume &amp; price security</b> Ensuring the right quantity and quality of credits, at the right price	Higher	Lower	Lower
<b>Resource commitment</b> Ensuring ongoing resources to evaluate and procure credits	Higher	Lower	Moderate

## Spot purchases

A key risk factor for spot purchases is project quality. Buyers can mitigate quality risk by evaluating projects and stakeholders against [key quality indicators](#).

Ensure projects are registered with an ICROA-approved carbon registry, and consider setting the bar at CORSIA-eligible registries. Work with trusted partners and ask for data to back up project claims.

Another risk in a spot market is price transparency. Different service providers often sell the same project. How do you know what price is fair? Ask how the price is set, and push them to justify it. Does it include additional services and value-adds? How much goes back to the project?

## Multi-year investments

A key risk factor for multi-year investments relates to claims and regulation. How might new guidance (for example, around vintages) or regulation (such as the implementation of Article 6 or a carbon tax) influence the investments you select

and the claims you make?

Be specific and transparent about your diligence criteria, who you're working with, and where your data comes from. The most defensible portfolios can point to *how decisions were made based on the best available information at the time*. Technology can help you store and report your diligence and impact data. If regulations change, be transparent with your stakeholders!

## Long-term investments

The main risk for long-term investments is whether you have the resources and stakeholder buy-in to make such a prolonged investment. Reduce this risk by looking for parallels in past infrastructure and renewable energy procurements. Engage your legal, finance, and procurement teams early and often.

Another consideration is timing. For most companies, making equity-style or 10-year-plus investments into carbon projects is new. It may take between 12-18 months to complete your first long-term contract.

Nature moves at its own pace, and this is particularly the case for reforestation removal projects. Credit delivery timing is impacted by the timing of seedling planting, which must align with the right planting season and conditions. Companies that need removal credits for 2030 or 2035 net zero targets should deploy financing *now*. This isn't about being proactive — in this scenario, *companies have just two planting seasons (2023 and 2024) to get trees in the ground to meet any reasonable volume outputs for credit delivery timelines against net zero target years*.

## Build a nature portfolio that balances risk and upside

Nature is one of the highest-impact investments a company can make to reverse the trajectory of climate change. We recommend that companies get started with discrete spot purchases to practice navigating stakeholder questions, approval

processes, and communications. From there, work to secure a multi-year contract with projects you've already vetted and build the internal muscles needed to develop a long-term strategy over the next decade or beyond.

As you build your nature strategy, decide which risk factors are most important to you and look for technology partners to reduce your risk exposure. By thoroughly understanding risk and creating a customized framework for nature investments, your company can meet its targets and make an immediate and lasting impact on climate change.

## Ready to learn more?

Get in touch with our experts to start building your company's nature strategy.

[Contact our team](#)