What is the natural capital approach and why is it important to business?

Our natural capital is our stock of natural things – plants, air, water, soils, minerals and all other living things. Many New Zealand businesses depend on nature in some way or another.

Businesses can make better decisions and identify benefits and opportunities when they understand what their dependencies are, any natural capital that is at risk, and put measures in place that protect and enhance this natural capital.

How does the natural capital approach grow value for New Zealand?

New Zealand is a nation of exporters with a heavy reliance on our natural resources and a brand that depends on a healthy natural environment. As New Zealanders, our sense of identity and wellbeing is also closely linked to our natural environment.

If we can protect and grow our natural capital we will be able to continue to grow value for all New Zealanders, including business.

Tell me about the Sustainable Business Council’s project on natural capital

The Sustainable Business Council is working with businesses to understand their dependencies on natural capital, and the related risks and opportunities.

We are providing them with the support and tools they need to measure and account for those dependencies in business planning and in doing so helping them focus on identifying, measuring, valuing and accounting for natural capital.

We want to work with at least 40 businesses over the next four years who are willing to lead in this area and be exemplars for other businesses.

What does SBC aim to achieve?

Our aim for this project is to add value to business by reducing costs, identifying risks and opportunities, and protecting and enhancing New Zealand’s unique environment by reducing our impacts on natural capital.

Why are we focusing on a natural capital approach?

Businesses making decisions today often find it difficult to account for important non-financial values. Decisions about environmental and social issues in particular, may appear as moral arguments that rarely deliver consistent outcomes.

SBC wants to assist businesses to adopt a structured approach to assessing dependencies and impacts on natural capital. That is what the natural capital approach brings.

What are the frameworks SBC is proposing to use?

We think the Natural Capital Protocol (which was released in July 2016) could help businesses systematically integrate their relationships with natural capital into strategy and operations. The Natural Capital Protocol provides a standardised nine step framework to measure and value impacts and dependencies on natural capital. It is designed to help generate timely, trusted, credible and actionable information to guide business decisions. [http://naturalcapitalcoalition.org/protocol/](http://naturalcapitalcoalition.org/protocol/)

Who is behind the Natural Capital Protocol?

The World Business Council for Sustainable Development (WBCSD) led the development of the Protocol for the Natural Capital Coalition, and is developing an accompanying “Natural Capital Protocol Toolkit”. SBC is a Global Network Partner of the WBCSD.

Over 50 companies have piloted the Natural Capital Protocol across a range of sectors and in different parts of the world. [http://naturalcapitalcoalition.org/protocol/development/](http://naturalcapitalcoalition.org/protocol/development/)

How is this different to the Ecosystem Services Review?

The Natural Capital Protocol aims to provide a framework that includes a range of different methodologies and tools for assessing impacts on nature. The Ecosystem Services Review (ESR) methodology is one of those methodologies. A number of Sustainable Business Council members have already piloted the Ecosystem Services Review in New Zealand and found it very useful. You can read about their experiences here: [http://www.sbc.org.nz/resources/member-stories/2014/esr](http://www.sbc.org.nz/resources/member-stories/2014/esr).

Many of the concepts around assessing both impacts and dependencies, as well as the importance of ecosystem services emerged from the ESR and these have been carried through into the Natural Capital Protocol. The Protocol goes further in both scope, as it also includes abiotic services, and ambition, as it encourages not only a qualitative measurement, but also valuation of these impacts and dependencies.
What type of business does this apply to?

A natural capital approach is applicable to all organisations and at all levels. It can help business connect different non-financial work streams in business – such as work on energy, water, and waste – providing a coherent way to compare results, identify interactions, and support more integrated thinking, while also linking everyday project management decisions to long-term strategy.

There are also other benefits, particularly with reporting as investors become increasingly hungry for information about liabilities. The Natural Capital Protocol is a practical way to do this and is likely to become a recognised method for businesses to use and to report against.

Businesses that demonstrate their understanding and sustainable management of natural resources gain competitive advantage locally and internationally, as regulators and markets increase their expectations in response to resources limitations and climate change.

How do we get involved and what does that look like?

The Sustainable Business Council wants to work with a cohort of leading businesses to adopt a structured approach to the identification and valuation of their dependencies and impacts on natural capital and ecosystem services. The objective is to demonstrate how natural capital can be integrated into business decisions.

The Sustainable Business Council will be running workshops to demonstrate how a natural capital assessment can be scoped and implemented. We plan to hold these workshops from September 2016. If you are interested in participating, please contact SBC.

Initially, we are looking for businesses to commit key staff to attending the workshop and holding a scoping session which will determine the objective and scope of an assessment, and identify the likely natural capital impacts, dependencies and opportunities. This session is likely to take about half a day. Beyond that, it is up to you about how you wish to proceed with measurement and valuation of these impacts, dependencies and opportunities. We are happy to provide guidance along the way. We can also provide advice about where you can find assistance to carry out the measurement, valuing and application steps of a natural capital assessment.

How much time will we need to commit?

In addition to the initial scoping session, the amount of time you spend on this will depend on two things: the extent of your company’s dependence or impacts on natural capital/ecosystem services; and the chosen focus and objective of your assessment.

The time required to progress the various stages of a natural capital assessment approach and to undertake measurement and valuation varies, depending on how long it takes to agree on the scope, to get buy-in, the data already available, the scope of the assessment, and how you decide you want to use the information from the process.

How much will this cost?

Any costs will depend on how you choose to engage in the project. While much of a natural capital assessment can be done ‘in-house’, assistance from outside your business can be particularly important when using a more detailed tool or methodology for measuring and valuing impacts and dependencies. You can, however, use any specific tools yourself if you have the appropriate expertise ‘in-house’.

SBC can assist in helping identify the likely costs for your business of the type and level of analysis undertaken.

Who should be leading this within a company?

This programme is aimed at managers from sustainability, procurement, environment, health and safety, facilities and operations departments. It is likely that you will also need the approach to be accepted and driven by the CEO and Board. In all likelihood it will involve other people from other departments within your business, the people to involve will depend on the scope chosen and the number and types of dependencies and impacts on natural/capital ecosystem services.

Will involvement in this project duplicate what my company is already doing?

There are likely to be some components of the various steps and actions in a natural capital assessment approach which you are already doing. However, SBC considers that taking a structured approach has benefits even if you currently factor natural capital into your business planning. Using a natural capital assessment approach may enable a wider understanding of your relationship with natural capital throughout your organisation. The process is repeatable and is comparable between parts of the business and over time. It will also provide a credible basis for reporting if you choose to use it for that purpose.

What does the jargon mean?

- **Abiotic services**: The benefits arising from fundamental geological processes (e.g., the supply of minerals, metals, oil and gas, geothermal heat, wind, tides and the annual seasons).
- **Ecosystem health**: The integrity and functioning of an ecosystem and its resilience to impacts. Rather like humans, ecosystems can be healthy and resilient, with their internal functions running smoothly so that they can withstand external pressures. But ecosystems can lose health through external impacts such as floods, fire, pollution and land-use impacts, making them vulnerable to irreversible change. The health of ecosystems determines their ability to deliver services that people value.
- **Ecosystem services**: The most widely used definition of ecosystem services is from the Millennium Ecosystem Assessment (2005): “the benefits people obtain from ecosystems, commonly divided into four categories:
  - **Provisioning services**: Material outputs from nature (e.g., seafood, crops, water, fibre, genetic material).
- **Regulating services**: Indirect benefits from nature generated through regulation of ecosystem processes (e.g., water filtration by wetlands, mitigation of climate through carbon sequestration, erosion control and protection from storm surges by vegetation, crop pollination by insects).

- **Cultural services**: Non-material benefits from nature (e.g., outdoor recreation, spiritual inspiration, mental health, education).

- **Supporting services**: Fundamental ecological processes (e.g., nutrient cycling, primary production, soil formation which underpin all other ecosystem services. These services - although very important in determining the quality and quantity of benefits provided by nature - are often difficult to measure. Moreover, because they are so fundamental, attempts to value supporting services alongside other ecosystem services can lead to double counting.

- **Natural capital**: The stock of renewable and non-renewable resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people. These flows can be ecosystem services and abiotic services.

- **Natural Capital Assessment**: The process of measuring and valuing relevant (“material”) natural capital impacts and/or dependencies, using appropriate methods.

- **Natural Capital Approach**: The general approach of using a natural capital assessment to identify and value (in monetary or non-monetary terms) natural capital and associated ecosystem goods and services that can help integrate ecosystem-oriented management with economic decision-making and development.

- **Natural Capital Protocol (NCP)**: A project of the Natural Capital Coalition launched in July 2016. The NCP is a standardised framework to identify, measure and value direct and indirect impacts (positive and negative) and/or dependencies on natural capital. See http://naturalcapitalcoalition.org/protocol/

- **Materiality**: In the NCP, an impact or dependency on natural capital is material if consideration of its value, as part of the set of information used for decision making, has the potential to alter that decision.

- **Valuation**: In the NCP, the process of estimating the relative importance, worth, or usefulness of natural capital to people (or to a business), in a particular context. Valuation may involve qualitative, quantitative, or monetary approaches, or a combination of these.