



VALUING NATURE PROGRAMME

VNP24



TOWARDS A NATURAL ASSETS RESEARCH AND INNOVATION AGENDA IN SUPPORT OF UK BUSINESS AND POLICY

Summary Report on Consultations with the Policy Community, January 2020

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EXECUTIVE SUMMARY

1. This report provides a concise overview of findings from consultations with the policy community on an emerging *Natural Assets Research and Innovation Agenda in Support of Business (Natural Assets R&I Agenda)*.¹
2. The consultations were based on previous work including 3 sector round tables (infrastructure, land management, insurance / financial services) and a cross-sector Analysis and Options paper.
3. 27 consultation calls were held with key policy organisations and a small number of other organisations of relevance to natural assets including central Government departments, devolved administrations, arms-length bodies, relevant committees/commissions, and some other relevant bodies.
4. Consultees were asked:
 - What are the key policies / direction of travel with which a *Natural Assets R&I Agenda* should align?
 - Do the expressed R&I needs of business (see 1.4) resonate for the policy community?
 - What appetite is there in the policy community to collaborate on the emerging *Natural Assets R&I Agenda*?
5. The findings show:
 - Strong alignment of the emerging *Natural Assets R&I Agenda* with current policy and the direction of policy travel.
 - Strong resonance for the policy community of the R&I needs identified by business.
 - Strong appetite across the policy community to engage in the emerging *Natural Assets R&I Agenda*.
6. The outcomes from this policy consultation, will feed in to ongoing work towards implementation of a prioritised *Natural Assets R&I Agenda*.

¹ The term 'natural assets' is taken here to incorporate the concepts of natural capital (stocks), ecosystem services (flows) and biodiversity

1. INTRODUCTION

1.1 Scope of this report

This report provides a concise overview of findings from consultations with the policy community on an emerging *Natural Assets Research and Innovation Agenda in Support of Business (Natural Assets R&I Agenda)*.²

Consultations were conducted by the authors, by phone, in January 2020, based on the findings of considerable previous work focused on the development of this *Natural Assets R&I Agenda*, involving:

- **Three sector Round Tables**³ with the infrastructure, land management and insurance / financial services sectors, each of which considered:
 - current activity by businesses in terms of uptake of R&I output related to natural assets in business decision-making;
 - drivers for this activity;
 - barriers to greater uptake;
 - research and innovation needs.
- **An Analysis & Options paper**, *Towards a Natural Assets Research and Innovation Agenda in Support of UK Business and Policy: Focusing on the Infrastructure, Land Management and Insurance/Financial Services Sectors*⁴ – which provides a cross-sector analysis of the findings of the Round Tables, exploring commonalities and differences in terms of current activity, drivers, barriers and R&I needs, reviewing current relevant R&I, and assessing delivery options for the identified R&I needs.

1.2 Consultees

27 consultation calls, typically of one hour, were held with key policy organisations and a small number of other organisations of relevance to natural assets (33 representatives from a total of 20 organisations consulted). Organisations were selected for consultation on the basis of their responsibility for the development and/or implementation of key policies of relevance to natural assets, and/or their advisory role in this regard. The organisations consulted with were as follows:

- **Central government** – Department for Environment, Food & Rural Affairs, Department for Business, Energy & Industrial Strategy, HM Treasury (including the Dasgupta Review Team), Ministry of Housing, Communities and Local Government, Office for National Statistics.
- **Devolved government** – Scottish Government, Welsh Government.

² The term 'natural assets' is taken here to incorporate the concepts of natural capital (stocks), ecosystem services (flows) and biodiversity.

³ Round Table reports: <https://valuing-nature.net/business-round-tables>

⁴ Analysis and Options paper: <https://valuing-nature.net/business-round-tables>

- **Arms-length bodies** – Natural England, Environment Agency, Scottish Natural Heritage, Natural Resources Wales, Joint Nature Conservation Committee
- **Committees/Commissions** – Natural Capital Committee, Adaptation Committee of the Committee on Climate Change, Royal Commission on Food, Farming & Countryside, Infrastructure Commission.
- **Other relevant bodies consulted** – Green Finance Institute, UK Water Industry Research, Cambridge Institute for Sustainability Leadership, Capitals Coalition.

Consultations were conducted by the lead author who was joined on a number of calls by the co-author. The work was funded by NERC through the Valuing Nature Programme.

1.3 Consultation questions

The following questions were addressed on each call:

1. What are the key policies / direction of travel with which a *Natural Assets R&I Agenda* should align?
2. Do the expressed R&I needs of business (see 1.4) resonate for the policy community?
3. What appetite is there in the policy community to collaborate on the emerging *Natural Assets R&I Agenda*?

1.4 Categories of R&I need

The *Analysis and Options* paper identified a general need for better focusing of natural assets R&I on business and policy needs. This requires:

- suitably-framed R&I funding instruments;
- increased investment in the co-creation of R&I relating to natural assets;
- appropriate partnership between business and academia in R&I proposals;
- appropriate representation of business and academia on proposal evaluation panels; and
- co-direction by business with academia of funded R&I programmes/projects, so outputs meet business needs and are framed through a business lens.

There is also a need to better broker interaction across academia, business and policy in this complex, multi-disciplinary, multi-sector space.

Beyond this general need, the *Analysis and Options* paper identified 7 broad categories of R&I need, which can be summarised as follows:

1. **Basic research on natural assets** to underpin measurement and valuation.
2. **Data for business** including: assessing data needs and provision; making existing data accessible and usable; filling key data gaps; data quality assurance and enhanced long-term monitoring, including through remote sensing.

3. **Frameworks, standards, models, metrics and other tools for business**, including: developing coherent frameworks and standards; consolidating and validating methods, metrics and tools; developing new methods, metrics and tools; and developing natural capital accounting to better define boundaries, address ecological connectivity, etc.
4. **Pilots, demonstration, scaling of new business models and solutions** including: scaling uptake of natural capital thinking by business, piloting and demonstrating at catchment and regional scales; meeting sector specific needs, e.g. relating to natural asset enhancement through the UK National Infrastructure and Construction Pipeline and trials for post-Brexit agri-environment payments for public goods, developing a natural assets farm advisory service, and building understanding on how to incentivise good land stewardship.
5. **Developing natural asset markets, and stimulating investment in business solutions**, including: regulation and policy for markets that value and enhance nature; accelerating investment in natural assets; markets for soil natural assets; linking to commercial value; leakage effect; ethics and risks of monetising and trading natural assets.
6. **Assessing risks and resilience in relation to natural assets**, including: materiality; linking risk with impact assessments; links between physical and transition risks; stranded assets related to natural capital; and understanding how natural assets deliver business resilience to climate change.
7. **Knowledge exchange, training and capacity-building** including: training and capacity-building for academics/ professionals in relation to measuring and valuing natural assets for business; knowledge exchange (including research output, practical application experience, developing a knowledge hub); and raising awareness and understanding (e.g. common language on natural assets for making business cases, and raising public awareness and shifting public opinion on the importance of natural assets).

1.5 Follow-on work

The policy consultations were followed by two further events:

- **A cross-sector workshop** ‘Towards a Natural Assets R&I Agenda in Support of Business and Policy’ (The Royal Society, London, 12 February 2020)
- **A conference** ‘Valuing Nature Research and Innovation in Support of Business’ (The Royal Society, London, 21 February 2020)

The aim of the workshop was to bring together representatives from the three business sectors previously engaged (infrastructure, land management, insurance / financial services) with academia, the public sector and third sector, to further test the opportunity for, and to articulate, this emerging *Natural Assets R&I Agenda*.

The aim of the conference was to showcase business impact work under the Valuing Nature Programme, share this emerging *Natural Assets R&I Agenda* with a broader community of businesses, public sector, third sector and academia, and further validate and elaborate this emerging *Natural Assets R&I Agenda*.

A separate report on these two events is available, which provides main themes from the conference keynote addresses, and output from breakout sessions at the two events.⁵

⁵ Towards a Natural Assets Research and Innovation Agenda in support of UK Business and Policy. Report on the Workshop and Conference of February 2020: <https://valuing-nature.net/business-impact-conference-2020>

2. POLICY WITH WHICH TO ALIGN NATURAL ASSETS R&I

In response to the question, ‘**What are the key policies / direction of travel with which a Natural Assets R&I Agenda in Support of Business should align?**’ the following policies and direction of policy travel were highlighted by the policy community:

Climate policy

- **Climate change mitigation – UK net zero target**⁶
 - The UK is on track for carbon budget 3 (2018-22) but carbon budgets 4 and 5 (2023-2032) will be more challenging (80% target). Net zero means **all sectors need to engage in mitigating emissions**. This implies significant change in **land management to sequester carbon**, e.g. through woodland creation, peatland restoration, regenerative agriculture to restore soil carbon.
 - Government will be looking to **extend the carbon market** to more sectors, give stronger price signals, provide more certainty on revenue streams and catalyse longer-term investments for carbon sequestration.
 - **Climate Change Committee guidance** on net zero is expected by late 2020 and there may be related Government announcements at UNFCCC COP26 (now postponed to 2021).
 - **Climate-related regulatory drivers** focused on risk: (1) Bank of England’s Prudential Regulatory Authority Supervisory Statement 3/19⁷, (2) signals from EU and central banks on regulating green and brown capital differently, (3) Task Force on Climate-related Financial Disclosure (TCFD).
- **Climate change adaptation –** including recommendations of the Adaptation Committee of the Committee on Climate Change, Coalition for Climate-Resilient Investment (CCRI) work on standards, Green Finance Institute (GFI) work on finance for climate resilient infrastructure, GFI/Global Resource Initiative⁸ work on climate-resilient supply chains. Nature-based solutions (NbS) are increasingly a part of the adaptation agenda, both for climate-resilience and for nature.

6 UK regulations: the Climate Change Act: <https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/the-climate-change-act/>

7 Bank of England, Supervisory Statement 3/19: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/enhancing-banks-and-insurers-approaches-to-managing-the-financial-risks-from-climate-change-ss>

8 Global Resource Initiative Taskforce – Final Recommendations Report 2020: <https://www.gov.uk/government/publications/global-resource-initiative-taskforce>

Natural Environment policy

- **The 25 Year Environment Plan** (25YEP)⁹ has a strong focus on enhancing natural assets ('natural capital') and the flow of ecosystem services. Its provisions are to be enshrined in law through the proposed **Environment Bill**¹⁰ – including for water resource management, mandatory biodiversity gain (for developments falling under the Town & Country Planning Act¹¹), a new Office for Environmental Protection,¹² Local Nature Recovery Strategies and Conservation Covenants. Linked to Environment Bill provisions for water resource management, the new **OFWAT Strategy**¹³ focuses on sustainable solutions.
- The **Scotland Programme for Government 2019-20**¹⁴ has a strong focus on increasing green space for people. A range of natural assets related policy initiatives in Scotland include work on a Natural Capital Asset Index, a 'Green New Deal' and a £3 bn investment in a Green Investment Portfolio¹⁵ to attract green finance in support of Scotland's carbon net zero by 2045 target.
- The **Well-being of Future Generations Act (Wales) 2015**¹⁶ together with **Environment (Wales) Act 2016** set a wide range of goals relating to natural assets (Wales uses the term 'natural resources') and confer a duty on public authorities to maintain and enhance biodiversity and enhance resilience of ecosystems when considering planning applications.
- Work towards the **Convention on Biological Diversity post-2020 targets**¹⁷ and the 2019 **International Panel on Biodiversity and Ecosystem Services (IPBES) Report**¹⁸ are increasing Government recognition of the ecological crisis and the need for 'transformational change.'
- The **Dasgupta Review on The Economics of Biodiversity**¹⁹, due to report in late 2020, may change thinking in HM Treasury and Treasuries worldwide, and help to make biodiversity more tangible as a natural asset.

9 25 Year Environment Plan: <https://www.gov.uk/government/publications/25-year-environment-plan>

10 UK Parliament: Environment Bill: <https://services.parliament.uk/Bills/2019-21/environment.html>

11 Defra (2019) *Net gain. Summary of responses and government response.* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819823/net-gain-consult-sum-resp.pdf

12 Environmental governance factsheet (Parts 1&2): <https://www.gov.uk/government/publications/environment-bill-2020/10-march-2020-environmental-governance-factsheet-parts-1-and-2>

13 Ofwat (2019) *Time to act, together: our strategy.* <https://www.ofwat.gov.uk/about-us/our-strategy/>

14 *Protecting Scotland's Future: the Government's Programme for Scotland 2019–2020:* <https://www.gov.scot/publications/protecting-scotlands-future-governments-programme-scotland-2019-20>

15 Scotland's Green Investment Portfolio: call for projects: <https://www.gov.scot/publications/scotlands-green-investment-portfolio-call-projects>

16 Well-being of Future Generations Act (Wales) 2015: <https://futuregenerations.wales/wp-content/uploads/2017/02/150623-guide-to-the-fg-act-en.pdf>

17 Preparations for the Post-2020 Biodiversity Framework: <https://www.cbd.int/conferences/post2020>

18 IPBES (2019) *IPBES Global Assessment Report on Biodiversity and Ecosystem Services:* <https://ipbes.net/global-assessment>

19 The Economics of Biodiversity: the Dasgupta Review: <https://www.gov.uk/government/collections/the-economics-of-biodiversity-the-dasgupta-review> Interim Report: <https://www.gov.uk/government/publications/interim-report-the-dasgupta-review-independent-review-on-the-economics-of-biodiversity>

Agriculture

- Proposed **Agriculture Bill**²⁰ and proposed **Agriculture Bill (Scotland)**²¹ – including provision for a new Environmental Land Management System²² of public payment for public goods. This concept has also permeated Welsh Government.
- **General trends in agriculture** including a shift from input-driven food production to regenerative agriculture based on agro-ecological principles and multi-purpose land management, with a balance between land sparing and land sharing.

Green finance, environmental accounting, reporting and disclosure, environmental markets

- **Green Finance Strategy**,²³ which aims to stimulate 'greening finance' (e.g. emergence of sustainability-linked loans, EU and Central banks moving to differentiate regulation of green and brown capital) and 'financing green' (e.g. through innovative blended finance instruments), both in the UK and internationally.
- The **Beyond GDP agenda**²⁴ and **environmental economic accounting** – including the development of national natural capital accounts in England and Scotland and support for corporate natural capital accounting and related standards.

- Government (central and devolved) support for and interest in **corporate environmental and natural capital accounting** and related reporting and disclosure – e.g. EU work on environmental Generally Accepted Accounting Principles (eGAAP), EU Taxonomy for green finance, interest in a natural capital equivalent of the TCFD.
- A general trend towards emergence of **new environmental markets** – including around mandatory biodiversity gain, but also other natural assets offset markets arising from corporate natural capital accounting, reporting and disclosure.

Other policy

- **House-building target** of >1 million homes over the course of this Parliament, focus on building the right homes in the right places. Government is interested to optimize housing location/design in relation to natural assets.
- Increasing interest in **nature's role in resilience of national infrastructure**.²⁵

20 UK Parliament: Agriculture Bill 2019–2021: <https://services.parliament.uk/bills/2019-21/agriculture.html>

21 Agriculture (Retained EU Law and Data) (Scotland) Bill: <https://beta.parliament.scot/bills/agriculture-retained-eu-law-and-data-scotland-bill>

22 Defra *Environmental Land Management: Policy Discussion Document*: (Feb 2020): https://consult.defra.gov.uk/elm/elmpolicyconsultation/supporting_documents/elmdiscussiondocument20200225a%20002.pdf

23 Green Finance Strategy: <https://www.gov.uk/government/publications/green-finance-strategy>

24 European Commission – Beyond GDP: https://ec.europa.eu/environment/beyond_gdp/index_en.html

25 National Infrastructure Commission: Resilience Study: <https://www.nic.org.uk/our-work/resilience/>

3. EXTENT TO WHICH R&I NEEDS OF BUSINESS RESONATE WITH THE POLICY COMMUNITY

In response to the question, ‘Do the expressed R&I needs of business resonate for the policy community?’ the main points made by the policy community were as follows:

General points

- In general, all seven categories of R&I needs expressed by business resonate strongly with most policy players, with specific needs resonating more or less strongly depending on the focus of each policy player. But there is a need to prioritise, and tackle needs in a joined up way to deliver a truly transformational *Natural Assets R&I Agenda*.
- Many in the policy community stressed the value of co-creation of the emerging *Natural Assets R&I Agenda* with business, of maintaining a collaborative approach between business, policy and academia throughout the R&I process and of translation/application of R&I output for business uptake.
- R&I needs to start from where business is, not where it should be. There’s plenty of academic work on the problems and the destination, the challenge is the road in between – businesses are locked into a system, difficult to escape unless through the lens of risk and opportunity.
- The main need is for close-to-market R&I – this may mean quite transactional, short and near-term R&I. There is a need for highly targeted approaches for early wins.
- The *Natural Assets R&I Agenda* needs to address all businesses, not just corporates.
- For some sectors/markets, there is a need for more regulation to provide the driver and a level playing field.
- A number of consultees highlighted the wide range of academic disciplines required – including the natural and social/behavioural sciences, business and finance – to obtain understanding of the linked natural, social and economic systems involved in managing natural assets.
- Devolved administrations and their arms-length bodies stressed the importance of addressing their specific needs, accommodating differing terminologies (e.g. England and Scotland refer to natural capital, Wales to natural resources) and engaging the business and research community across the UK.

Basic research

The policy community did not often highlight the need for basic research, but a number of areas in which basic research is needed were identified and resonate with the R&I needs identified by business within this category. These included:

- Ecological condition and connectivity.
- Landscape/aesthetic values of nature.
- Resilience of natural systems.
- Relationships between habitat types, natural assets, ecosystem service flows, benefits and values.
- Natural capital as a carbon sink – what evidence/cases are there for this, what co-benefits?
- Assessing the robustness of the science on nature-based solutions (NbS) – extent to which we can rely on NbS to do specific things in specific places, extent to which solutions are transferable or place-specific.
- How to produce food and deliver environmental public goods.
- Behavioural research, including network/graph theory, on how farmers/landowners relate to one another and spread behavioural change.
- Optimising the Green Belt for both natural assets and development.

Data for business

The policy community highlighted a range of R&I needs relating to data issues, and that resonate with the R&I needs identified by business within this category, including:

- Evidence for baselines, targets, and measurement of change in natural assets, including place-specific data, condition and ecological connectivity, e.g. in relation to 25YEP indicators, Office for Environmental Protection targets for environmental improvement.
- Better definition of the stock of natural assets and dependencies of supply chains on natural assets, to understand business linkages and underpin scenario planning.
- Mapping of land ownership and natural assets to underpin optimal allocation of land for housing and other development.
- Habitat connectivity mapping.
- Business and finance-friendly data and analytics for natural assets, including for analysis of physical and transition risk in relation to climate- (and nature-) related financial disclosure.
- How to establish levels of confidence in relation to available data.
- Establishing what long-term monitoring of natural assets is required to inform business decision-making.
- Resolving barriers to business use of natural assets data (e.g. intellectual property).

Frameworks, standards, models, metrics and other tools for business

The policy community highlighted a range of R&I needs relating to frameworks, standards, metrics, models and other tools, and that resonate with the R&I needs identified by business within this category, including:

- Developing/consolidating frameworks, standards and methods for natural capital assessment and accounting that work across industry sectors and enhance coherence across the public and private sectors – and collating cases that show how natural capital assessment and accounting help improve business decision-making.
- Standards for sustainable finance, building on ongoing work (e.g. EU Taxonomy).
- Standards for sustainable/regenerative agriculture.
- Multi-scale modelling of land management/land use to optimize carbon and co-benefits (i.e. multiple ecosystem services), develop land use scenarios, assess trade-offs between competing objectives/outcomes.
- Modelling/scenarios of future natural asset and ecosystem service values including under various climate scenarios.
- Targets, metrics, indicators, monitoring to measure outcomes in relation to the 25YEP, Environment Bill, Environmental Land Management System, carbon sequestration through land management, green infrastructure.
- Metrics, monitoring and analytics in relation to climate and nature-related financial disclosure, optimised for the finance sector.

- Guidance and tools for application of natural capital thinking at local planning authority and individual development levels.
- Tools to take into account a wider range of values relating to natural assets, including those values that are more difficult to monetize.

Pilots, demonstrations, scaling of new business models/solutions

The policy community highlighted a range of R&I needs relating to pilots, demonstrations and the scaling of business models and solutions, and that resonate with the R&I needs identified by business within this category, including:

- Understanding what motivates transformational change in business, which drivers (e.g. regulation, accounting, disclosure, etc.) are most effective.
- Addressing challenges of working across sectors and differing regulatory frameworks to look ‘in the round’ at land use, exploring the potential for common principles, shared data, etc.
- Pilots, demonstrations at relevant scales – catchment, local planning authority, Local Nature Recovery Strategy, Local Industrial Strategy.
- Demonstration and scaling of new business models for biodiversity net gain / habitat banking.
- Trialling of the new Environmental Land Management System involving public payment for public goods, moving from input outcome-based payments.
- Behavioural research is needed on transition from conventional farming to sustainable land management.

- Context-specific trialling of new business models for production of cheap, healthy food (including novel proteins) while delivering environmental public goods.
- Assessing the robustness of nature-based solutions (NbS), the extent to which NbS are transferable or place-specific, the scale of avoided costs (e.g. reduced water treatment costs), reduced losses (e.g. flood damages), increased revenues.
- Establishing what level of information/ data companies need to make effective land management decisions that optimize natural assets and ecosystem services.
- Understanding what changes are needed in regulation (e.g. water regulation and pricing) to enable investment in natural assets.
- Piloting corporate natural assets-related financial disclosure.
- Piloting/demonstrating approaches to encouraging behavioural change for better management of natural assets.

Developing natural asset markets, stimulating investment in business solutions

The policy community highlighted a range of R&I needs that relate to developing natural asset markets and stimulating investment in business solutions, and that resonate with the R&I needs identified by business within this category, including:

- Efficient design (including frameworks, standards, principles, guidance) and operation of other natural asset markets (e.g. woodland creation, peatland restoration, soil carbon sequestration, flood alleviation, water quality, nitrates...) – addressing issues including accreditation, certification, additionality,

market integrity, trading platforms, stacking of natural asset classes, spatial and temporal constraints, leakage effects.

- Expanding catchment/landscape-scale demonstrations to scale payment for ecosystem services schemes; what mechanisms can be developed to facilitate flow of funds – and linked to this, establishing the right regulatory framework, strategies, principles and tools to enable water utilities to invest in natural assets.
- Mandatory biodiversity gain: issues around market design, a project-based approach (i.e. individual developments) vs cumulative effects (of developments, and of offsets/ compensation), strategic use of offset funds (e.g. to optimise long-term biodiversity gain), extending net gain to national infrastructure, feasibility of extending mandatory biodiversity gain to mandatory natural capital / environmental gain.
- Development of natural asset markets for offset of corporate impacts on natural assets (as revealed through natural capital accounting).
- Complementarity between natural assets markets and public payments for public goods (ELMS).
- Transition to regenerative agriculture – how to reduce risk, incentivize transition.
- Transition in hill farming systems to multi-purpose land management.
- Demonstrating material/financial relevance of natural assets to (business) investments, including attributing cash flow (new income, avoided costs) to investment in natural assets, making positive environmental externalities financeable, e.g. through debt finance, equity, bonds.

- Greening finance, including methods to distinguish between ‘green’ and ‘brown’, concessional lending for businesses meeting sustainability targets, finance for carbon emissions reductions through land management.
- New financial instruments for natural assets, including blended finance – what part should public pay for and what part private?
- Climate analytics & new financial instruments in support of resilient infrastructure.
- Innovation around establishment of a national agro-ecological development bank to support transition to regenerative agriculture.
- Developing the financial regulatory framework for accounting, reporting and disclosure of impacts on natural assets.

Assessing risks and resilience in relation to natural assets

- Assessment/modelling of current and future risks related to natural assets, scenario planning, to inform risk calculations and pricing – e.g. what happens to natural assets in 10C, 20C scenarios and how does this affect business, security of supply, what is risk of stranded (capital) assets, how to enhance resilience of investments?
- R&I is needed on the role of the insurance sector in protecting/restoring natural assets (insurance industry is slow to move, risk averse).
- Resilience of nature, and business resilience in relation to natural assets, the role of nature-based solutions in enhancing business resilience and disaster risk reduction, and collective (cross-sector) approaches to mitigating natural asset risk.

- Going beyond climate-related financial disclosure to broader nature-related financial disclosure.
- Reducing regulatory risk (at national and local planning authority scales) of scaling and investing in restoration.
- Criteria for labelling products and for addressing climate risk and natural environment impacts together.

Knowledge exchange, training and capacity-building

- Knowledge exchange, training and capacity building that responds to industry need/pull, rather than academic push.
- Better communicating materiality of natural assets to business.
- Enhancing online guidance on a implementing a natural capital approach in business.
- Engaging the accountancy profession in natural capital accounting.

4. APPETITE FOR COLLABORATION ON THE EMERGING NATURAL ASSETS R&I AGENDA

In response to the question, ‘**What appetite is there in the policy community to collaborate on Natural Assets R&I Agenda in Support of Business?**’ the main points made by the policy community were as follows:

- In general, there is strong appetite in principle across the policy community to engage with business on the emerging *Natural Assets R&I Agenda*, including from:
 - Central Government – Department for Environment, Food and Rural Affairs, Department for Business, Enterprise and Industrial Strategy, HM Treasury, Ministry of Housing, Communities and Local Government.
 - Devolved administrations – Scottish Government, Welsh Government.
 - Arms Length Bodies – Environment Agency, Natural England, Scottish Natural Heritage, Natural Resources Wales, Joint Nature Conservation Committee, Office for National Statistics.
 - Relevant Committees and Commissions – Natural Capital Committee; Adaptation Committee of the Committee on Climate Change; Food, Farming & Countryside Commission.
- The policy community is in general highly appreciative of the unprecedented co-creation by business and academia of the emerging *Natural Assets R&I Agenda* and considers this very timely.
- The strength of appetite for each organisation to engage will depend on the detail of the R&I needs taken up and the extent to which these needs resonate with each organisation – including due attention to the differing approaches, terminologies and needs of the devolved administrations.
- Organisations have varying capacities to engage in the emerging *Natural Assets R&I Agenda* and this will need to be taken into account in taking this forward.
- Appetite from the public sector will be all the greater if the private sector is willing to put resources on the table. Private sector funding would feed in to the UK Government target to increase R&D expenditure to 2.4% of GDP by 2027. This could be re-assignment of existing industry R&D budget or new R&D budget. Some industry sectors may have greater capacity to contribute than others.
- UKRI and private sector funding for R&I may also help leverage other resources, including agri-environment funds, resources generated through emerging natural asset markets (e.g. around mandatory biodiversity gain, payment for ecosystem services) and foundation funding, for joined up work from research to innovation to market.
- The policy community can bring considerable relevant experience and expertise to the table and will be a key stakeholder in taking forward the emerging *Natural Assets R&I Agenda*.

5. CONCLUSIONS

This report shows:

- Strong alignment of the emerging *Natural Assets R&I Agenda* with current policy and the direction of policy travel.
- Strong resonance for the policy community of the R&I needs identified by business.
- Strong appetite across the policy community to engage in the emerging *Natural Assets R&I Agenda*.

The outcomes from this policy consultation, as reported here, will feed in to ongoing work towards implementation of a prioritised *Natural Assets R&I Agenda*. For more information on this, refer to the related report on the workshop and conference.²⁶

²⁶ *Towards a Natural Assets Research and Innovation Agenda in support of UK Business and Policy. Report on the Workshop and Conference of February 2020:*
<https://valuing-nature.net/business-impact-conference-2020>



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GD NATCAP LTD

Acknowledgement

The sector Round Tables, the cross-sector *Analysis & Options* paper, policy consultation, cross-sector workshop and conference were funded by NERC, as part of the Valuing Nature Programme.

The Valuing Nature Programme is a 5 year £7M research programme which aims to improve understanding of the value of nature both in economic and non-economic terms, and improve the use of these valuations in decision making. It funds interdisciplinary research and builds links between researchers and people who make decisions that affect nature in business, policy-making and in practice. See www.valuing-nature.net

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Further information visit:

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