

Business Perspectives on Natural Capital

Valuing our Life Support Systems

2nd Natural Capital Summit
6th November 2014

Dr Peter J Young

Where is Business on Natural Capital?

Aldersgate Group



And

Ecosystems Markets Task Force



Have shown the time is right



Is this the decade for Business Action?

- My perspective on natural capital in my working life:
 - 1980s: Ecology – amateurs
 - 1990s: Environmental Science - academics
 - Noughties: Environmental Economics - policy
 - Now: Environmental Wisdom?

*Either Business Acts
or*

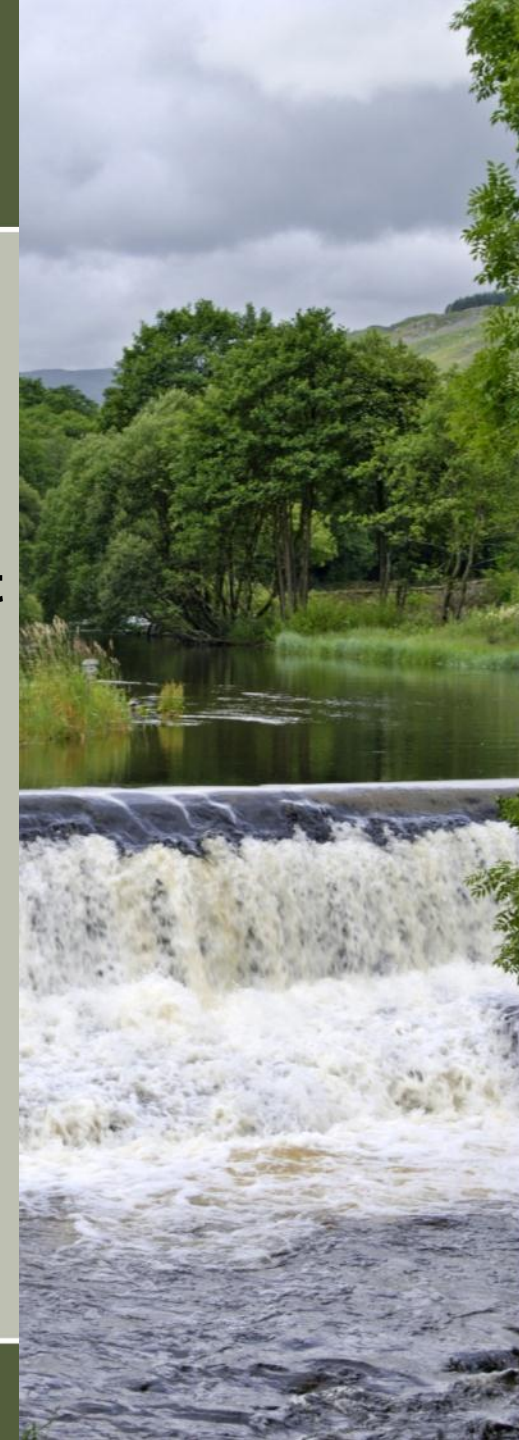
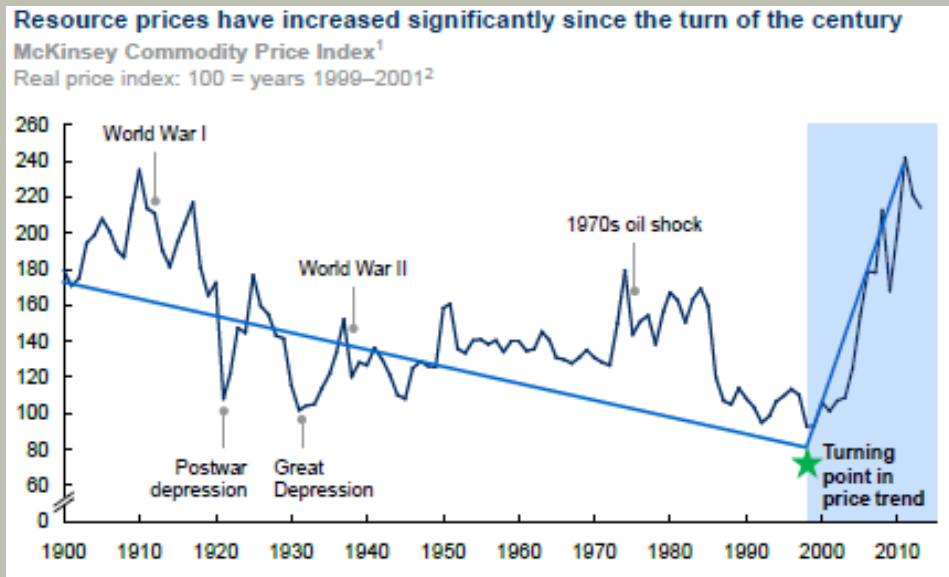
Environment Harms Business

**So why else is the time right for Business
now?**



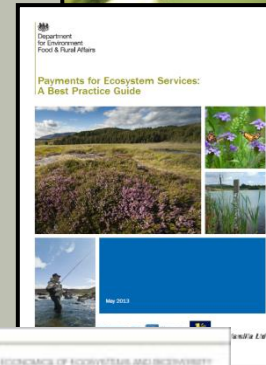
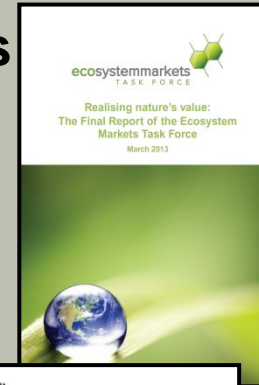
The time is right: Planet

- We all know we are well past the point of sustainable living on the planet:
 - WWF estimate 1.5 x planet ecological footprint
 - UK running at 3.5 x planets
 - Climate Change UN IPCC Synthesis Report last Sunday trajectory towards +6 not +2 degrees
- But business shock on labour and resources has arrived already:



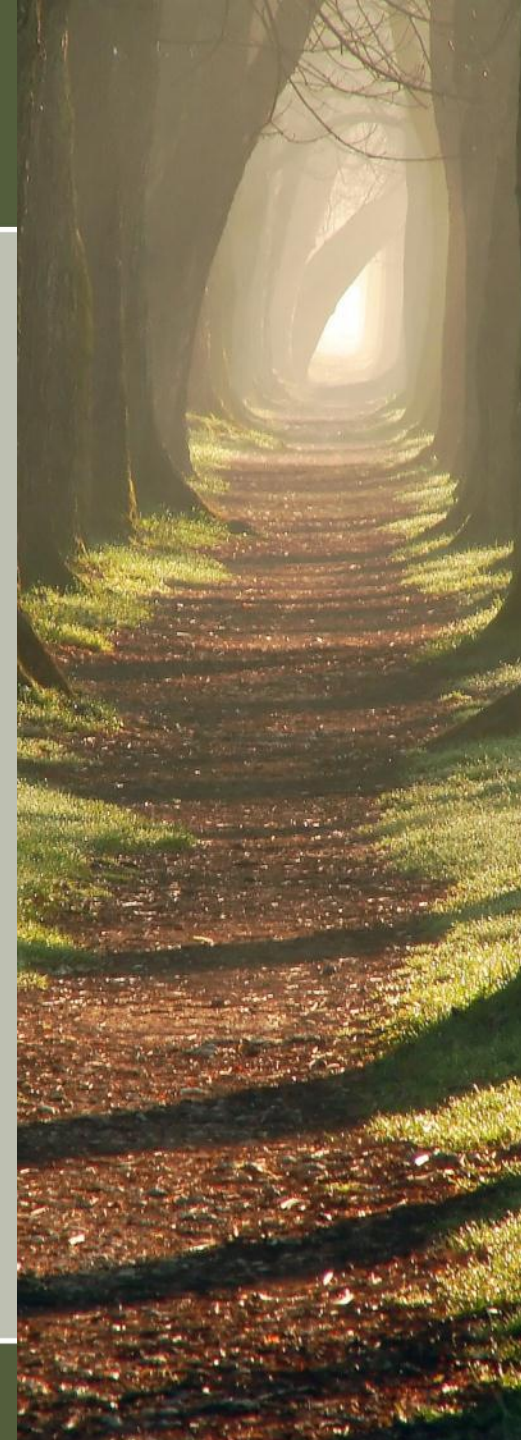
The time is right: Policies

- Recent government performance masks improving architecture to allow action:
 - Natural Environment White Paper
 - National Ecosystems Assessment
 - National Climate Adaptation Plan
 - Natural Capital Committee
 - Ecosystems Markets Task Force
 - Payments for Ecosystem Services
- Mirrored by Business
 - The Economics of Ecosystems and Biodiversity (TEEB)
- And Natural Capital Initiative
- Next Govt – New Legislation?



The time is right: People

- Business Leaders like Ian Cheshire, Paul Polman
- Investors – the growth in green bonds (ISAs?); Green Investment Bank
- New alliances eg Marc Tercek and Andrew Liveris in US
- Affordable health care and well-being
- Natural Capital Committee Mark II?
- The personal need for non material wealth in a recession
- And increased consumer action



Opportunities for Action – Key Asks

Pricing the Priceless

November 2011 but still valid:

1. **The economics of nature.** Our economic success depends on a healthy environment and the sustainable use of natural resources. This applies to Biodiversity and Ecosystem Services (BES).
2. **Pricing the priceless.** The value of BES must be reflected in prices and policy appraisal. Even though complex to measure, company decisions and national accounts must include BES.
3. **Don't exceed the limits.** There are certain thresholds that cannot be passed without causing irreversible damage. As well as critical limits, there are also critical trends. A more resource efficient economic model will reduce costs and increase resilience.
4. **Regulation can drive growth.** Regulation can create new business opportunities and new markets that the UK should seek to exploit. Also, business and Government must work together to engage the consumer, building trust and changing behaviour.
5. **Business taking the lead.** The loss of BES poses significant risks and opportunities for all businesses, although to varying degrees. An effective BES will ensure that forward looking businesses are leading the way as this issue rises up the political and consumer agenda.

Pricing the Priceless

The business case for action on biodiversity



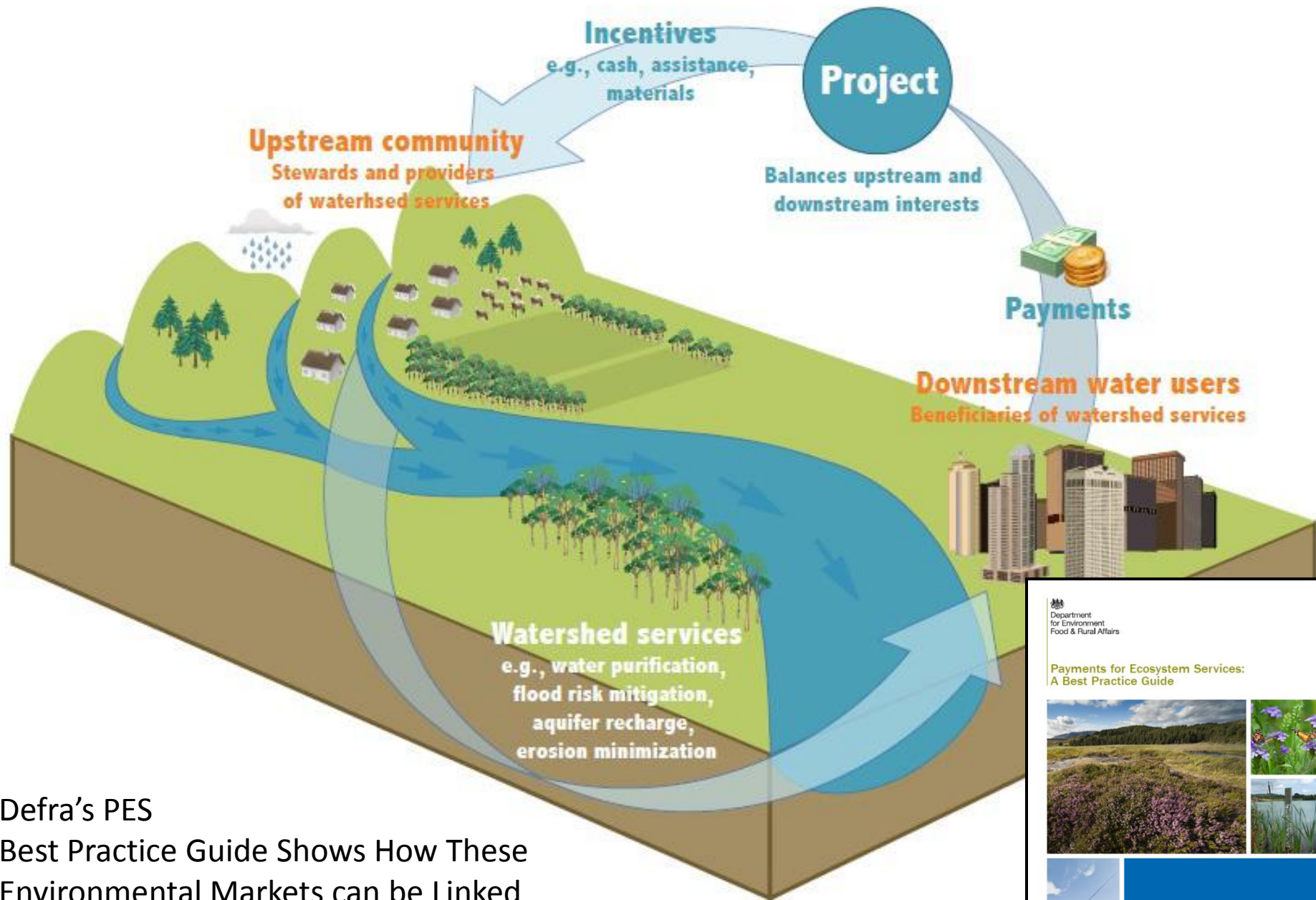
ALDERSGATE GROUP
Leaders for a sustainable economy

Opportunities for Action – Key Markets

EMTF Identified >£1bn UK latent market Five Largest Opportunities

- 1) Biodiversity Offsetting: mandatory application of the metrics, all development delivers no net loss/net gain
- 2) Bio-energy and Anaerobic Digestion on Farms: closing the loop using farm waste to generate energy
- 3) Local Woodfuel supply chains: active sustainable management supporting local rural economies
- 4) Nature-based Certification and Labelling: connecting consumers with nature
- 5) Water-cycle Catchment Management: integrating nature into water, wastewater and flood management





Defra's PES
Best Practice Guide Shows How These
Environmental Markets can be Linked

Department
for Environment,
Food & Rural Affairs

Payments for Ecosystem Services:
A Best Practice Guide



May 2013

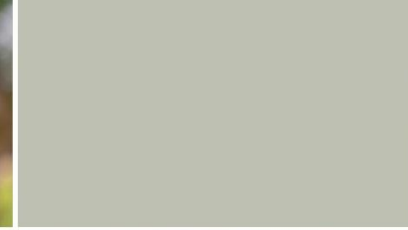
URS

Environment
Food & Rural
Affairs

Defra

Parliament Ltd

In Conclusion:



1. **Businesses manage value from capital, revenues and intangibles (brand)**
2. **Our natural capital debt is arguably more pressing than our financial debt**
3. **Businesses have the tools to enhance natural capital; to grow ecosystem services; and manage its intrinsic worth**
4. **Business must have a clear ask on natural capital to be able to act**

