



**The Economics of
Biodiversity: The Dasgupta
Review, and the Capitals
Approach for business**

11 – 24 March 2021

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naturally-smarter businesses



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The Economics of Biodiversity: The Dasgupta Review, and the Capitals Approach for business

Warm up questions





THE DASGUPTA REVIEW

THE ECONOMICS OF BIODIVERSITY

11TH MARCH 2021

Background of the Dasgupta Review

In 2019, HM Treasury commissioned an **independent, global review on the economics of biodiversity**, led by Professor Sir Partha Dasgupta.

The Review presents the **first comprehensive economic framework** of its kind for biodiversity, and calls for urgent and transformative change.

Grounded in a **deep understanding of ecosystem processes** and how they are affected by economic activity, this new framework sets out the ways in which we should account for Nature in economics and decision-making.



Our economies, livelihoods and well-being all depend on our most precious asset: Nature



Nature = asset

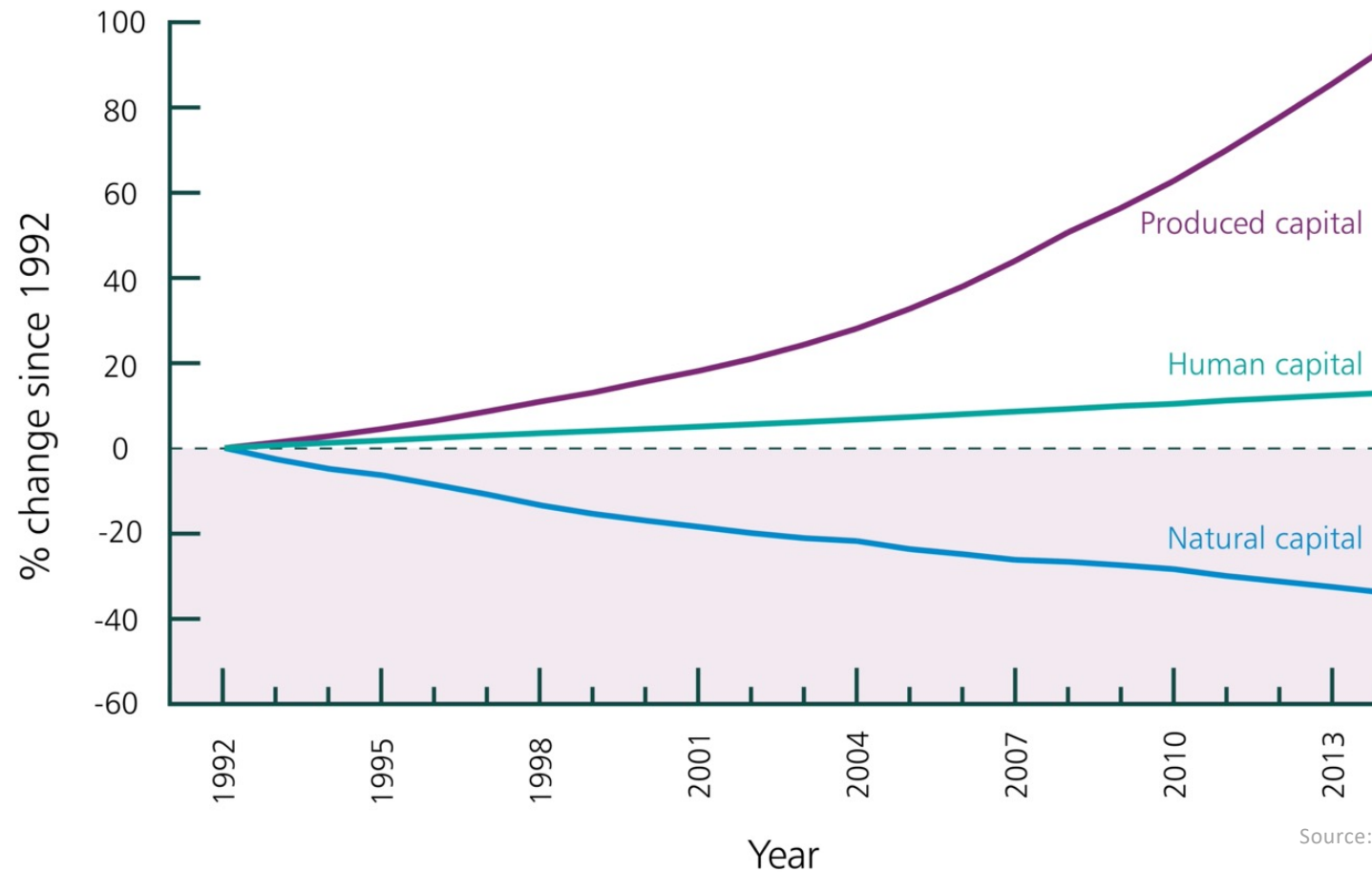


Biodiversity = portfolio
diversification



Everyone = asset
managers

However, we have failed to manage our global portfolio of assets



Source: UN Inclusive Wealth Report 2018

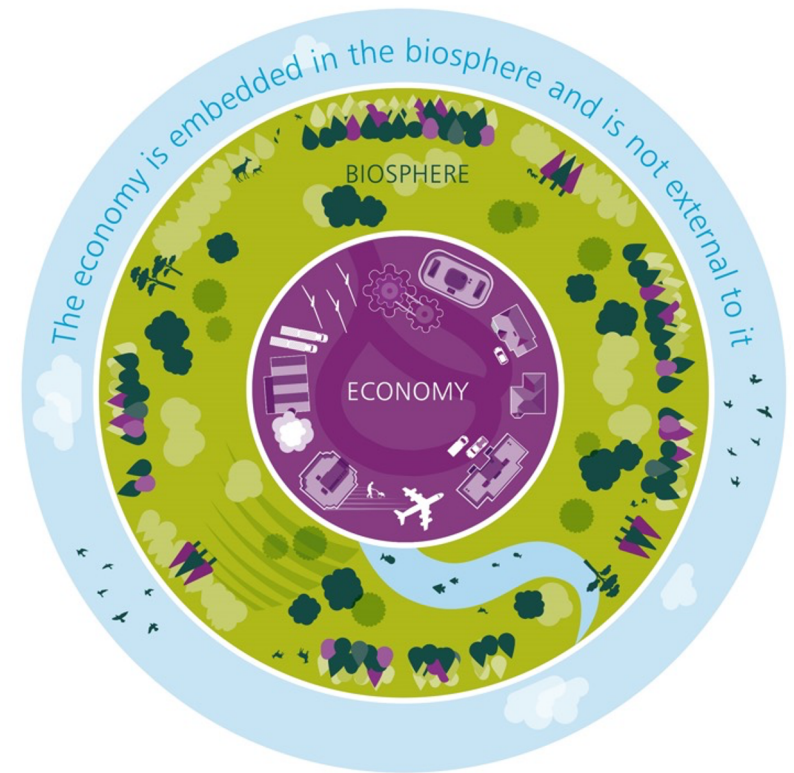
INDEPENDENT REVIEW – NOT GOVERNMENT POLICY

A simple truth: our economies are embedded within Nature, not external to it

Standard models of economic development view humanity as *external* to Nature.

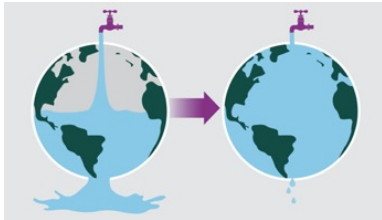
Models that recognise Nature's finitude still assume that technological advances will allow us to break free from Nature.

Accepting that our economy is embedded within the biosphere forces us to recognise the limits Nature places on the economy.



To engage sustainably with Nature, we need to change how we think, act and measure success

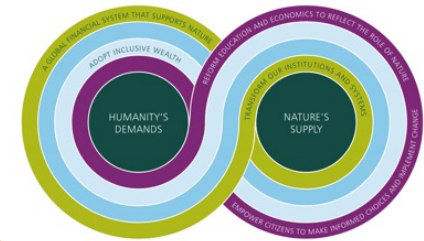
Balance the Impact Equation and increase Nature's supply



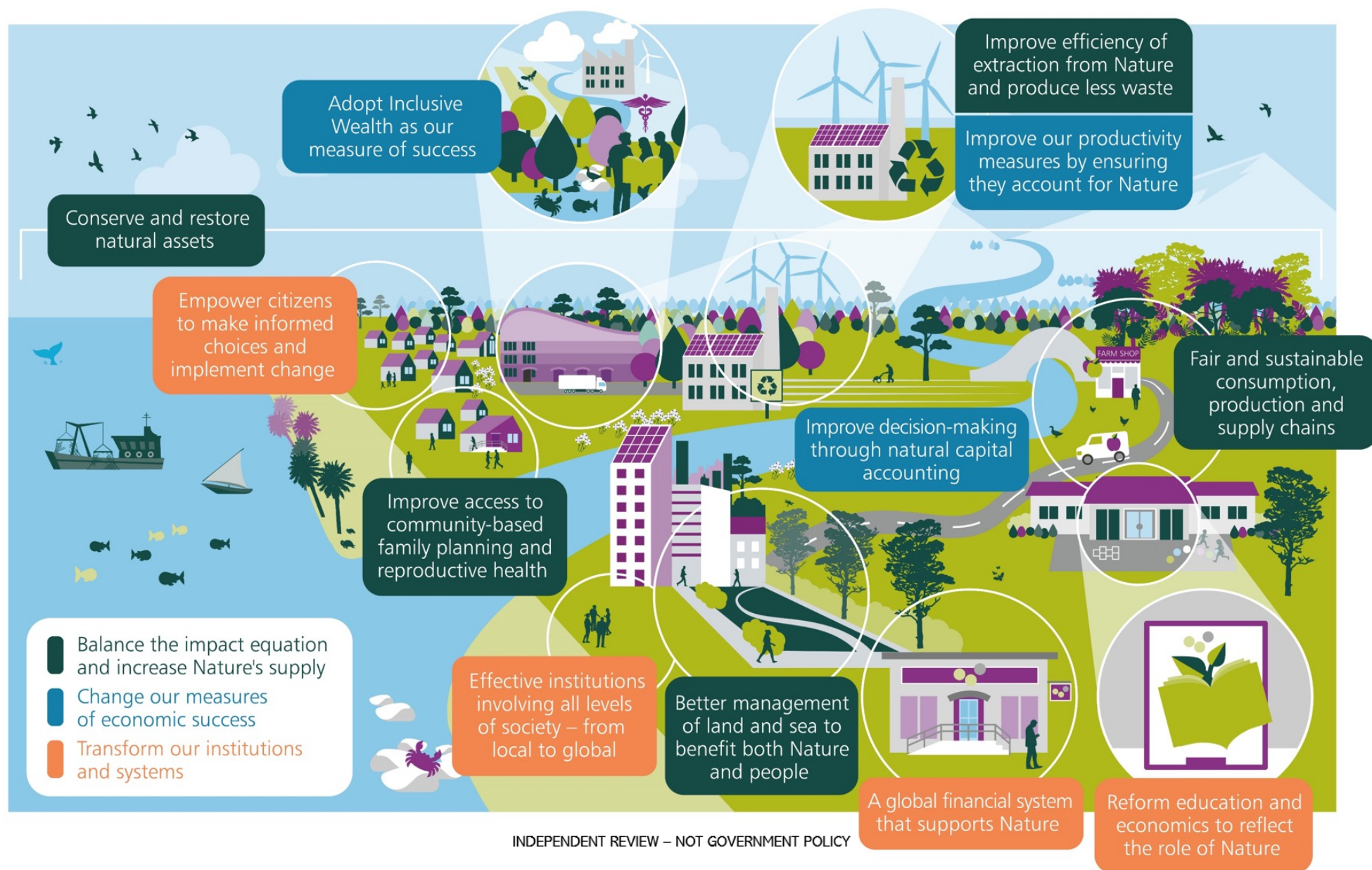
Change our measures of economic success



Transform our institutions and systems



Three broad and interconnected transitions



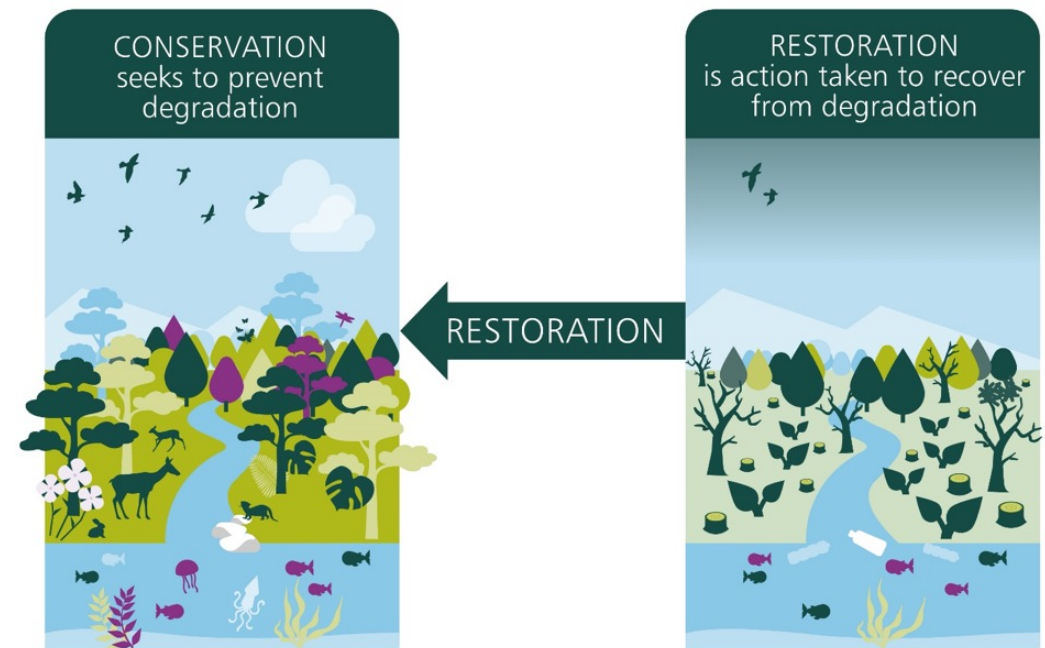
Conservation and Restoration

Conservation and restoration are important approaches to maintain, improve and increase our stock of natural assets and biodiversity.

Conservation is simpler and cheaper than restoration.

We can feed the population and conserve Nature without major financial losses and gain considerable social benefits.

Conservation needs financial investment, but also regulation and institutional support to be as effective as possible.



Sustainable consumption, production, and supply chains

Human demand on the biosphere can be lowered by:

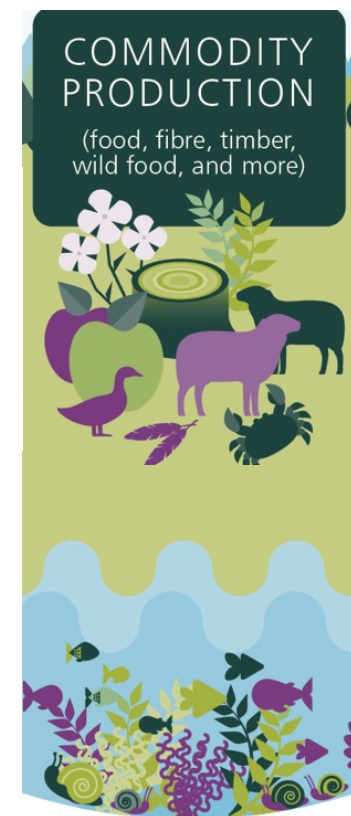
Shifting to less ecologically damaging consumption patterns, such as diets rich in plant-based products.

Reducing what we return to the biosphere as waste.

Diversifying production systems: sustainable production systems can deliver environmental and economic benefits simultaneously.

Employing efficiency-enhancing technologies, and overcoming barriers to implementation.

Embedding transparency into complex supply chains.



Finance for sustainable engagement with Nature: (i) financial flows

The global financial system plays a pivotal role in determining both demand and supply sides of the Impact Equation.

Global financial investments in conservation and restoration of ecosystems and their biodiversity are small (\approx US\$78 to \$143 billion per year) both in absolute and relative terms.

Financial flows devoted to harmful activities are much larger – for example, the social cost of perverse subsidies that damage Nature \approx US\$4 to 6 trillion per year.



Increase financial investments that enhance natural assets and their sustainable use



Reform existing financial investments that are directed to combat environmental issues so they can deliver multiple benefits



Reduce financial investments that cause harm of natural assets and encourage unsustainable use

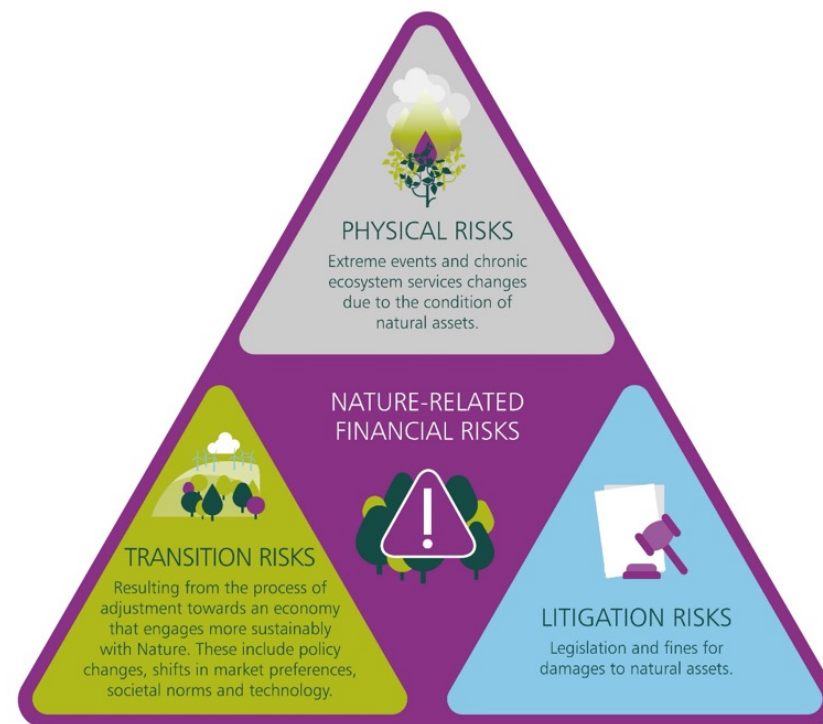
Finance for sustainable engagement with Nature: (ii) risk and uncertainty

The risks associated with biodiversity loss have significant macroeconomic and financial implications.

Droughts, erosion, invasive species, air pollution, and contamination of water bodies and soil have all had identifiable adverse financial effects, such as declines in real estate prices, stock prices and bank defaults.

Currently, apart from climate change risk, the management of financial risks from broader changes in natural capital remains relatively limited among the vast majority of financial actors.

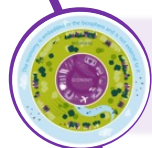
More global support is needed for initiatives directed at enhancing the understanding and awareness among financial actors of such Nature-related financial risks, learning and building on the advances on climate-related financial risks.



Summary



We are seriously **mismanaging our most precious asset: Nature**, and our demands are far exceeding its capacity to supply.



Economic and finance decision-making needs to reflect that humanity and the global economy are **embedded within Nature**.



Humanity needs to **reduce its demands on Nature and increase Nature's supply**.



Economic measures of success need to be improved; Inclusive Wealth is the appropriate main measure of sustainable economic prosperity.



Effective institutions and systems are required to enable **sustainable engagement with Nature**, to help fix the problems of widespread institutional failure and pervasive externalities.

Why should business care about capitals?

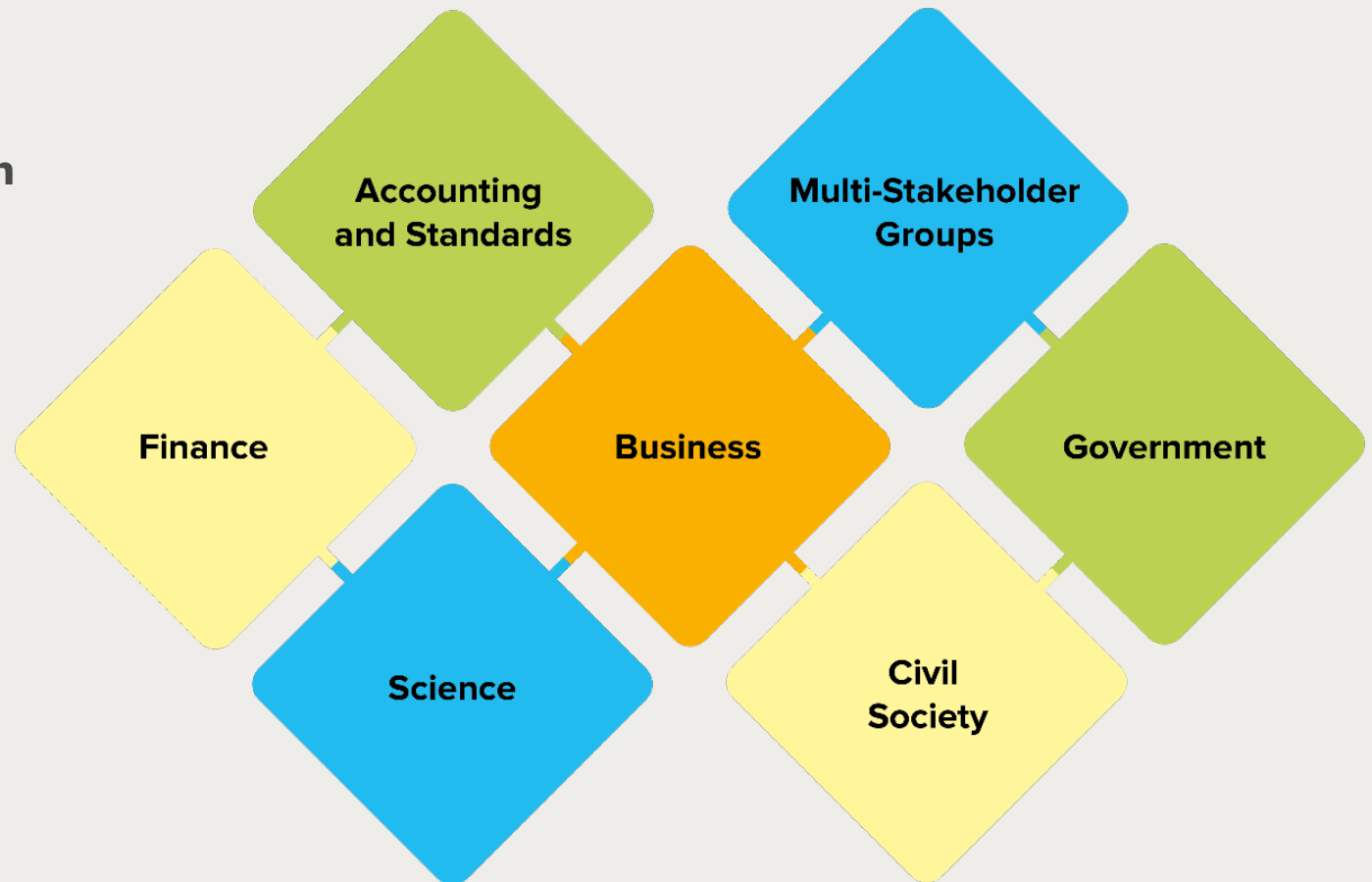
Financial performance is irrelevant on a dead planet



*“Yes, the planet got destroyed.
But for a beautiful moment in time we created
a lot of value for shareholders.”*

Capitals Coalition

The global collaboration transforming the way decisions are made by including the value provided by nature, people and society



Our Shared Ambition

Why?

We are failing to tackle the global challenges of loss of nature, climate change & inequality because decisions are currently based on insufficient information that excludes people & nature.

What?

We use a capitals approach to transform the way decisions are made so that they include the value provided by nature, people, society and the economy.

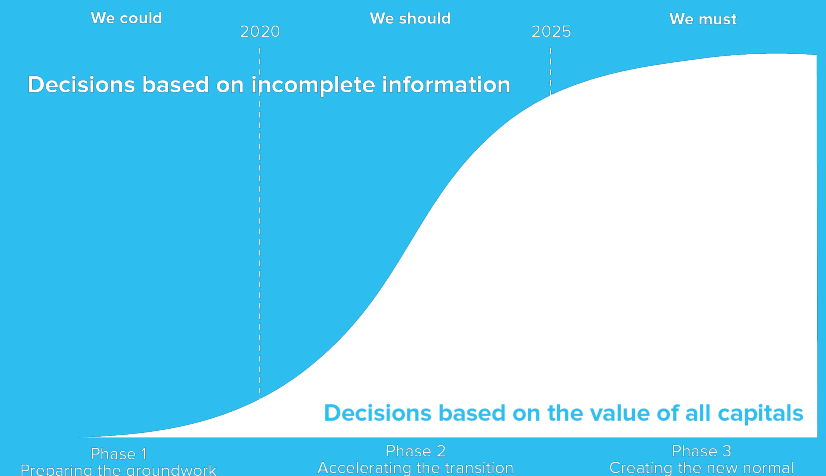
How?

We work through collaboration with 390+ organizations at the core & thousands more engaged around the world. This systems approach means we have a unique oversight and provides the inspiration, ideas and resources to get things done.



So what?

Our shared ambition is that by 2030 the majority of business, finance and governments will include all capitals in their decision-making, and that this will deliver a fairer, just and more sustainable world. We are moving from we **could** to we **should** to we **must** include all capitals in all decisions.



WHAT ARE THE CAPITALS?*

Natural capital:

The stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people.



Social capital:

The networks together with shared norms, values and understanding that facilitate cooperation within and among groups.



Human capital:

The knowledge, skills, competencies and attributes embodied in individuals that contribute to improved performance and well-being.



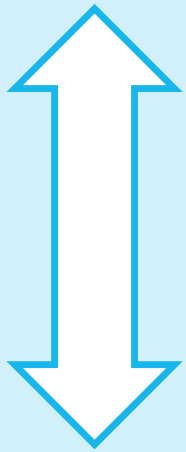
Produced capital:

The man-made goods as well as all financial assets that are used to produce goods and services consumed by society.

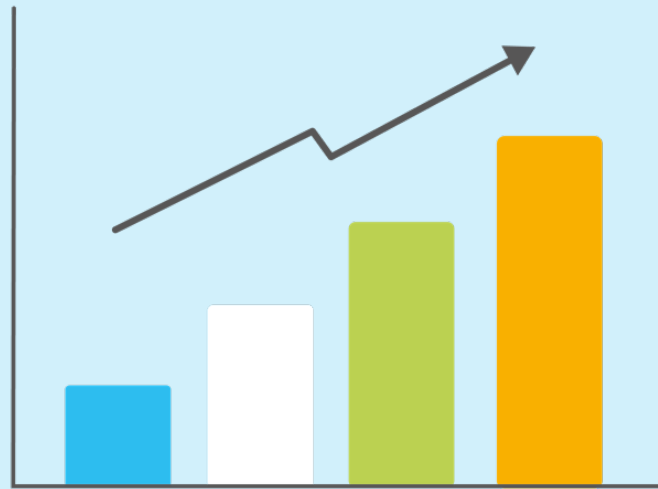


WHAT IS THE CAPITALS APPROACH? The 3 shifts....

Impact & Dependency



Measure & Value



Price is what people are willing to pay.
Value is its relative importance and worth.

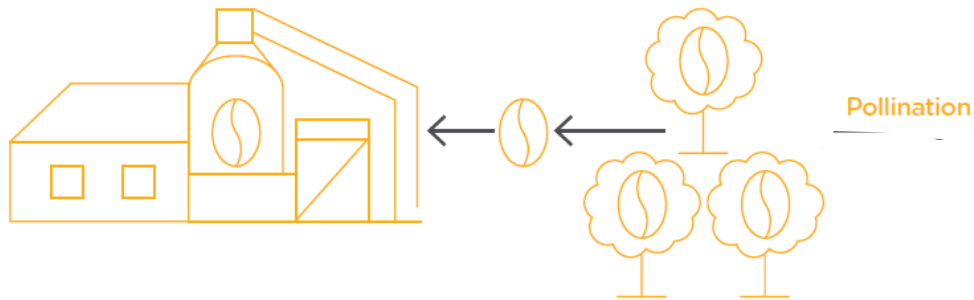
System



Dependency pathway

Business activities at a coffee production plant have a **dependency** on the pollination of coffee plants

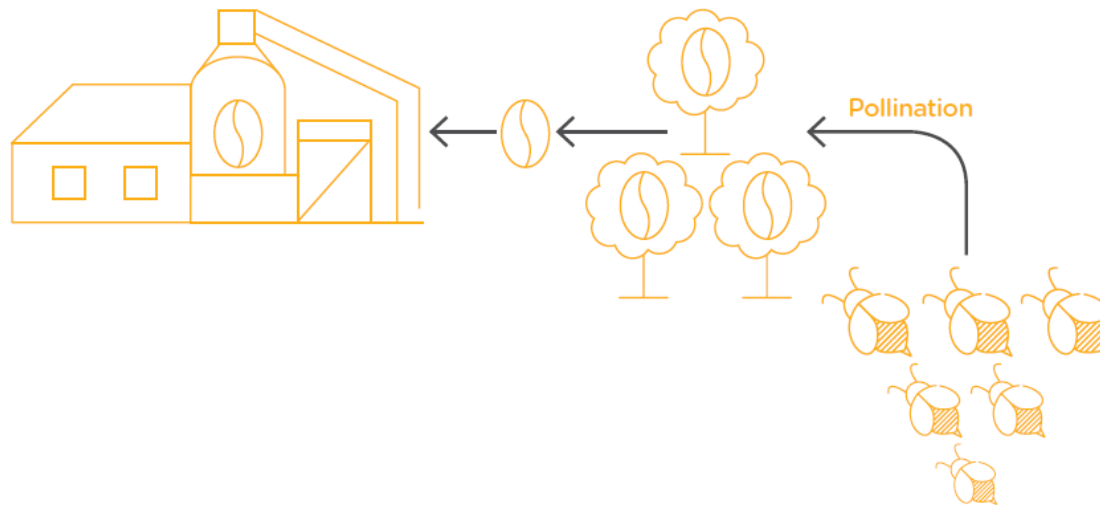
Step 05: Measure dependencies



Dependency pathway

Business activities at a coffee production plant have a **dependency** on the pollination of coffee plants

Step 05: Measure dependencies



Changes in natural capital cause the bee population to decline, due to:

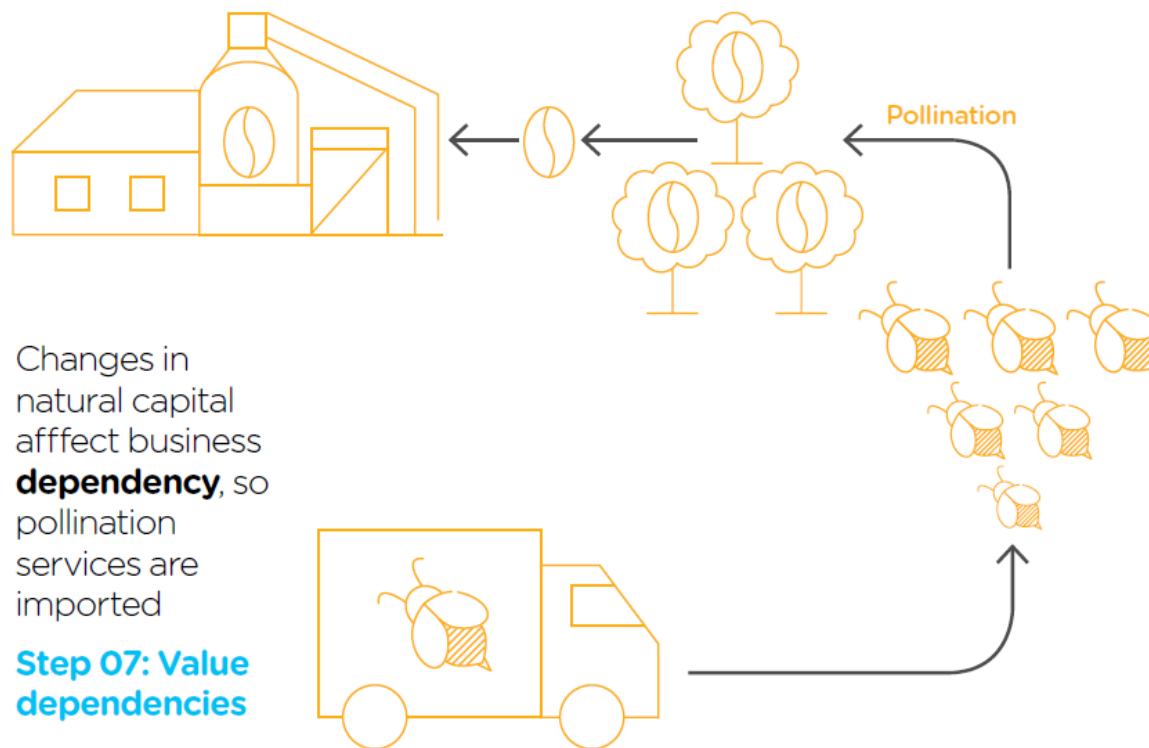
- The business itself, e.g. overuse of pesticides
- Natural changes e.g. extreme weather events
- Human-induced changes, including due to the activity of other businesses, e.g. habitat change

Step 06: Measure changes in natural capital

Dependency pathway

Business activities at a coffee production plant have a **dependency** on the pollination of coffee plants

Step 05: Measure dependencies



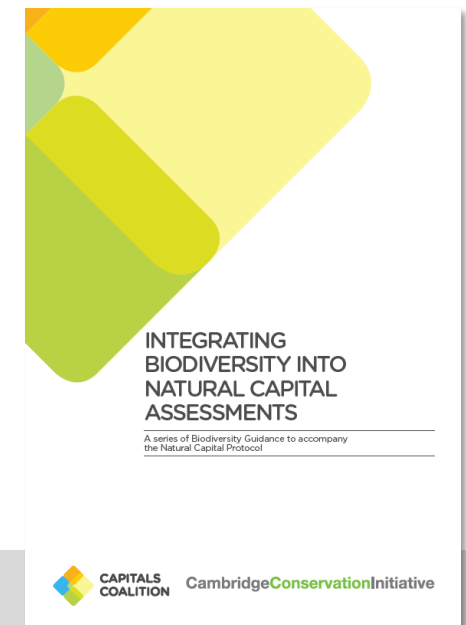
Changes in natural capital affect business **dependency**, so pollination services are imported

Step 07: Value dependencies

Changes in natural capital cause the bee population to decline, due to:

- The business itself, e.g. overuse of pesticides
- Natural changes e.g. extreme weather events
- Human-induced changes, including due to the activity of other businesses, e.g. habitat change

Step 06: Measure changes in natural capital



The Capitals Checker

The Protocols

International frameworks for business to identify, measure and value its impacts and dependencies on natural, social and human capital

Capital thinking applications

Compare options



Assess impacts on stakeholders



Communicate externally



Understand value



Identify risks and opportunities



Links: [ABN AMRO](#), [BNP Paribas](#), [Kering](#), [Olam](#), [Novartis](#) 26



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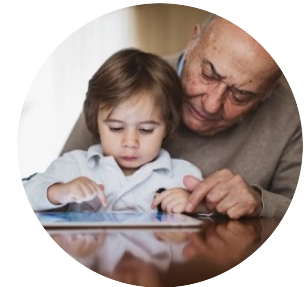
Enabling Action:
**How insurance can help scale up
and protect nature-based
solutions**

Cherie Gray
Global Lead,
Sustainability & Market Development
Public Sector Solutions



OUR VISION:

We make the world more resilient.



The **Swiss Re Group** is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer.

Swiss Re has signed the Paris Pledge for Action and joined other large asset owners in the UN-convened Net-Zero Asset Owner Alliance, to commit to carbon-neutral investment portfolios by 2050.

How can insurance help?



Investors – de-risk and insure green projects against damage, delays or non-completion, protecting the investment and returns



Businesses – protect the revenue earned from activities based around natural capital, and cover costs when business is interrupted due to natural or man-made catastrophes



Governments – insure against the cost of damages, clean-up and regeneration. Governments can also help close the protection gap by subsidising the cost of insurance for businesses and consumers – increasing resilience and economic stability.





Sand Dyke Reconstruction, Texel Island, The Netherlands

Coral Reef Storm Cover, Quintana Roo, Mexico





Panel and Q&A



Part of the

WE VALUE NATURE
10-DAY CHALLENGE

Addressing Biodiversity Blind Spots: Exploring Steps to Integrate Biodiversity in Decision-making
17th March 10-12pm CET

Advancements in Our Understanding of Value
24th March 2-3pm CET

Transparent: Co-developing Standardized Natural Capital Accounting & Valuation Principles for Business
19th March 11-12pm CET

Why is Natural Capital Important for Your Business?
15th March 11-12pm CET

Redefining Value to Build Back Better & Transform the Food System
17th March 10-12pm CET

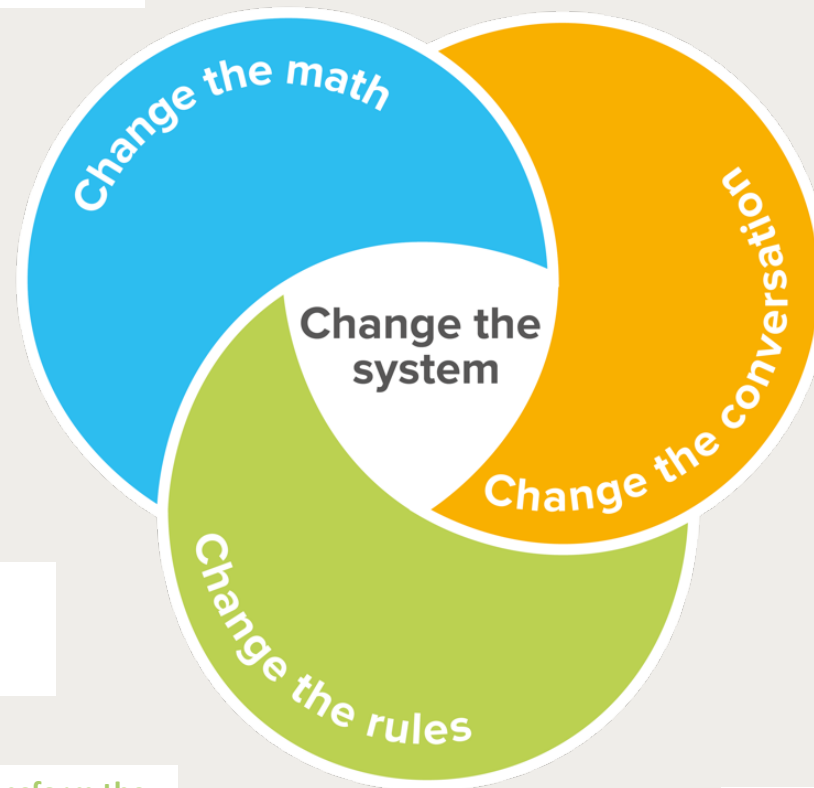
10-Day Challenge Mid-Way Plenary: How to Accelerate Business Action for Nature & Social Justice
17th March 9-10am CET

Deep Dive Session: The Principles of Integrated Capitals Assessments and Links to Natural Capital
24th March 2-3pm CET

Transforming the Food System: TEEBAgriFood for Business
19th March 4-5pm CET

Changing the Conversation: Perspectives from Young Professionals
24th March 5-6pm CET

The Economics of Biodiversity: The Dasgupta Review and the Capitals Approach for Business
11th March 10-11am CET





**WE VALUE
NATURE**

Supporting



**CAPITALS
COALITION**



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