Natural Capital Roundtable 2019 – Briefings

Briefing 1: Background to the Theme – Climate change and nature

Addressing the Climate Emergency requires action at all levels, from strategic policy approaches to the actions of businesses, communities and individuals. Nature-based solutions can help to simultaneously realise three essential benefits to:

- reduce net emissions – contributing to global efforts to moderate future climate change
- adapt to climate change we are already locked into.
- address the global biodiversity crisis

The ocean is the earth's largest carbon sink, but we are still in the early stages of understanding its 'blue carbon' habitats. Further research is needed to help ensure future decisions are made in ways which maximise the blue carbon benefits.

The pressing realities of unavoidable climate change effects urgently require a step change in how we plan, improve and maintain nature within urban areas.

Developments in policy and evidence

Scottish Government policy

The Scottish Government has committed to transitioning to a net-zero emissions Scotland for the benefit of Scotland's environment, people, and prosperity. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets a target date for net-zero emissions of all greenhouse gases by 2045. The Climate Change Plan is being updated to reflect the increased ambition of the new targets. The Climate Change Plan 2017-2032, sets out the long-term ambition to restore 250,000 hectares of peatland by 2030.

The second Scottish Climate Change Adaptation Programme (SCCAP) to help prepare for the impact of climate change was published in September 2019. It addresses the risks set out in the UK Climate Change Risk Assessment (UK CCRA) 2017, published under the UK Climate Change Act 2008.

Evidence to support the transition

An independent statutory body, the Committee on Climate Change (CCC), was established under the UK Climate Change Act 2008 to provide regular advice to the UK Government and devolved administrations on setting and meeting emissions targets and preparing for climate change.

In May 2019 the CCC published Net Zero. It estimates that 20% of the UK's agricultural land must be transformed to uses that maximise carbon storage. This is to compensate for unavoidable emissions in other parts of the economy. Scotland has proportionately greater potential for emissions removal through afforestation and woodland regeneration, so can adopt more ambitious targets. Expanding woodland with a diverse structure and mixture of species not only provides maximum biodiversity benefit, but also promotes more secure carbon sequestration as it is more resilient to the changing climate. Farming has a strong role to play in reducing

emissions and in helping society adapt to climate change.

In August 2019 the Intergovernmental Panel on Climate Change published Climate Change and Land demonstrating the key role that land management has in meeting climate change targets including the importance of peatland restoration, afforestation and agroforestry, although benefits accrue over different timescales.

Biodiversity

An international conference on biodiversity will be held in Edinburgh in April 2020. This is a formal Intergovernmental Regional Preparatory Workshop ahead of the 2020 COP of the Convention on Biological Diversity in China.

The Climate Change COP in Glasgow in December 2020 presents a major opportunity to showcase what Scotland is doing to address the climate emergency.

Climate change and biodiversity are inextricably linked and, in taking this approach, Scotland will affirm the interdependency between these issues and impart Scotland's ambition to provide strong leadership in addressing the Global Climate Emergency.

Financial support for investment in nature-based solutions

Public funding. Peatland ACTION is a Scottish Natural Heritage initiative, funded by Scottish Government and part of the vision for protecting and conserving Scotland's peatlands. It is estimated that over 80% of Scotland's peatlands are either eroded, modified or destroyed - through extraction or conversion to other land uses. If left in a degraded condition peatlands emit greenhouse gases; with restoration they can act as a sink for locking-in existing carbon stores and soaking up anthropogenic carbon. Peatland restoration is also supported by agri-environment funding.

Private investment. Delivering Net Zero by 2045 requires investment from financial markets as well as public money. Following announcement in the Scottish Government's Programme for Government 2019, Scotland's £3 Billion Green Investment Portfolio was published in October. It aims to identify and bring to market £3 billion of investable projects over the next three years. This will include projects involving renewables, waste, the circular economy and property, and will actively look to expand the investment market into other sectors such as transport, housing and hydrogen. Peatland restoration and woodland expansion are also included.

Scottish Natural Heritage is working in partnership with Defra, Scottish Government and IUCN to get the Peatland Code ready to underpin carbon trading from peatland restoration. SNH is also working with Economy and Environment Leaders Group (EELG) partners to map out the value flows (including carbon capture) associated with nature based solutions including wetland creation, green infrastructure and peatland restoration. An EELG Sub-Group is looking at investment in Scotland's natural capital, bringing nature into the economy to deliver cost-effective and sustainable goods and services to business and society.

A Scottish Forum on Natural Capital Sub-Group on Innovative Financing is working with the £1bn Challenge to identify mechanisms for securing investment in nature.

Roundtable Briefing 2: Natural capital approaches – business involvement

The European Business and Nature Summit held in Madrid November 2019 showcased how business leaders are employing natural capital approaches.

Drivers for this include:

- **Risks** to operations and supply chains from climate change and biodiversity loss: environmental risks are the greatest systemic risks to our global economy (WEF).
- **Business opportunities** (and risks) from the transition to more sustainable economies
- The broadening of **disclosure** and reporting requirements for listed companies, from purely financial accounting to including climate-related risks, then to integrated reporting including natural and social/human capitals
- Calls for business to contribute to the Sustainable Development Goals, including those related to climate change, biodiversity and resource use, and to respond to the global climate emergency and biodiversity crisis
- **Consumer demand** for product purchases to reflect their values
- The availability of **loans** and investment being linked to sustainability criteria

International coalitions and initiatives include the following.

The Capitals Coalition to promote natural capital approaches in business and policy integrated with human and social capitals. It developed the Natural Capital Protocol as a framework and is developing guidance on incorporating biodiversity. The World Business Council on Sustainable Development (WBCSD) and IUCN were founders.

Business for Nature – a coming together of business and others to demonstrate business action and call for governments to reverse nature loss, particularly in advance of the Convention on Biological Diversity COP 15 in Kunming China, 2020.

One Planet Business for Biodiversity - business coalition on biodiversity with a focus on agriculture, launched in September 2019. Aims to drive transformational systemic change and catalyse action to protect and restore cultivated and natural biodiversity within the value chains, and engage institutional and financial decision-makers. Led by WBCSD, and the Chairman and Chief Exec of Danone.

Value Balancing Alliance, founded June 2019 by 8 companies to develop standardised total value methods to support integrated reporting based on four capitals. Supported by four accounting firms and the OECD.

In Scotland the Scottish Forum on Natural Capital has a new Chair, David Watt, Exec Director Institute of Directors, and intends to actively engage more businesses during 2020, e.g. taking advantage of the We Value Nature training materials.

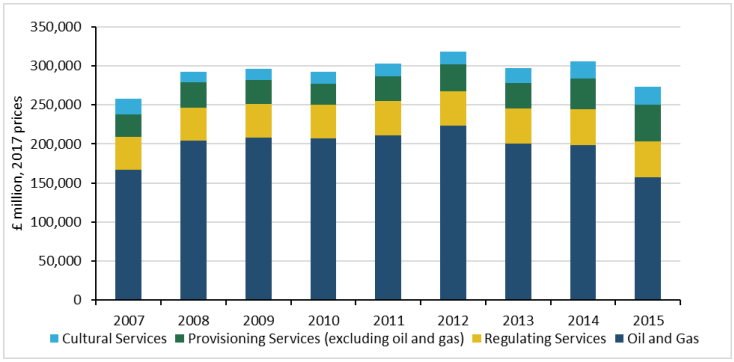
Roundtable Briefing 3: Natural capital accounting in public policy

In March 2019 the Office for National Statistics and Scottish Government published the first ever set of **ecosystem service accounts for Scotland**. The accounts show that in 2015, the partial asset value of Scottish natural capital was estimated to be £291 billion.

The development of natural capital accounts is fundamental if natural capital is to be mainstreamed in decision-making. It sends a strong signal to businesses and local decision-makers of the importance of monitoring and valuing natural assets. A well-developed national set of natural capital accounts can:

- monitor losses and gains in our natural capital over time
- identify priority areas for investment and inform resourcing and management decisions
- highlight links with economic activity and pressures on natural capital

Scotland's first set of national accounts presents 10 ecosystem service accounts, containing estimates of the quantity and value of services being supplied by Scottish natural capital. 30% of the asset value was attributable to non-material benefits not directly captured in GDP.



The accounts differ from Scottish Natural Heritage's **Natural Capital Asset Index** (NCAI). The NCAI is a composite index which analyses nature's potential contribution to the wellbeing of Scotland's citizens. It is part of the National Performance Framework. The accounts measure nature's contribution to society and the economy through monetary terms, whereas the NCAI seeks to demonstrate the contribution of nature to the citizens of Scotland directly. It is able to include a wider range of benefits and habitats. Some scenario modelling is planned for 2020.

During 2019 SNH tested a method for **producing Natural Capital Accounts for SNH land**. The pilot accounts have similar aims to the national accounts but at the level of landholdings – they cover 56,000ha. They use a corporate accounting approach, presenting results in a balance sheet alongside a biodiversity indicator. The value of the benefits from SNH land is estimated as 8 times higher than the costs to maintain them. The most valuable benefits monetised are tourism and recreation, and climate regulation. SNH will work with other public bodies with significant land holdings to explore common methods for preparing such accounts.