

# European Business & Nature Summit

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Madrid, 7 & 8 November 2019



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# European Business & Nature Summit

GS9 — Combining forces: building the bridge between natural capital approaches

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GS9 — Combining forces: building the bridge between natural capital approaches

**Mr Carl Obst**  
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7 & 8 November 2019

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# Linking private and public sector work on measuring natural capital

European Business and Nature Summit

8 November, 2019, Madrid

Johan Lammerant (UNSD Consultant)



United Nations

# The NCA VES project

The ongoing SEEA project “**Natural Capital Accounting and Valuation of Ecosystem Services**” includes a workstream on business accounting. This workstream aims to:

- *contribute to the alignment of natural capital accounting between the public and private sectors;*
- *explore how to harness synergies between the public and private sectors in the collection and use of statistics and data for natural capital accounting;*
- *provide a technical methodological contribution at the level of methods or of indicators that promotes alignment.*

To reach these objectives, there is a **need to bring together the public and private sectors** to look at the intersection of business accounting and the SEEA, particularly with regards to ecosystems and ecosystem degradation and restoration. The following steps are taken/planned:

- Literature review of current practices in business NC accounting and reporting
- Interviews with 10 to 12 companies
- Scoping workshop
- Roadmap



# Context

- **Business financial accounts** and **national accounts** have been harmonized and aligned in order for business accounts to feed into the statistical production process of the System of National Accounts.
- With more and more businesses beginning to undertake **sustainability accounting** and **reporting**, there is now an **opportunity to align business sustainability accounts, as they pertain to the environment and ecosystems, with the SEEA.**
- At this moment there is **no globally accepted uniform / standardized way for business accounting on natural capital.** On the contrary, there is 'total freedom' and as a consequence company performance on NC is hard to assess by stakeholders, including the investors.
- As a result, there is a **growing tendency towards harmonization of corporate NC accounting approaches and towards impact reporting.** SEEA accounts produced by national statistical offices, in particular ecosystem accounts, could provide valuable information and context to businesses with regards to their impacts and dependencies on natural capital.



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# Findings from a business consultation



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# Findings on data collection and interpretation (1)

- Overall, data collection is considered as an **expensive activity** for companies and it's often hard for sustainability professionals within the industry to justify return of investment.
- Therefore, **data sharing and open source databases** are very **important** for companies.
- It is very important for businesses that data are **scientifically robust**. Many companies are very interested in Science Based Targets.
- The **challenges** faced in terms of data collection and interpretation can vary greatly according to:
  - > Type of data in DPSIR framework: pressures, state, impacts and dependencies
  - > Organizational focus area: product level, site level, project level, supply chain level (upstream part of value chain), corporate level, sector/portfolio level
  - > Thematic area: water, biodiversity, climate hazards
  - > Data collection approach e.g. Environmental impact assessment (EIA), primary data, secondary data, modeling, ...



## Findings on data collection and interpretation (2)

- **Data on pressures** ('impact drivers' according to the Natural Capital Protocol) are relatively easy to collect by the company, at least at **site level** (e.g. all companies are measuring wastewater emissions (often differentiated over different pollutants) and water use).
- The picture is very different for companies with a large footprint in the **supply chain** and gets really complicated when thousands of smallholder suppliers are involved (e.g. agrobusiness companies). Primary data collection from suppliers often results in low quality data (low confidence level).
- Land use and/or land transformation (e.g. 'deforestation') is often applied as a proxy for biodiversity pressures.
- Site level assessments of **ecosystem extent and condition** are typically applied by mining companies, building and infrastructure companies, forestry companies and companies that apply site level investments which might affect ecosystems. In these cases **field inventories** (ex ante and/or ex post, or periodically) are often applied.
- Assessing ecosystem extent and condition of ecosystems outside the site's fences requires an **interpretation step**, i.e. which is the area of influence (affected area) and which are the affected ecosystems? So, mostly this is completely out of scope... (unless regulatory framework)



## Findings on data collection and interpretation (3)

**Data on the impacts and dependencies** requires even more interpretation!

- **Water use** is a typical dependency which is measured by all companies, at least at site level. But information on only extracted volumes of water is not sufficient to assess the impact on ecosystems or other stakeholders in the watershed, and to assess water scarcity risk for the company!
- **Water scarcity** is considered as a material risk by many companies. Supporting tools include WRI's Aqueduct, WWF's Water Risk Filter or commercial data sources on climate and environmental risks. However, the granularity of these supporting tools and data sources is often not sufficient.
- **Assessing biodiversity impacts is challenging.** It requires insights into cause – impact relationships and sensitivities of different species and habitats to certain pressures.
- A main challenge is the **lack of data** on the **carrying capacity** of the affected ecosystems. Companies aiming for 'zero impact' or 'planetary boundaries' need such information, as this is essential for the assessment.

# Findings: Potential synergies with SEEA (1)

- Companies are not aware of the existence of the UN SEEA-EEA framework. Companies are not using natural capital data collected by NSOs. There is **no connection at all between the statistical NC community and the business community**.
- All in all, interviewees expressed **interest in increased access to more detailed, comprehensive, spatially referenced and regularly updated ecosystem accounts**. Financial institutions (FIs) in the first place promote increased use of such data by companies, which would make life easier for FIs (benchmarking, comparing investment options).
- An additional **advantage for multinational companies** with sites in many countries, would be that NC data from local NSOs would be more standardized if they all collect and process data in line with the UNSEEA EEA principles or recommendations.
- Most companies limit their assessments to impacts on 'stocks'. A minority of companies also includes the flows of ecosystem services in their assessments. A minority of companies applies monetization in the valuation step.

## Findings: Potential synergies with SEEA (2)

- An often-applied business application is the **identification and assessment of business risks** related to ecosystem degradation e.g. operational risks (e.g. due to decreasing availability of water). In the specific case of water availability, companies declare that the **following type of information would be of most interest** to them:
  - > data on water levels, both actual water levels as trends and predictions of future water levels (under several scenarios)
  - > data on pressures from other stakeholders (e.g. who else is extracting ground water in the watershed area?)
  - > data on policy priorities (e.g. protection status) and policy targets (e.g. Science Based Targets)
  - > data on the minimum acceptable water level (threshold values) in order not to disturb other human activities (such as transport on rivers) or not to harm biodiversity values (e.g. in wetlands dependent on sufficiently high water levels)

## Findings: Potential synergies with SEEA (3)

- Companies having adopted a **'zero impact'** or a **'planetary boundaries'** approach are very much interested in data related to carrying capacity, threshold values, environmental flows, etc.
- Companies aiming for **No Net Loss or Net Gain**, will need to define a baseline. Ecosystem accounts might provide this information if granularity is sufficiently high.
- Companies looking at aligning their water and/or biodiversity targets with **science-based targets** which have been established at a higher level (e.g. extent and condition of specific ecosystem types such as threatened habitats), would benefit from (sub)national ecosystem accounts which include a local translation of these science-based targets for water and biodiversity.
- Companies considering **investment in ecosystem restoration projects**, would benefit from ecosystem accounts including biodiversity accounts for estimating the return on investment when comparing options for ecosystem restoration.



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# Findings from the SEEA & Business workshop 16 – 17 Oct New York



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# Objectives of the workshop

- **Identify synergies and differences in terms of natural capital accounting approaches and related data requirements.**
- **Inform:**
  - > the statistical community about the current state of play in terms of corporate NCA and reporting and about the business needs
  - > the business community about the SEEA Experimental Ecosystem Accounting (SEEA EEA) framework, its basic concepts and approaches, type of data
- **Explore:**
  - > to what extent the SEEA EEA framework is useful for natural capital assessment and natural capital accounting by businesses, both in terms of methodological approach and data collection
  - > the opportunities for adapting the SEEA EEA framework and SEEA EEA products to make them more tailored to the business needs
  - > the extent to which national statistical offices (NSOs) can benefit from data collection by businesses.



# Outcomes of the workshop

- Need for pilots, i.e. experimental case studies on use of national NC data by businesses
- Pilots can be categorized: thematic, by sector, by organizational focus area, by business application, stocks focus or flow focus or both, etc.
- SEEA EEA revision process should take stock of business approaches
- A common glossary seems to be necessary
- Guidance for businesses: how to apply public natural capital data?
- Guidance for NSOs: how to make our data more accessible for and tailor made to businesses?
- Part of the puzzle in achieving E-GAAP. Cooperative exercise. Coordination required.
- Further work on how national NC databases can benefit from corporate NC data
- Follow up events

# THANK YOU

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# European Business & Nature Summit

Building actions for nature & people

10:40 – 11:00: Coffee & networking

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