European Business & Nature Summit

GS2 — Business training on natural capital
Ms Katia Bonga
Associate, Redefining Value (WBCSD)

Ms Nadine McCormick
Programme Officer, IUCN Business & Biodiversity Programme
Business training on natural capital

What are the relationships between business and nature?

Madrid, 7 November 2019
We Value Nature – Who are we?

We Value Nature is a campaign supporting businesses and the natural capital community to make valuing nature the new normal for business across Europe, by:

1. Supporting the natural capital community by sharing research, resources & best practice;
2. Identifying barriers and opportunities for adopting a natural capital approach;
3. Helping business improve their risk management, communication & stakeholder engagement by providing practical support such as training;
4. Reinforcing & boosting the work of the Natural Capital Coalition.
Objectives

At the end of the training, you will be able to understand:

❖ What is **natural capital** and its **linkages with business**, 

❖ Why it is important for **business decision-making and risk management**, 

❖ How business can **start applying a natural capital approach** to support decision-making.
Take notes!
A few house rules

- Participate
- Contribute
- Listen
- Take note
- Respect
- Have fun!
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>14:00</td>
<td>Welcome</td>
</tr>
<tr>
<td>14:10 – 14:20</td>
<td>Introduction to natural capital</td>
</tr>
<tr>
<td>14:20 – 14:35</td>
<td>Why is natural capital important?</td>
</tr>
<tr>
<td>14:35 – 14:50</td>
<td>Exploring practical approaches</td>
</tr>
<tr>
<td>14:50 – 15:05</td>
<td>Case study presentation</td>
</tr>
<tr>
<td>15:05 – 15:15</td>
<td>Lessons learned &amp; wrap up</td>
</tr>
<tr>
<td>15:15</td>
<td>End of training</td>
</tr>
</tbody>
</table>
Introduction to natural capital
Hypothetical example

Let’s start by imagining that you work for an agribusiness, producing crops such as oranges

1. What could be your **impacts** on nature (+ or -)?

2. What could be your **dependencies** on nature (i.e. what natural resources you depend on to run your business)?
Natural Capital Definition

**Natural capital** is the stock of **renewable and non-renewable natural resources**, (e.g. plants, animals, air, water, soils, minerals) that combine to yield a **flow of “services”** to people. In turn, these flows provide **value** to business and society.

Refer to p. 5 of your handbook & p. 12 of the Natural Capital Protocol

Source: Natural Capital Protocol
Why is natural capital important?
Why should business care about natural capital?

Financial performance is irrelevant on a dead planet

“Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders.”
The global risk landscape continues to shift

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset price collapse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slowing Chinese economy (&lt;6%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chronic disease</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global governance gaps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retrenchment from globalization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset price collapse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retrenchment from globalization (developed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and gas price spike</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chronic disease</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal crises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: WEF’s Global Risks Report 2019
Negative impacts on nature cost the economy world-wide around $4.7 trillion a year.

Wildfire in California causes insurance company to go under

Low Rhine forces BASF to limit production at German plant

Australia's sheep farmers in crisis

Climate change will wipe $2.5tn off global financial assets: study

Losses could soar to $24tn and wreck the global economy in worst case scenario, first economic modelling estimate suggests

Bad air makes you bad at your job

We know filthy air wreaks havoc on personal health, but it also slows down the amount of work people can produce in a day.

Soil Erosion Washes Away $8 Billion Annually

The World's Biodiversity Collapse Is a Business Issue

Freeport-McMoRan agrees to pay USD 100 million to restore damaged coasts in Louisiana, the US

Hurricane Dorian to cost retailers $1.5 billion

GrainCorp shares fall as company warns of full-year loss

Agriculture group has been hit by drought in eastern Australia
Business depends on & impacts natural capital

1. All businesses **impact** and **depend** upon natural capital.

2. This relationship delivers **costs and benefits** back to themselves and to society.

3. These in turn lead to **risks and opportunities** to the business.

Source: Natural Capital Protocol

Refer to p. 6 of your handbook & p.15 of the Natural Capital Protocol
Risks & Opportunities for business

Operational Risk

Reputational & Societal Risk

Legal Risk

Financial Risk
Why should business assess its impacts & dependencies on nature?

Many natural capital risks and opportunities are becoming increasingly visible, and **business needs a way to understand and manage these.**

- Understand **relationships with nature** in a structured way
- Challenge your **business model**
- Mitigate **risks**
- Increased **competitive advantage**
- Create **opportunities**
- **Inform decisions** that are really important to your business
- **Access to finance**
- **Recruitment & retention** of staff
Objectives

At the end of the training, you will be able to understand:

- What is **natural capital** and its **linkages with business**,.
- Why it is important for **business decision-making and risk management**,
  - How business can **start applying a natural capital approach** to support decision-making.
How can business apply natural capital?
The Natural Capital Protocol is a standardized framework for businesses to identify, measure and value their direct and indirect impacts and dependencies on natural capital.
Business applications

Natural capital information can be used in plenty of ways. You need to decide what information you need and how it will be used.

<table>
<thead>
<tr>
<th>Potential Business Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess risks and opportunities</td>
</tr>
<tr>
<td>Compare options</td>
</tr>
<tr>
<td>Assess impacts on stakeholders</td>
</tr>
<tr>
<td>Estimate total value and/or net impact</td>
</tr>
<tr>
<td>Communicate internally or externally</td>
</tr>
</tbody>
</table>

Refer to p. 9-10 of your handbook & p. 20 of the Natural Capital Protocol
Business example –

**What was assessed:** a *comparison* of the effects of sustainable forest management vs pristine conservation and palm oil production.

**How this was used:** Results were communicated with internal and external stakeholders

- Sustainable forest management by IHC allowed the preservation of integrity of forest and associated values (provision of **economic and social benefits**)

**Going forward:** The assessment will guide future monitoring indicators to be integrated into business decision-making.

Source: [https://naturalcapitalcoalition.org/forest-products-sector-guide-case-study-for-interholco/](https://naturalcapitalcoalition.org/forest-products-sector-guide-case-study-for-interholco/)

Check the NCC’s website or WBCSD’s website for more case studies.
Useful tools & resources

There are lots of useful tools out there. **SHIFT.tools** is a searchable repository of tools, including the **Natural Capital Toolkit**.
Natural Capital Toolkit example

1. Mining company
2. Conduct a company-wide assessment on its use of water
3. Sustainability team
Eager to get started?

Natural Capital Protocol Training

Through this series of videos you will be asked to take the role of a sustainability or strategy representative and decide where your company should make its next acquisition. It will walk you through the stages of a natural capital assessment, asking the same questions that are relevant to any business decision: why, what, how, and what next.

Whatever your sector, the natural capital approach taken in this example, and the questions it raises, will be relevant to you.
Business training on the Value of Nature

7th November 2019

Iberdrola’s experience on Natural Capital

Emilio Tejedor
Head of Environment
Inovation, Sustainability and Quality
Iberdrola is a global energy leader, the number-one producer of wind power and one of the world's biggest electricity utilities by market capitalisation.
The 3 pillars of sustainability

Sustainability means to preserve our environment

YES!!!!  But not only that....

SOCIAL  ENVIRONMENTAL  ECONOMIC
Iberdrola’s objectives on Natural Capital Valuation

Our vision is to have a positive impact on the environment and the communities. We are committed to continual improvement of our biodiversity protection standards to continually enhance the biodiversity around our assets.

Natural Capital Valuation can provide us:

• Better understanding of the existing natural capital value of our assets and their surroundings
• Understanding ways in which this value can be protected and increased;
• Understanding the ways in which Iberdrola depends on natural capital
• Supporting decision making for investments on restoration or improving natural capital and ecosystem service provision

Our aim is incorporate corporate natural valuation as a tool for measuring the impact and dependencies on biodiversity of our activities.
Iberdrola’s path to Natural Capital Assessment

Life Cycle Thinking approach

- **Environmental Corporate Footprint**
  - Measurement of the global environmental performance of Iberdrola Group from life cycle perspective
  - Verified by AENOR since 2015

- **Ecosystems Services Valuation**
  - Identification of impacts and dependencies of ecosystems services provided by aura assets and activities
  - Pilot projects of existing infrastructures
Iberdrola’s experience on Natural Capital Valuation

• BIOVALORA Project. Pilot project to obtain a methodology for valuation of ecosystem goods and services, applied in the “Tera Hidraulic System” (TEEB Data Base). In collaboration with IHOBE.

• Methodology development for assessing ecosystem services generated by the construction of infrastructures. In collaboration with University of Salamanca.

• **Cumbernauld Living Landscape Pilot Project**: Natural Capital Assessment. Scottish Power Energy Networks in collaboration with Scottish Wildlife Trust (SWT) and AECOM
ScottishPower Energy Networks (SPEN)

Networks Business: substations + underground cables + overhead lines, Wood poles, Steel towers…

**Strong interaction with environment and its biodiversity**

Building strong relationships with stakeholders is instrumental

**Better understanding of their needs + increased awareness -> higher chances of success in planning maintaining and repairing our assets**

Linear and widespread nature of our assets

**Strong potential in supporting long term UK biodiversity aims**
Work Carried Out
In 2017-18, we completed the phase 1 pilot study.

The pilot identified four priority ecosystem services:
• Global Climate
• Regulation,
• Hazard Regulation,
• Recreation and Wild Species Diversity.

No material ecosystem dependencies were identified in the exercise, though there are reputational and financial dependencies.

Through discussion between the steering group partners it was noted that the size of the study area, and the ecosystems present within it, did not fully predict the impacts and dependencies that SPEN may have in its activities elsewhere.

In the wider license area, SPEN would have impacts on Crops and Timber ecosystem services as a result of its business activities, and minor dependencies on each.
Positive outcomes

- Learn the new way of thinking and to see a Natural Capital approach in action
- Understand the impacts and dependencies that influence us. It has also helped to take nature and the concept of natural capital out of the “environmental” or “sustainability” silos.
- Building partnerships and networks between the various businesses and land uses which exist in this area
- Opportunity to scale up the project to eventually look at our whole network.
- It showed us how many opportunities there were to apply this to business as usual and to drive best value for the consumer.

• Key challenges
  - Prioritise what specific application of the protocol to take forward. Do we look at the operational side of our business?, do we look at the estate management side of our business? Do we try to develop a multi-faceted tool which does a little of everything
Next steps
The implementation of Phase 2 would deliver a tool that would value SPEN impacts and dependencies on priority ecosystem services. The tool could be used by non-technical experts to support investment decisions on how we design mitigation options where required, and how we maintain our existing operational sites.

Timescales for Completion
We are currently engaging with National Grid to understand how their self-developed Natural Capital tool works and whether it is commercially feasible to access their tool, further develop it with AECOM (who partner both NGET and SPEN on Natural Capital), and collaborate to develop a standard methodology for the power sector that can positively influence decision making. From the point at which a tool becomes available to us, we estimate a timeline of 1-2 years for Phase 2 implementation.
Objectives

At the end of the training, you will be able to understand:

✔️ What is natural capital and its linkages with business,

✔️ Why it is important for business decision-making and risk management,

✔️ How business can start applying a natural capital approach to support decision-making.
2020 and a New Deal for Nature and People

5 years since… 2020 is gearing up to a “super year for nature”

COP15 | 19-31 Oct | Kunming, China
Key takeaways / Closing word

1. Business impacts and depends on nature
2. Applying a natural capital approach helps make better & more informed decisions
3. There are many existing tools & resources
4. Companies can start to conduct an assessment themselves
5. Buy-in must extend beyond the sustainability team
Wrap-up

On **post-its**, take note of:

- **1 key learnings** that were most useful to you today,

- **1 concrete next step / activity** you could take to move your company / member companies forward in the natural capital journey?
We are here to help!

Deep-dive webinars
Virtual office hour/ Q&A
In-person training
Helpdesk calls
Online training
Train-the-trainer

What else? Tell us what other support you need: Survey
Keep in touch & sign-up: wevaluenature.eu
Email: bonga@wbcsd.org

We want to learn too – how have we helped?

Join us tomorrow 15:00-17:00
European Business & Nature Summit

Building actions for nature & people

15:15 – 15:45: Coffee & networking

Madrid, 7 & 8 November 2019

#EUbiodiversity #BusinessNatureSummit