

Canada's new nature strategy: an SLB proposal

Jonas David [(*)]

On 31 Mar 2026, Prime Minister Mark Carney launched Canada's new nature strategy, including ambitions to protect more land and marine areas.[1] Protected areas in Canada currently stand at roughly 14% of terrestrial and inland water areas and over 15.5% of marine and coastal areas, well below the global 30x30 target. The measures outlined in the nature strategy would increase these to 30% and 28% by 2030, respectively.

In this note, we consider how bonds can be used to support nature protection and examine key considerations for investors and issuers. As a public good, nature has not yet received the attention it deserves in bond markets as the economics often differ from investments into projects with direct revenue streams.

Meanwhile, financial institutions are increasingly incorporating nature-related risks into portfolio analysis, given the economic importance of ecosystem services and potential credit risk implications.[2] Moreover, the UK Government highlighted global ecosystem degradation and collapse as threats to national security.[3]

Looking at bond markets, Canada is already an active green bond issuer, but nature conservation receives only a small share of proceeds. To complement existing issuances, we therefore propose Sustainability-Linked Bonds (SLBs) to support Canada's nature strategy and raise capital at scale while offering investors attractive outcomes.

Proposal: Sustainability-Linked Bond (SLB) for nature

- SLBs tie coupon adjustments to the achievement of performance targets, thereby overcoming obstacles around defined pools of eligible expenditures in use-of-proceeds bonds. Embedding sustainability commitments in bond structures strengthens policy credibility and effectively signals a country's efforts.
- We propose a 10-year SLB structure for Canada linked to its two 2030 targets of 30% of land area protected and 28% of marine area, plus a 'stretch goal' of 30% marine area. The dual coupon step-up/step-down structure sets an incentive to go beyond the base targets.
- Based on our pricing approach, the illustrative option value is positive (upfront: 0.47%, running: 5.4bps), which could support lower issuance yields than traditional bonds.

[1] "Prime Minister Carney launches new nature strategy to protect Canada's natural environment", Prime Minister of Canada, 31 Mar 2026.
[2] "Unearthing the nature risk in financial portfolios", PwC, 12 Jan 2026.
[3] "National security assessment on global ecosystems", UK Government, 2 Feb 2026.

Not investment advice. First published 7 May 2026. Important disclaimers at end of the document.
(*) Anthropocene Fixed Income Institute (www.anthropocenefii.org). Author for contacts: jda@anthropocenefii.org

A new nature strategy

The strategy, focused on protecting the natural environment, rests on three pillars:

1. *Protect nature:* step up efforts to protect 30% of land and water by 2030 aligned with the global 30x30 target.
2. *Build Canada well:* build in ways that are conducive to conservation efforts taking into account what the land protects and provides.
3. *Value and mobilise capital for nature:* catalyse private sector investments to reverse nature decline.

With related investments of CAD 3.8bn needed, questions about financing will become pressing. A dedicated Expert Taskforce on Natural Capital Accounting and Nature Financing will be launched in spring 2026 and is expected to recommend financing tools that encourage investors to support conservation.

Innovative financing models could play an important role in mobilising private investment towards nature protection. Still, the government will also need to commit financing for this ambitious nature strategy, particularly as there are just a few years left to achieve 2030 targets.

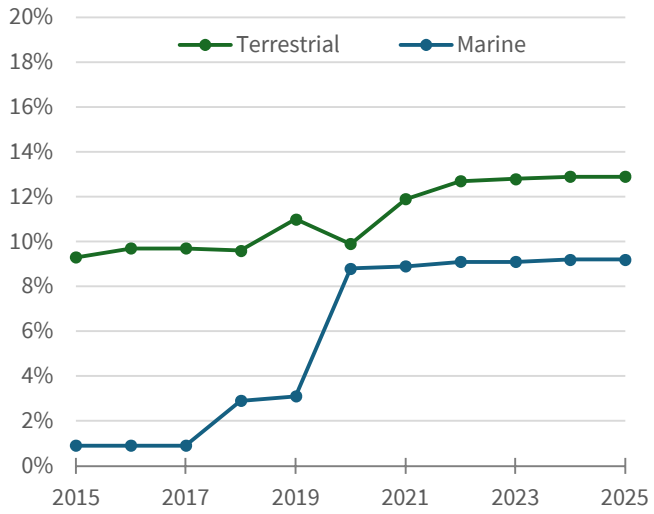
Progress towards 30x30 target

Under the 30x30 target, part of the Kunming-Montreal Global Biodiversity Framework (GBF), countries committed to effectively conserve at least 30% of terrestrial, inland water, and coastal and marine areas by 2030.[4]

As shown in Figure 1, protected areas in Canada have increased over the past decade but there has been little progress in recent years.

On a broader definition that includes Other Effective Area-Based Conservation Measures (OECMs), Canada currently reaches close to 14% for terrestrial and inland water areas and over 15.5% for marine and coastal areas.[5]

Figure 1. Terrestrial and marine protected areas in Canada (% of total area). Source: AFII, Protected Planet.



In both cases, the protection of areas is well below the 30% target. As part of the new nature strategy, Canada aims to protect at least 1.6mn km² of land and around 700,000 km² of ocean areas by 2030 – this would increase terrestrial areas to 30% and marine areas to 28%; a significant step towards the 30x30 target.[6]

[4] "GBF - Target 3", Convention of Biological Diversity, accessed 20 April 2026.
[5] "Country profile: Canada", Protected Planet, accessed 20 April 2026.
[6] For details: "A Force of Nature: Canada's Strategy to Protect Nature", Government of Canada, 2026.

While protecting land is critical, land protection alone does not capture the full complexity of biodiversity and its potential impact on the planet, people, and markets. Conventional economic models rarely account explicitly for ecosystem services in monetary terms, yet their value can be substantial. For Canada, the value of ecosystem services is estimated by IPBES at USD 3.6tn – more than twice the country's GDP in 2018 and one of the highest on a per capita basis in the Americas.[7]

Looking at who administers land and marine areas in Canada,[8] partnering with a range of stakeholders will be critical to the success of protecting nature. In this context, the importance of Indigenous Peoples is recognised.[9] Meanwhile, officials from Alberta voiced concerns, highlighting "*burdensome and unconstitutional land-use restrictions on the province*".[10]

To illustrate the broader importance of ecosystems: Canada's boreal forests are highlighted as one of the six ecosystem regions that are critical for UK national security due to the likelihood and impact of their collapse, which could realistically start from 2030.[11]

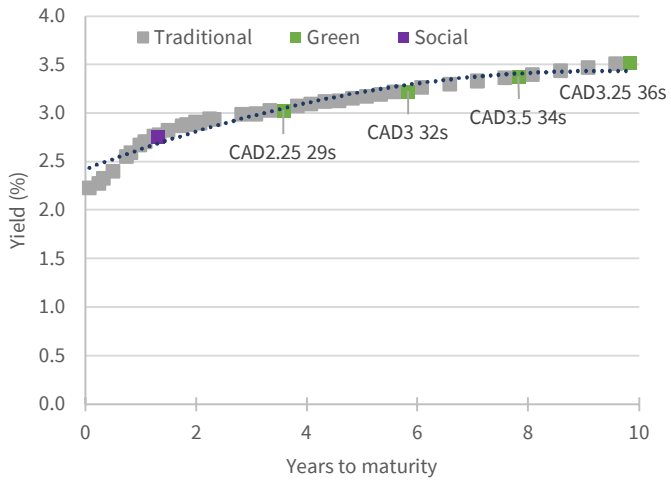
Effective protection of relevant areas, as outlined in the 30x30 target, can help reduce risks by safeguarding biodiversity and related ecosystem services.[12]

The role bond markets can play

With CAD 3.8bn of planned investment, the question of how to finance the strategy is material.

Following its inaugural issuance in 2022, the Government of Canada has become a regular issuer of green bonds with a combined amount outstanding of CAD 17.5bn across five bonds (maturities up to 10 years are shown in Figure 2; see Appendix for details) – this represents almost 9% of the government's local-currency bonds overall.

Figure 2. Canada's government bond curve (up to 10 years). Source: AFII, Bloomberg Finance L.P., accessed 7 May 2026.

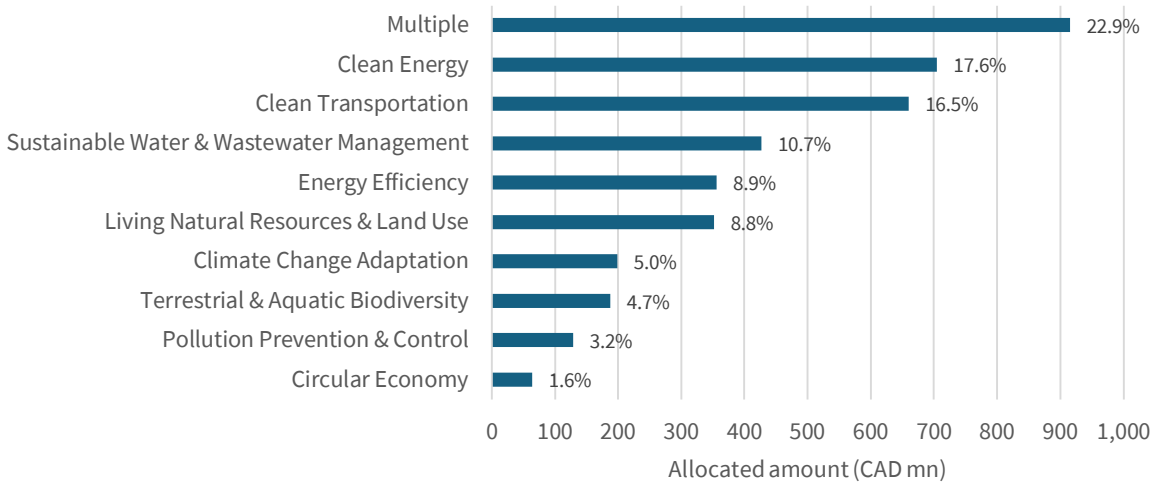


[7] "The regional assessment report on biodiversity and ecosystem services for the Americas", IPBES, 2018.
[8] The federal government administers 6% of the land, provinces and territories manage 76%, indigenous peoples 6%, and private owners 12%. In the marine environment, the federal government has primary control, managing environmental protection in collaboration with provinces, territories, and indigenous peoples. Source: "Prime Minister Carney launches new nature strategy to protect Canada's natural environment", Prime Minister of Canada Navigation PM menu, 31 Mar 2026.
[9] "There is no path to 30X30 without Indigenous leadership and the Government of Canada is committed to working alongside Indigenous Peoples. Indigenous-led conservation is and will continue to be foundational to our collective effort to protect and conserve nature." Source: "A Force of Nature: Canada's Strategy to Protect Nature", Government of Canada, 2026.
[10] "Alberta rebukes $3.8 billion federal nature strategy", National Post, 7 Apr 2026.
[11] "National security assessment on global ecosystems", UK Government, 2 Feb 2026.
[12] "Identifying key ecosystem service providing areas to inform national-scale conservation planning", Mitchell et al, Environmental Research Letters 16(1), 2021.

The latest issuance took place in February 2026 and reportedly attracted robust demand from environmentally and socially responsible investors, accounting for 59% of buyers.[13]

The latest green bonds are based on the updated framework that was published in November 2023.[14] Importantly, the framework references nature conservation – including biodiversity protection, ecosystem restoration, and reforestation – and could be used to fund related measures.

Figure 3. Canada's green allocation reporting 2023/24, including amount in CAD million and share of total. Source: AFII, Government of Canada.



The latest allocation reporting covers the proceeds (CAD 4bn) from the green bond issuance in February 2024.[15] Besides expenditures that cover multiple areas, clean energy and transportation accounted for the highest shares of proceeds.

Looking at subcategories, habitat conservation and protection received CAD 166mn, adding to the CAD 392mn in earlier allocations. Meanwhile, the Marine Conservation Targets program provided funding to establish new protected areas and OECMs with CAD 66mn; a similar amount as for previous years combined.

Overall, only a small share of green bond proceeds has been allocated to nature. Fundamentally, there can be obstacles around sufficiently large pools of nature-related expenditures in use-of-proceeds bonds. Moreover, as a public good the economics of nature often differ from investments into projects with direct revenue streams, like renewable energy.

[13] "Canada successfully prices new green bond to raise $2 billion", Department of Finance Canada, 4 Feb 2026.
[14] "Government of Canada - Green Bond Framework", Department of Finance Canada, Nov 2023.
[15] Please note 2023-24 is the reporting period and most of the proceeds were allocated to that fiscal year, but 42% were allocated to previous years. Details: Green Bond Allocation and Impact Report 2023-24, Government of Canada, Jun 2025.

Proposal: Sustainability-Linked Bond

Unlike use-of-proceeds bonds, SLBs do not ringfence capital for specific projects; instead, the issuer commits to sustainability performance targets.

Earlier this year, Chile became the first sovereign to issue such a bond using the 30x30 target, linking potential coupon adjustments to the expansion and management of protected areas. Embedding sustainability commitments in bond structures can strengthen the credibility and effectively signals a country's efforts.[16]

Applying this thinking to Canada, we propose an SLB with KPIs linked to protection of terrestrial and marine conservation, with the following Sustainability Performance Targets (SPTs):

- **SPT 1:** Achieve at least 30% of the total land area, including inland waters, covered by protected areas and/or Other Effective Area-Based Conservation Measures (OECMs) by 2030.
- **SPT 2a:** Achieve at least 28% of the total marine area covered by protected areas and/or Other Effective Area-Based Conservation Measures (OECMs) by 2030.
- **SPT 2b:** Achieve at least 30% of the total marine area covered by protected areas and/or Other Effective Area-Based Conservation Measures (OECMs) by 2030.

These targets are aligned with the ambitions outlined in the nature strategy. In the case of marine areas, the strategy's base target of 28% is below the 30% in the GBF, but is aligned with Canada's latest target. Conceptually, the latter could be used as a 'stretch target' (SPT 2b) that rewards effort beyond the base targets and would result in a coupon step down if achieved, whereas SPT 1 and 2a would result in a coupon step up if not achieved. As only SPT 2 offers the possibility of a step down, this proposed structure is not symmetric, but creates an incentive to go beyond the base targets.

Using coupon adjustments of 25bps per SPT for illustration, Figure 4 shows the potential combined coupon adjustments subject to achieving the land and marine targets.

Pricing such a bond structure requires assumptions about the likelihood of achieving the targets.

Figure 4. Matrix of coupon adjustments depending on achievement of SPTs, including probabilities for illustration. Source: AFII.

		Land area (SPT 1)	
		<30%	≥30%
Marine area (SPT 2a/b)	≥30%	Unchanged 15%)	-25bps (15%)
	28% - <30%	+25bps (15%)	Unchanged (15%)
	<28%	+50bps (20%)	+25bps (20%)

[16] For details on this issuance: "New biodiversity SLB underpins Chile's leading role", AFII, 7 Jan 2026.

For terrestrial areas, the latest value is around 14%, relative to the target of 30% (SPT 1). For illustration, we assign a 50% probability of achieving the target.

For marine areas, the latest value is around 15.5%, relative to the targets of 28% (SPT 2a) and 30% (SPT 2b). Here, we assign a 60% probability of achieving SPT 2a and 30% probability of achieving SPT 2b.[17]

Combining these probabilities completes the table in Figure 4 (given the coupon adjustments are additive, there is no exposure to the correlation between the KPIs).[18]

The observation date for the SPTs is December 2030, with reporting assumed in December 2031. Using a 10-year bond with semi-annual coupon payments (e.g. May/November) as reference, the adjusted coupon would cover the payments for last four years of the bond, implying a cumulative adjustment of up to +200bps / -100bps (undiscounted).

Based on our option pricing approach and the illustrative probabilities outlined above,[19] the combined option value is positive (upfront: 0.47%, running: 5.4bps). Accordingly, on an equivalent basis, this SLB could price at a somewhat lower yield than a plain vanilla bond.

In sum, SLBs provide an accountability mechanism, with coupon adjustments tied to the achievement of nature conservation targets. In the structure outlined above, the probability and magnitude of a coupon step-up is higher than for a step-down, creating a positive option value for investors that could support pricing at a lower yield than conventional bonds.

Conclusions

Canada's prime minister recently announced a new nature strategy with ambitious conservation targets, including increased efforts to protect 30% of land and water. Achieving this could meaningfully reduce nature-related risks by safeguarding critical ecosystems and the services they provide.

Canada has already established itself as a regular green bond issuer, but only a small share of proceeds supports nature conservation. Complementing existing issuance amid planned investment of CAD 3.8bn, we propose an SLB to support Canada's nature strategy and raise capital at scale while offering investors attractive outcomes.

Such a bond structure provides an accountability mechanism with coupon adjustments depending on the achievement of targets. A positive option value for investors could justify pricing at a lower yield than conventional bonds.

[17] This implies a 40% probability of coupon step up (SPT 2a) and a 30% probability of a coupon step down (SPT 2b).
[18] For a discussion on correlated KPIs please see "A review of social KPI usage in SLBs", AFII, 18 Nov 2025.
[19] For details, please see "An option pricing approach for sustainability-linked bonds", AFII, 8 Nov 2022.

Appendix

Overview of Canada's green bonds. Source: AFII, Bloomberg Finance L.P., accessed 7 May 2026.

ISIN	Issuance date	Maturity	Coupon (%)	Price	Yield to maturity (%)	Modified duration	Amount out-standing (CAD bn)
CA135087N670	29/03/2022	01/12/2029	2.25	97.4	3.03	3.4	5.0
CA135087S968	26/02/2025	01/03/2032	3.00	98.8	3.22	5.3	3.5
CA135087R713	05/03/2024	01/03/2034	3.50	100.8	3.38	6.8	6.0
CA135087U360	10/02/2026	01/03/2036	3.25	97.7	3.52	8.3	2.0
CA135087T875	17/10/2025	01/12/2056	3.50	93.2	3.88	17.9	1.0

This research is funded in part by the Gordon and Betty Moore Foundation through The Finance Hub, which was created to advance sustainable finance.

ABOUT THE GORDON AND BETTY MOORE FOUNDATION:

The Gordon and Betty Moore Foundation fosters path-breaking scientific discovery, environmental conservation, patient care improvements and preservation of the special character of the Bay Area. Visit Moore.org or follow @MooreFound

IMPORTANT DISCLAIMER:

This report is for information and educational purposes only. The Anthropocene Fixed Income Institute ('AFII') does not provide tax, legal, investment, accounting, or any regulatory or regulated advice or services. This report is not intended to provide, and should not be relied on for, tax, legal, investment, accounting, or regulatory or regulated advice or services. Nothing in this report is intended (i) as investment advice, as an offer or solicitation of an offer to buy or sell, or as a recommendation, endorsement, or sponsorship of any security, company, issuer, or fund or (ii) to express a particular investment proposal in respect of a financial instrument or an issuer, or (iii) to propose a particular investment decision in respect of a financial instrument or an opinion as to the present or future value or price of any financial instrument or (iv) to recommend or suggest any investment strategy.

AFII is not responsible for any investment decision made by you. You are responsible for your own investment research and investment decisions. This report is not meant as a general guide to investing, nor as a source of any specific investment recommendation. Unless attributed to others, any opinions expressed are our current opinions only. AFII does not take into account your own circumstances or assets and AFII assumes no direct or indirect responsibility or liability for any investment decisions you make, and you remain fully responsible for your own research, legal and regulatory compliance, and decisions.

Certain information presented may have been sourced from third parties. AFII believes that such third-party information is reliable, and has checked public records to verify it wherever possible, but does not guarantee its accuracy, timeliness or completeness; and it is subject to change without notice. Any reference to an issuer's creditworthiness or likelihood of positive or negative performance in the current or future market is purely observational and should not be taken as a recommendation, endorsement or advice in relation to such issuer or its securities. AFII is a non-profit organisation that provides fixed income investors with the insights and tools they need to align their portfolios with ambitious climate and nature targets. For more information about the Institute, please visit www.anthropocenefii.org.

