



# Private Equity Nature Outlook



# Executive Summary

Private equity is slowly reopening, after three years of stagnation. 2025 delivered \$2.1 trillion in investment, the highest since 2021, with Q3 buyout value hitting \$537 billion. \$2.5 trillion in dry powder awaits deployment amid accelerating exits: corporate M&A doubled in Q2 value, PE-backed IPOs reached \$198.7 billion through Q3.

And the landscape GPs are returning to looks different. Operational value creation now sits at the heart of most GP strategies, fundraising is consolidating around specialists, and the regulatory environment is catching up with investor expectations. The ISSB's November 2025 commitment to TNFD-aligned standards signals that nature disclosure is becoming mandatory across more than 20 jurisdictions – nature is no longer a side consideration. It is becoming core to how businesses are valued and governed.

The business case is real, and it's growing. Research points to double-digit enterprise value uplifts from nature-positive strategies. "Nature Debt" – nature risk left unmanaged – erodes terminal value, quietly and structurally, much like legacy technology debt.

This outlook charts 2025's transformation for nature & private equity, and the opportunity it creates for investors willing to face it.

**Kudirat Olateju**  
Fola Sustainability

# 1. Introduction

**Private equity is at a turning point. The market's moving again: deals are happening, capital's flowing, and exits are coming back to the table after years of lockdown. The numbers tell the story:**

- Q3 2025 hit \$537 billion in global buyout value, the second-highest quarterly figure in ten years (KPMG, [2025](#)).
- 2025 investment is estimated at \$2.1 trillion, the highest since 2021 (KPMG, [2026](#)).
- Over \$2.5 trillion in dry powder remains globally, with approximately \$1.1 trillion concentrated in the U.S. market (KPMG, [2026](#); S&P Global Market Intelligence, [2025](#))

Within these headlines lies a deeper transformation. The industry is evolving, with shifts in exit strategy and value creation driven by rising performance pressures. The result is a change in approach to ESG, underpinned by the fact a healthy planet is essential for business. Regulatory frameworks and real-world impacts are urging financial institutions and portfolio companies to understand their nature-related dependencies, impacts, risks and opportunities. In comes "Nature Debt", the same way a patched-up tech stack can cripple future operations, ignoring an asset's relationship with nature creates a structural drag on terminal value.

**The case for action on Nature is both offensive and defensive.**

On the upside, nature-positive strategies unlock new value: regenerative agriculture delivers 4-8% EBITDA improvements, water efficiency reduces opex in razor-thin margin sectors, and multi-revenue forestry models command higher valuations than conventional peers. Strategic buyers increasingly pay premiums for nature-ready assets, while sustainability-linked financing offers more favourable debt terms.

On the downside, nature-related risks are business risks: logistics companies in water-stressed regions face supply chain vulnerability, agricultural platforms dependent on pollinator services face productivity risk, and consumer goods businesses with biodiversity-sensitive supply chains face regulatory and reputational exposure.

At exit, these dynamics converge. M&A buyers are increasingly including nature-related due diligence; with nature integration a signal of future-proofed operations.

Action on nature is no longer an optional consideration for investment committees worldwide. Nature dynamics determine valuations, cash flow stability, and exit outcomes.

They determine the industry's future.

# Highlights

- **Deal momentum is back.** With full-year 2025 investment hitting \$2.1 trillion, the industry has shaken off three years of stagnation, but the focus has shifted toward high-conviction, specialised "platform" bets (KPMG, [2026](#)).
- **LP selectivity accelerates.** While \$2.5 trillion in dry powder remains globally, total capital raised fell 11% in 2025 as LPs concentrated commitments toward mega-funds (which captured 46% of US capital) and specialist strategies (FT, [2026](#)).
- **ESG credibility is getting tested.** 75% of LPs assess ESG practices in due diligence, and 86% of sustainably minded LPs plan to increase ESG-focused allocations (PEI, [2026](#)) signalling that generalist managers without documented ESG expertise face headwinds in fundraising.
- **Operational value is the "star" lever.** In a high-rate environment, 78% of General Partners (GPs) now view company-level improvements as the primary source of returns, making "buy-and-build" strategies the standard (Simon-Kucher, [2025](#)).
- **Nature-positive = premium.** Evidence from BCI's direct private equity portfolio indicates that financially driven ESG initiatives, including nature- and sustainability-aligned strategies, can support a material double-digit percentage uplift in enterprise value through operational improvements and risk reduction, even before any exit multiple expansion is assumed (Greenfield et. Al, 2026)
- **Regulatory noise is coming to a head.** The emergence of the ISSB as a global baseline is replacing the fragmented "patchwork" of rules, allowing firms to build a single, globally compatible reporting infrastructure (IFRS, [2025](#)).
- **"Nature Debt" is the new balance sheet liability.** Much like a legacy tech stack or a poorly structured balance sheet, ignoring nature-related materiality creates a hidden cost that acts as a structural drag on terminal value. In today's market, failing to integrate regenerative supply chains or resource efficiencies is no longer "playing it safe"; it is incurring a liability that will be felt at exit.

"With full-year 2025 investment hitting \$2.1 trillion, the industry has shaken off three years of stagnation."

Global Buyout Value	Total Investment	Dry Powder
<p><b>\$537 billion</b></p> <p>vs. \$571 billion p.a. needed for the "triple planetary crisis"</p> <p>(Q3 2025)</p>	<p><b>\$2.1 trillion</b></p> <p>vs. the market capitalisation of Amazon (\$2.6t)</p> <p>(2025)</p>	<p><b>\$2.5 trillion</b></p> <p>vs. the annual GDP of Canada (\$2.39t, 2025)</p> <p>(as of Jun 30 2025)</p>

## 2. Market Backdrop

The private equity market has reopened, supported by strong data. Global buyout value reached \$537 billion in Q3 2025 alone, marking the highest activity level since the 2021 market peak (KPMG, [2025](#)). With full-year projections reaching up to \$2.1 trillion (KPMG, [2026](#)), the industry is emerging from three years of stagnation and moving toward more sustainable, operationally-focused growth.

### Exits are back(?)

Strategic buyers have been on the sidelines for years, frozen by regulatory uncertainty and valuation gaps that wouldn't close. That

absence created a liquidity problem – sponsors ended up holding assets far longer than they'd planned. But corporate M&A is back now, and signals that confidence is returning. There's actual demand for portfolio exits again, and it's seemingly moving beyond the usual sponsor-to-sponsor handoffs.

- **Sponsors clear the backlog.** Firms announced \$308 billion in major exit transactions in H1 2025, a mid-year total not seen since H1 2022 (EY, [2025](#)).
- **Corporate appetite regains scale.** Q2 sales to corporate "strategics" jumped 26% in volume and more than doubled in value compared to the prior year, proving these buyers are once again paying premiums for quality (EY, [2025](#)).
- **IPO pathways become viable.** PE-backed IPO exit value reached \$198.7 billion through Q3 2025, the highest level

- since 2020 (KPMG, [2025](#)), leading JPMorgan to forecast that one-third of 2026 IPOs will involve PE sponsors seeking exits for mature, cash-flow-predictable assets (JP Morgan, [2026](#)).

## Holding the line

Higher debt costs and return expectations meant firms were seeking "safety in scale" and margin improvement instead of downround sales. The "buy-and-build" approach held for a time, but forecasts are suggesting a return to riskier, larger, bets.

- **Add-ons drive value creation.** Since mid-2021, add-ons have made up ~50% of deals made in PE. In deal value, the share of add-ons increased from 25% of total deal value in Q2 2024 to 36.7% in Q2 2025 as firms focused on tactical integrations rather than risky new platforms (Pitchbook, [2025](#)).
- **Deployment and exit pressure mounts.** The investment-to-exit ratio of 2:1 confirmed that GPs were buying faster than they'd sell, making internal operational improvements the only reliable lever for driving returns (PrivateEquityInfo, [2025](#)).
- **Platform LBOs prepare for comeback.** Debt underwriters have earmarked \$65 billion for large buyouts in 2026, suggesting that mega-funds are regaining their appetite for billion-dollar-plus transactions as valuation gaps narrow (Bloomberg, [2025](#)).

# Capital Concentration

While the "mountain of dry powder" (\$2.5 trillion (KPMG, [2026](#))) continues to make headlines, the contraction in fundraising beneath it does too. Total capital raised continued to fall, down 11% (S&P Global Market Intelligence, [2026](#)), suggesting a sorting mechanism emerging where LPs are no longer willing to fund generalist narratives. Instead, capital is flowing toward managers who can demonstrate authentic, documented expertise in niche sectors.

- **Mega-funds capture the market.** Large-scale vehicles captured 46% of 2025 US capital, leaving mid-market and emerging managers to face an increasingly acute challenge in securing LP engagement (FT, [2026](#)).
- **Infrastructure remains the bright spot.** Funds in this sector raised over \$200 billion by Q3 2025 (GIIA, [2025](#)), reflecting a massive institutional appetite for inflation-linked cash with renewables representing two-thirds of allocations and digital infrastructure (including AI data centres) capturing close to 20% (CBREIM, [2025](#)).



**“We’re moving  
back towards more  
historic level of  
activity”**

**Jon Gray**  
President & COO, Blackstone  
Q4 2025 Investor Call

Global Buyout Value  
Q3 2025

Significant Exits  
H1 2025

Share of US funds  
raised: Top 10 PE  
Funds Q1-3 2025

**\$537**  
**Billion**

**\$308**  
**Billion**

**46 %**

## 3. Spotlight on Value Creation

Value creation levers are shifting in 2026. With 78% of practitioners expecting company improvements to be the primary driver of returns (Simon-Kucher, [2025](#)), multiple expansion and recapitalisation are falling out of favour. Higher debt costs and extended hold periods mean that if you aren't growing EBITDA through tangible operational shifts, you aren't creating value.

### Academic Evidence

In this environment, nature-related initiatives are no longer "ESG box-ticking." They are embedded operating disciplines designed to improve margins, reduce risk, and secure exit premiums.

- The recently released [British Columbia Investment \(BCI\) x Stanford whitepaper](#) demonstrates the capability of

- sustainability in private equity. BCI's consideration of ESG as a "core" lever of performance (rather than a disclosure exercise) is presented with motivating results. The core finding in this paper is that when sustainability-related initiatives are treated as financially material levers, they contribute directly to the "bottom line" performance that buyers can pay for at exit.
- [BCG's Private Markets Report](#) reveals that GPs are achieving 4% to 7% EBITDA increases, specifically from sustainability-linked operational initiatives over the life of an investment.

### Real-world Approaches

In nature-dependent industries, specific operating levers are being used to build "regulatory-ready" companies that can

command higher prices from strategic buyers. These cases demonstrate that "green" is synonymous with "efficient."

- **Agri-food supply chain transitions.** Companies implementing deforestation-free and regenerative practices generate value through operational improvements (land productivity gains enabling cost reductions) and premium market positioning. Financial documentation from Brazilian ranches suggesting 4 – 8% cumulative EBITDA uplift for mid-market PE vehicles over a standard hold (NYU Stern, [2017](#)).
- **Regenerative agriculture practices.** Transitions toward soil health and reduced chemical intensity generate value through both direct productivity gains (lower input costs and higher yields (WEF, [2025](#))) and new revenue streams from carbon and biodiversity credits. Institutional investor engagement has driven supply chain sustainability commitments from major buyers: Vancity Investment Management successfully pressured Starbucks to report on Arabica bean sustainability, signalling growing buyer demand for regenerative sourcing.
- **Meat processing water efficiency.** In a sector with razor-thin 2 – 3% EBIT margins, firms are using sustainability-linked financing to trigger better debt terms while reducing processing costs through waste-to-landfill reduction (Petridi et al., [2024](#)). Silver Fern Farms, New Zealand's largest meat processor, secured a NZD \$320 million sustainability-linked financing facility in 2022, customised for red meat industry challenges, including water use and waste management (RuralNews, [2022](#))
- **Forestry and ecosystem diversification.** Moving beyond pure timber extraction to include habitat restoration and carbon

- sequestration builds resilient, multi-revenue assets that command measurably higher valuations than conventional timber-focused peers (Lin et al., [2023](#)). BTG Pactual's (the largest investment bank in Latin America) Timberland Investment Group (TIG) has raised \$672 million toward a \$1 billion Latin American reforestation strategy that aims to protect and restore approximately 135,000 ha of natural forests while establishing sustainably managed commercial tree farms on another 135,000 ha of previously deforested land (IFC, [2024](#)).

## The GP Playbook: How to use Nature as a Value Lever

Another critical insight from the BCI framework is the distinction between ESG as "defensive" risk management and "active" value creation. Both are relevant and treated as complementary approaches. While the due diligence phase is about pricing risk into the entry valuation, the holding period is about aggressively pulling levers to drive performance. In the context of nature, BCI's approach results in a framework where:

- **Due diligence informs valuation.** Nature risk assessments identify exposures (formally: dependencies and impacts),

- such as water stress or deforestation, that must be priced into valuation haircuts or downside case developments.
- **Materiality screening prevents waste.** Nature initiatives are prioritised only when they demonstrably impact core features of commercial strategy (e.g. product innovation or supply chain differentiation). Deprioritise any project failing to hit standard screening rules, such as BCI's expected  $\geq 0.25x$  exit multiple impact or double materiality assessment.
- **Incentives drive management alignment.** Embed nature-related targets directly into Management Incentive Plans (MIPs), ensuring the CEO is compensated for both EBITDA and ecological outcomes.
- **Exit narratives have proof.** At the point of sale, nature-related gains only matter if they are documented and clearly linked to business performance. To give the buyer confidence in future-proofed margins, TNFD-aligned disclosures are effective templates to "show your working".
- **LPs are a push-factor.** The [PEI LP Perspectives 2026 Study](#) found while only 15% of GPs are viewed as taking ESG risks "as seriously as possible," 75% of LPs still assess ESG practices in due diligence, and 86% of sustainably minded LPs plan to increase capital to ESG strategies (Morgan Stanley Sustainable Signals Survey, [2025](#)), with data quality and greenwashing now their dominant concerns.
- **Decarbonisation inaction is costing GPs.** The [PEI 2026 Responsible Investment Report](#) noted that the biggest factor driving LP interest in decarbonisation was anticipated GP underperformance.
- **Nature risks are achieving parity.** According to the [TNFD 2025 Status Report](#), 63% of market participants now view nature-related risks and opportunities as equal to or more significant than climate-related factors.

# The Call to Action

The industry consensus for early 2026 reflects a decisive move away from broad ESG pledges towards targeted action and matching financial results. There is a growing realisation that sustainability integration is a critical component of fiduciary duty, with nature being tabled alongside climate as a new source of value.

## A Four Factor Framework for Integrating Nature





**“ESG integration in private markets is not just about managing risk; it is about creating value”**

**Jim Pittman**

**Executive Vice President & Global Head, BCI**  
BCI x Stanford Press Release

# 4. Regulatory winds

The sustainability regulatory environment has changed significantly. For years, PE firms operated in a landscape where globally adopted voluntary frameworks like TCFD coexisted with different mandatory requirements like SFDR in Europe and evolving SEC proposals in the U.S. Although TCFD established a baseline across 101 jurisdictions, the combination of voluntary and mandatory approaches increased compliance complexity.

2026 may be an important year for regulatory changes, where many of which were designed to resolve these challenges, though the outlook remains complex: A global baseline for reporting is emerging through ISSB, the EU's CSRD, and several Asia-Pacific regulators adopting ISSB-aligned rules. However, jurisdictions are also adjusting who must report and when, leading to converging standards but diverging obligations.

## Voluntary Frameworks Find a Home

In January 2024, TCFD formally disbanded after completing its mission, transferring all responsibilities to the ISSB. Now, nature is following the same path: in November 2025, the ISSB announced it will develop nature-related disclosure requirements, drawing directly on TNFD's framework, metrics and LEAP approach, with an Exposure Draft targeted for October 2026.

TNFD has confirmed it will complete its technical programme by Q3 2026 before pausing for takeover, mirroring TCFD's transition.

More than 20 jurisdictions (half the global economy) are already aligned to ISSB standards, and with nature joining climate in its reporting architecture, the shift could structurally change disclosures worldwide: by TCFD and TNFD being consolidated into these globally recognised standards, it sets the stage for regulators to easily prioritise public disclosures on climate and nature, with many already having embedded, wholly or partly, ISSB into their mandatory reporting regimes.

## Europe: Simplification Meets Enforcement

The European Commission has entered a phase of "regulatory recalibration." While it remains the world's most prescriptive framework, recent updates represent a meaningful simplification for mid-market managers who were previously overwhelmed by administrative costs.

- **SFDR 2.0 streamlines reporting.** Published in late 2025 (check out our post [here](#)), this update may remove

- entity-level disclosures and simplify product categories.
- **EU Taxonomy gets leaner.** The revised Delegated Act, which entered into force on January 28, 2026, reduces reporting datapoints by 89% for financial institutions (KPMG, [2026](#)) while preserving the core framework that defines which activities qualify as environmentally sustainable. For PE firms managing Article 8 or 9 funds, Taxonomy alignment remains a critical fundraising and positioning tool.
- **CSRD scope narrows significantly.** Mandatory reporting now applies only to EU companies exceeding €450 million in turnover, effectively exempting many companies previously under threat and providing massive relief to mid-market PE.
- **Biodiversity becomes a differentiator.** The finalisation of the ESRS E4 standard in 2026 allows smaller companies to voluntarily adopt biodiversity disclosures, gaining a "first mover" advantage that signals exit-readiness to premium buyers.
- **SDR implementation accelerates.** The FCA's Sustainability Disclosure Requirements entered force in phases from 2024-2025, with full entity-level disclosure requirements for firms managing over £50 billion in assets taking effect in June 2025, and firms with over £5 billion following in December 2026. The regime introduces investment labels, anti-greenwashing rules, and disclosure requirements that function as the UK's alternative to SFDR, affecting PE firms managing sustainability-focused funds.
- **BNG mandates create compliance and market opportunities.** Mandatory 10% Biodiversity Net Gain extended to developments under 1 hectare in April 2025, completing the phased implementation that began with major sites in February 2024. The off-site BNG market is now estimated at £135-274 million annually. Application to Nationally Significant Infrastructure Projects was delayed from November 2025 to May 2026 following consultations.
- **Environmental Improvement Plan 2025 sets investment targets.** Published in November 2025, the EIP explicitly frames nature as "core economic infrastructure" and commits to mobilising £500 million in private investment annually by 2027, rising to over £1 billion by 2030. You can read more in our blog post [here](#).

# United Kingdom: Strategic Divergence

Following Brexit, the UK has developed its own sustainability architecture, balancing alignment with global standards and domestic priorities.

# North America: Different Paths to the Same Destination

The U.S. and Canada have taken opposite structural approaches: the U.S. continues to rollback critical environmental protections and mechanisms, while Canada has embraced the global ISSB baseline, creating a more stringent environment for companies north of the border.

- **Environmental danger.** President Trump's repeal of the EPA's 'endangerment finding' last week has removed the legal bedrock for federal climate regulation. The endangerment finding states that the buildup of greenhouse gases endangers public health and welfare, and since 2009 allowed the Environmental Protection Agency (EPA) to limit heat-trapping pollution from vehicles, power plants and other industrial sources.
- **SEC rules exempt private firms.** The U.S. climate rules active in 2026 explicitly exclude private companies unless they are IPO-bound, creating a clear bifurcation between public-market requirements and private equity holdings.
- **De facto expectations rise.** Despite the SEC exemptions, strategic buyers are increasingly seeking climate and nature-related metrics during due diligence, ESG due diligence now considered 'indispensable': A 2025 BCG

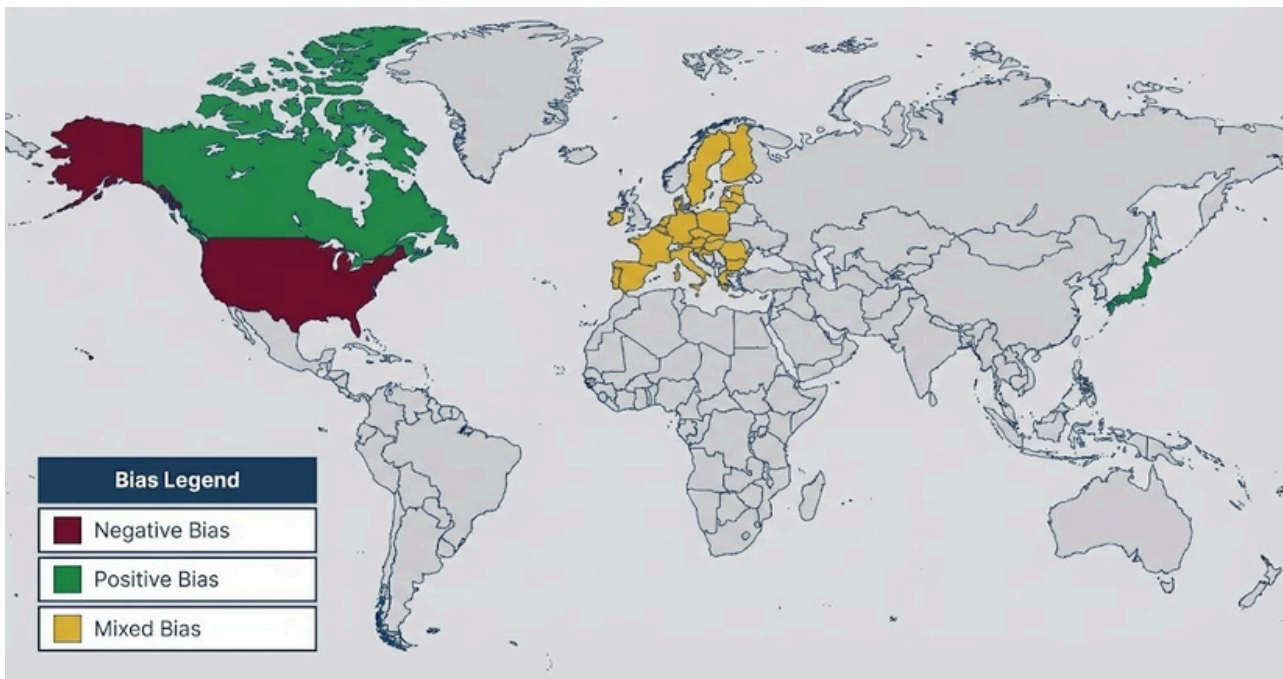
- /Gibson Dunn [global survey](#) found that 77% of respondents observed higher ESG maturity resulting in a higher premium/valuation, with PE firms like KKR identifying nature dependencies (such as palm oil sourcing risk) during pre-acquisition due diligence (Anthesis, [2025](#)).
- **Canada advances on ISSB with Scope 3 for large issuers.** New standards effective 2026 require Scope 3 GHG disclosures from major public companies, prompting PE firms targeting Canadian exits or operations to build data infrastructure ahead of due diligence demands.

# Asia-Pacific: The New Regional Benchmark

The APAC region is setting the pace for global compliance. From Japan's comprehensive adoption to Singapore's emergence as a green finance hub, the region is using ISSB standards to attract international capital flows.

- **China consolidates.** Building on the 'Basic Standards for Corporate ESG Disclosure' (issued in December 2024, aligned with IFRS S1) for A-share and main-board listed companies, authorities have set out a roadmap for a dedicated climate-related standard based on IFRS S2 by 2027 and a national sustainability disclosure system by 2030, extending

- requirements from listed companies to larger non-listed entities. China's standards were already broadly ISSB-aligned and, in some respects, stricter than many global peers.
- **Japan leads on ISSB.** The SSBJ standards released in 2025 directly incorporate global rules with minimal changes, ensuring Japanese portfolio companies are concurrently compliant with both domestic and international requirements.
- **Singapore catalyses green finance.** MAS's new Financial Sector Carbon Market Development Grant funds financial institutions' VCM expertise and financing, paired with new guidance and a buyers' coalition, enabling financial institutions to scale high-integrity credits regionally.
- **Digital ESG goes mainstream.** Platforms like Singapore's ESGenome are standardising 27 core metrics across the region, making it easier for PE managers to track carbon footprints and board diversity in real-time.



# 5. Our Thoughts: Nature Debt

As we move into 2026, the industry is waking up to a new form of liability: Nature Debt. A term first coined by Winnie Cheche, its meaning is simple: just as a patchy tech stack can cripple an exit, ignoring nature-related materiality creates a structural drag on terminal value. We believe that in today's market, you cannot achieve top-quartile EBITDA margins in nature-intensive sectors by standing still. Those who fail to integrate regenerative supply chains or resource efficiencies are not "playing it safe"- they are incurring a hidden cost that will be called in at exit.

The regulatory trajectory makes this unavoidable. Despite the simplification wave washing through Europe and North America, the structural direction is unmistakable. The ISSB's November 2025 commitment to develop mandatory nature-related disclosure standards, based on TNFD, signals that what is voluntary today will likely be mandatory tomorrow, across the 20+ jurisdictions already aligned with ISSB standards. Companies that wait for regulatory certainty before acting will find themselves building disclosure infrastructure under time pressure, at higher cost, and with weaker data baselines than early movers.

Firms that overlook the growing cost of nature-related risks like water stress; critical mineral shortages; and weather-induced yield volatility; will pay the price. In a market where 63% of investors now view nature-related risks as equal to or more material than climate risks, the calculus for portfolio companies is shifting. Voluntary adoption of biodiversity disclosures - whether through ESRS E4 for EU-adjacent companies or TNFD-aligned frameworks for international assets - signals to strategic buyers that a company is ahead of the mandatory curve. This differentiation matters particularly for exits targeting premium buyers or international acquirers already preparing for ISSB compliance. Rather than treating regulatory simplification as permission to delay, the opportunity lies in using streamlined frameworks to reduce compliance costs while building competitive advantage through strategic nature disclosure. The administrative burden has decreased; the strategic imperative has not.

To protect any long-term investment, nature-related KPIs can no longer be "soft" targets or secondary goals. They must be weighted alongside traditional financial targets. If the CEO isn't incentivised to de-risk the asset's relationship with nature, the GP is effectively underwriting an exit that the 2030 market may no longer be willing or able to fund.

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# Thank you for reading.

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