



QUICK READS:

NATURAL CAPITAL AND BUSINESS

SYNOPSIS

All businesses depend on natural capital assets in one way or another. To succeed, they require healthy, functioning ecosystems that provide essential services like fresh water, food, fuel, minerals and pollination. Despite their dependence on these resources, many businesses do not currently assess the value of natural capital for their business. And as consumption, population and economic growth across the globe place enormous pressure on nature, businesses, consumers and wider society are realising that business-as-usual is not compatible with long-term sustainability. The natural capital approach provides businesses with a way to understand their impacts and dependencies on nature relative to other business issues, to identify risks and opportunities and adapt their business models in order to develop more sustainable practices in the long term and meet the demands of EU and national policy, the financial sector and consumer preference. The strength of this approach is that the cost of negative environmental impacts and the benefit of taking positive action can be translated into a language that is easily understood by business leaders and political decision makers.

KEY POINTS

The business case for considering natural capital is clear:

- Natural capital lies at the core of every business, and every business both impacts and depends on it;
- The national and global policy environment is increasingly incentivising sustainable growth, so businesses that act now will have a head start;
- The financial sector is demanding increased transparency on business dependency on natural resources;
- Consumers increasingly favour businesses that provide sustainable and eco-friendly products and services;
- The climate and biodiversity crises present material risks to the private sector. The natural capital approach is well-placed to support companies' understanding of these risks and underpin strategies to address them.

KEY CHALLENGES

- The configuration of government departments and legislation does not allow for easy application of the natural capital approach. For example, the following Departments would all be key players in the implementation of the natural capital agenda in Ireland: Finance; Business, Enterprise and Innovation; Communications, Climate Action and Environment; Agriculture, Food and the Marine; and Culture, Heritage and the Gaeltacht. But natural capital is not currently a prominent policy area in most of these departments and implementation is therefore fragmented.
- While lots of work to harmonise natural capital tools and methodologies has been done (most notably by the Natural Capital Coalition), the natural capital agenda is still new and agreement on a single, common natural capital approach for the private sector is yet to emerge.
- It can be difficult for businesses to access and understand the science, the language and methodologies of the natural capital approach.



IRISH FORUM ON NATURAL CAPITAL

CONSENSUS

- Our current way of life and of doing business is severely threatened by the biodiversity and climate crises.
- We do not have a universal language to discuss the problem of diminishing natural resources.
- The natural capital approach presents environmental impacts and dependencies in economic terms, supporting businesses to assess and account for them in a way that is comparable with other business assets.

POINTS OF DIVERGENCE

- The range of methodologies for natural capital assessment and accounting.
- The complexity of language around natural capital and making it appropriate for different audiences.

BIG QUESTIONS

- How to standardise natural capital approaches?
- How best to integrate natural capital considerations into corporate accounts?
- How to get governments to buy into this approach?
- How to develop a common language for communication?
- How to adjust the scale of the natural capital accounting systems dependent on the organisation?

CASE STUDIES

- French luxury fashion brand, Kering, developed an Environmental Profit and Loss account
- HUGO BOSS is using the Natural Capital Protocol & Life Cycle Analysis to form the fundamental basis for sustainable sourcing

REFERENCES

- The Natural Capital Protocol
- Cambridge Institute for Sustainability Leadership - Business action on Natural Capital
- Cambridge Institute for Sustainability Leadership - Linking Planetary Boundaries to Business report
- Private Sector & Natural Capital: The Business Case for Natural Capital Assessment
- The businesses case for implementing a natural capital strategy