

Natural Capital and Business

What is the role for private sector natural capital investment in the rural areas (outside that driven by mandatory net gain)?

Dr Colm Bowe, Senior Lecturer in Environmental Science

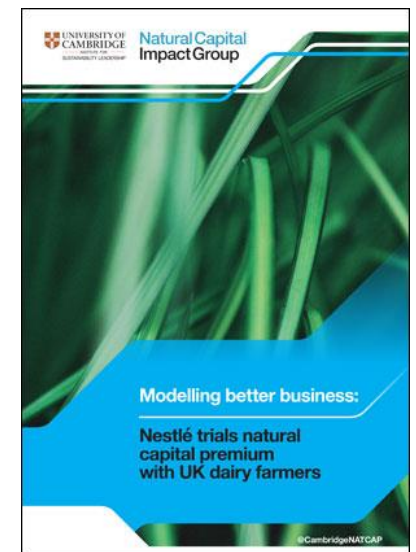
Liverpool John Moores University

c.bowe@ljmu.ac.uk



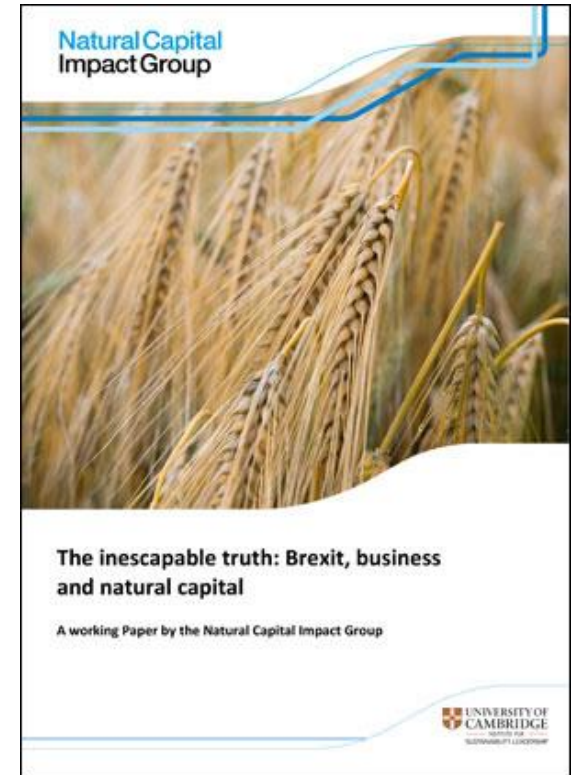
What is the role of private investment?

- ELMS - Less public money spent than under CAP? If so how much less? Less money available to farmers? Enough public money to achieve the goals of the 25 Year Environment Plan
- Net gain in cases of infrastructure development (Biodiversity Mandatory)
- But what about beyond investment separate from infrastructure development - Evidence that business are (co-)beneficiaries from natural capital – ecosystem services
- Examples of existing private investment (but rare) – Variation in business responses during interviews about likely levels of investment (Summer 2017)
 - Nestlé paying farmers (resilience within their supply chain) (CISL)
 - Water companies – water quality/quantity
 - Lots of discussion around insurance/infrastructure companies
- How large a role do we expect business to play beyond investment driven by mandatory net gain?



Effects of Leaving the EU on rural landscapes

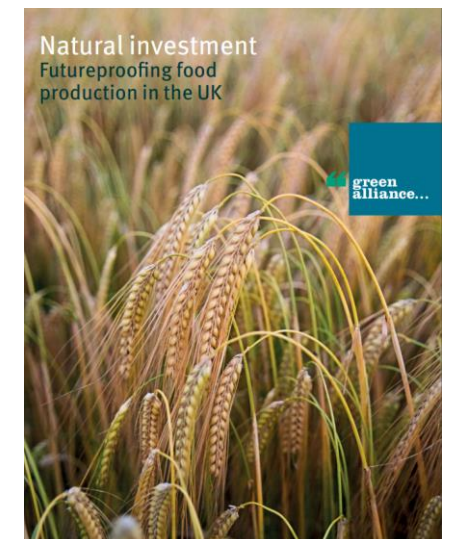
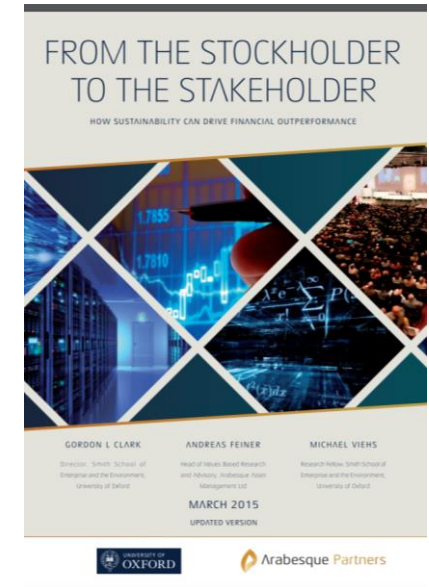
- Depending on the Brexit/Trade deal outcomes we could see:
 - a) a decline in the agricultural sector
 - b) need for farmers to increase farm performance and productivity
 - c) both of the above
 - d) little change
- Decline - wish to develop rural economic growth based around nature based solutions (i.e. carbon, water quality, flood control, tourism)
- Increase - Encourage farmers to increase performance/production sustainably through investment in natural capital
- Can we achieve this with just ELMS and the net gain approach?
- What is the role of private investment to achieve this?



See Bowe, Cranston and Walsh (2017) The inescapable truth: Brexit, business and natural capital. University of Cambridge Institute for Sustainability Leadership.

What do we need to consider to get business investing?

- Businesses highlighted Investment driven by a return – growing case for this see review by Clark et al (2017)
 - But multiple beneficiaries often difficult to disaggregate
 - Return may look different to each business type
- How do we establish legislative frameworks to support private investment? Mediate, support development on bilateral/multilateral approach.
 - Businesses highlighted that Co investors and delivery partners would be important
- Should government incentivise? i.e. Natural Capital allowance schemes, low interest loans, helping establishing investment funds, government bonds (Green Alliance 2017; Aldersgate 2017) – Businesses interviewed indicated that this would be beneficial
- Can we learn lessons for the social value investment? Large scale, low risk, long term investments (examples of government support) (Defra 2017)
- Natural Capital accounting and reporting? - This links to the growth in Environmental and Social Governance investment
 - Businesses indicated that they were keen to set natural capital goals and outcomes alongside government
- Free riding – can this avoided and how? Free riding of one business on another/Free riding of business on public payments.



References

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- Defra (2017) Review of private sector investment in UK natural capital
- Green Alliance (2017) Natural Investment. Futureproofing food production in the UK.

Thank You

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