

An Introduction to Nature Markets

IEMA Connect 2023



Housekeeping



- You are on mute
- Ask us questions
- Presentation will be recorded and posted on the IEMA website

Today's speakers



Professor David Hill CBE

**Owner and Founder, The
Environment Bank**



Dr Samuel Sinclair

Director, Biodiversify



Lesley Wilson

**Policy and Engagement
Lead, IEMA**



Environmental Markets for Nature Restoration in the UK

David Hill CBE and Emma Toovey

History

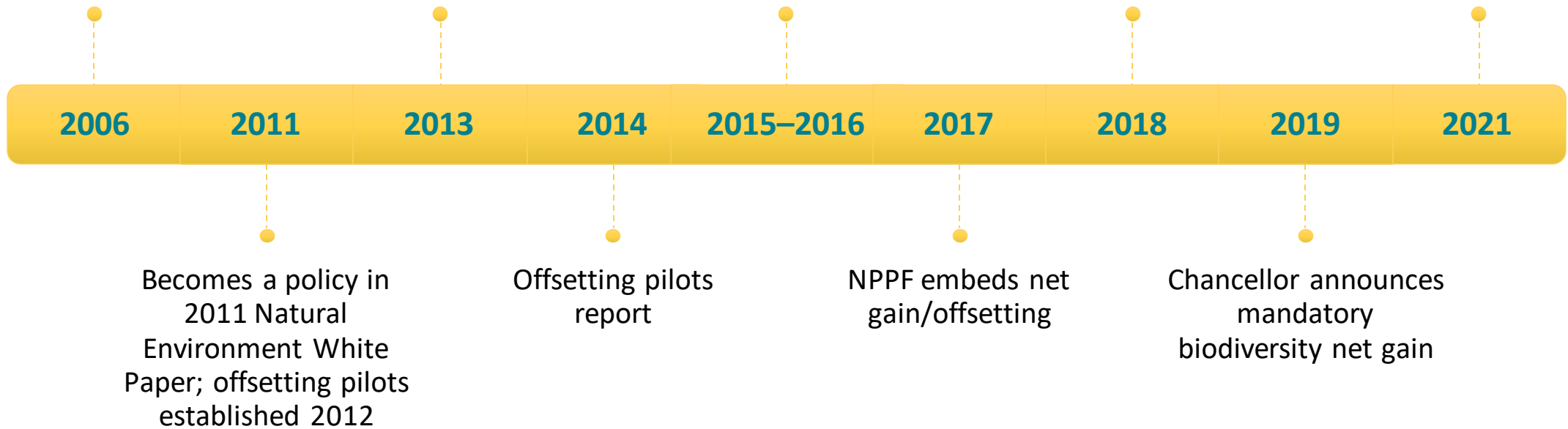
Environment Bank founded to promote better outcomes from development; launched 'biodiversity offsetting'; mentioned gains for nature from development in 2004

Ecosystem Markets Taskforce recommends biodiversity offsetting be made mandatory

Natural England's Board Innovation and Developer Industry Groups

25-year Environment Plan – Govt. priority that development delivers net gain for biodiversity; also 500,000ha Nature Recovery Network

Environment Bill enacted – BNG made mandatory under planning law

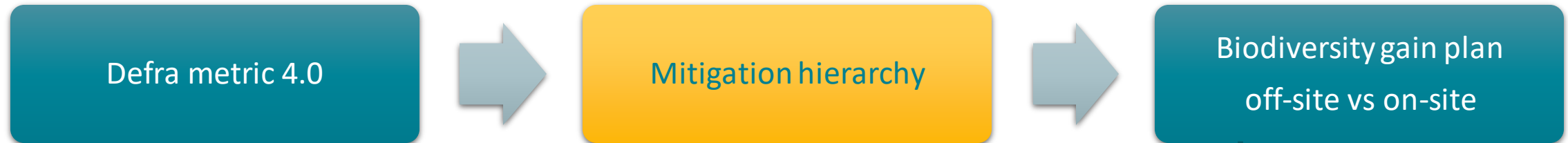


Developers and Corporates



The Environment Act 2021 & BNG

Legal requirement on all new developments:
Minimum 10% increase in biodiversity



On-site provision

- Funding risk
- Reduced net developable area
- Reduced land values
- Small fragments, poor for biodiversity

Off-site provision

- Purchase off-site units from EB Habitat Banks
- Removal of developer's liabilities
- Bigger and better for biodiversity

What is a Habitat Bank?

- A **landscape scale habitat creation** project - of a sufficient size to deliver the best outcomes for nature
 - Establishment costs are **forward funded, all available funds for the project are ring fenced** for its lifetime (30 years+) and not reliant on developer or corporate payments to be established
 - Generates an **uplift in biodiversity value** as measured by the Biodiversity Metric
 - Measured uplift is translated into Biodiversity Units **that are sold** to developers (BNG planning requirements) and corporates (to meet Nature Positive ambitions).
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- Woodland
 - Wood meadow
 - Wetland
 - Species rich-grassland
 - Woodland-scrub-grassland mosaic
 - 20ha – 500ha in size



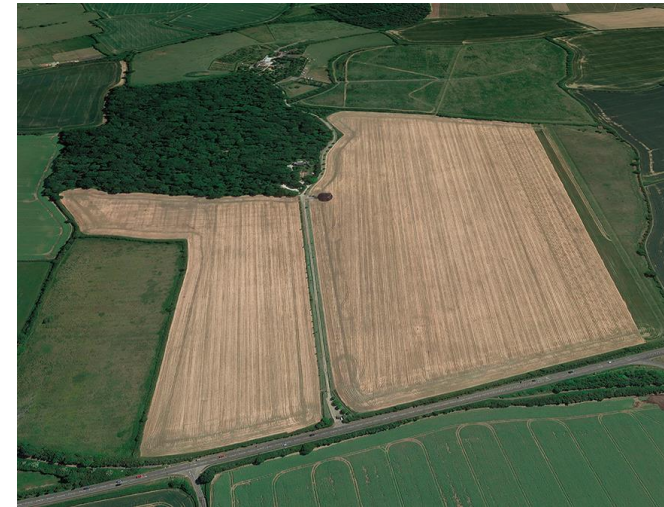


Habitat Bank: Greater Manchester

Size 49 ha

Connectivity: West Pennine Moors SSSI

Habitats: Lowland meadow, neutral grassland, mixed scrub, broadleaved woodland, ponds, lowland fen



Habitat Bank: Milton Keynes

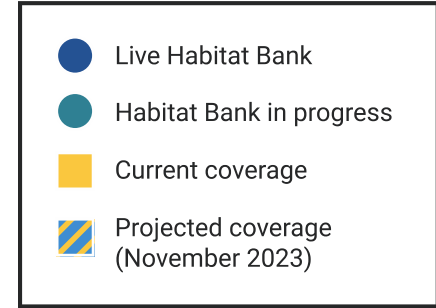
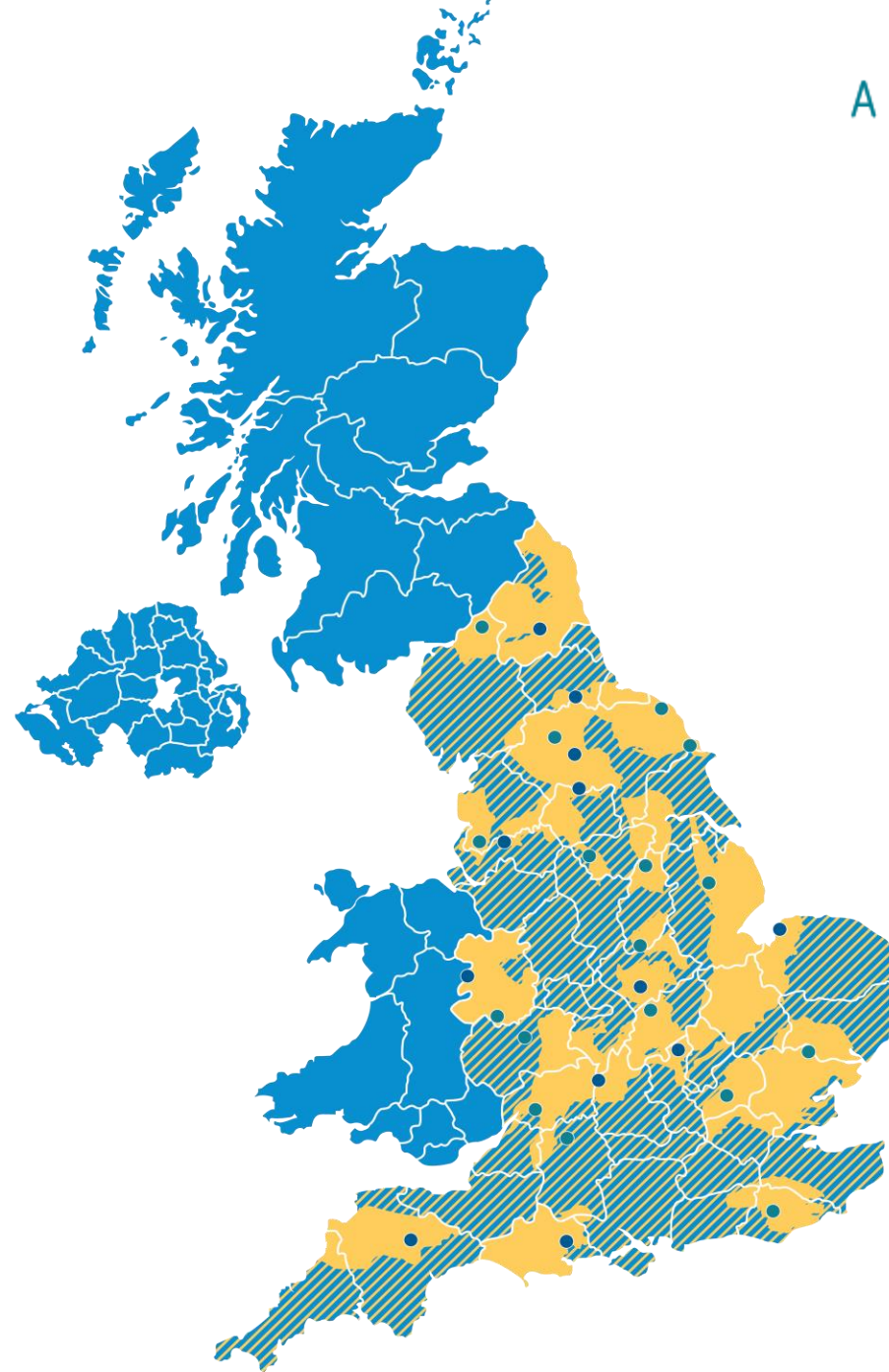
Size: 38 ha

Connectivity: Ancient and newly planted woodland

Habitats: Species-rich grassland, native mixed scrub, and hedgerows



Where we currently have Habitat Banks - July 2023



Data current: May 2023

FUTURE PROOF YOUR LAND BUSINESS

*"We turned low-yielding land
into long term income"*

**Diversify your business with significant and secured
long-term income through a co-created Habitat Bank.**

We are looking for farmers and landowners across England to co-create biodiverse Habitat Banks. It works by leasing your low-yielding land to create amazing spaces for nature. We then work with you to implement, support and manage your fully funded scheme for 30 years alongside your working farm.

The benefits for you

- Secured long-term payments with minimal risk
- Maximises income from low-yielding land
- All Habitat Bank creation costs covered
- Retained land ownership with expert support
- Integrates into your land business
- Payments start when lease is signed

Register your interest today: **01904 202 990** or visit environmentbank.com

BNG UNITS

Provide certainty for your
development projects

Through our expanding network of Habitat Banks, we have generated **2500 BNG Units** available to purchase, now.

We are enabling developers to secure planning permission ahead of the **Biodiversity Net Gain** transition period ending this November. We provide a robust off-site solution that meets planning requirements, removes all liability, maximises developable area with minimal ecological impact, and helps provide project certainty from day one.

To find out more about the cost and availability of BNG Units for your current and future projects, visit us at environmentbank.com

Advertising to the
two parts of the
market –
landowners/farmers
and developers

What next - Biodiversity credits - policy drivers – work is underway

- UK Business and Biodiversity Forum
- Taskforce for Nature-related Financial Disclosures (TNFD)
- Nature Positive
- Sustainable Finance Initiative – Terra Carta
- Natural Capital Coalition
- IUCN guidelines on corporate biodiversity performance
- Business for Nature
- International Financial Reporting Standards (IFRS) Foundation and
- International Sustainability Standards Board (ISSB)



Nature Credits



A nature-positive investment

Nature restoration cannot wait – it's time for a new asset class

- Businesses depend on **ecosystem services** and **environmental assets** to thrive.
- There's growing pressure on businesses to disclose their **environmental impacts and dependencies**, with an increasing demand for **nature positive pledges**.
- For meaningful **nature-positive investment**, businesses will need to report and act on **nature related risks** – but they don't always have all the information they need.
- The Taskforce on Nature-related Financial Disclosures (TNFD) framework is expected to follow suit of similar EU directives and **will become mandatory** within a few years.
- **Biodiversity credits** are a new asset class providing a meaningful solution for businesses representing quantifiable shares of biodiversity restoration work and its measurable impacts.
- It is vital for projects to be built on **integrity, good science**, and **social impact** in order to avoid greenwashing and ensure tangible outcomes.



The WEF's top four global risks for the next decade are climate change, extreme weather, **biodiversity loss** and ecosystem collapse.



The World Economic Forum calculated that **55% of global GDP relies on nature**.



Voluntary **disclosure frameworks will become mandatory** in the near future, so the clock is ticking.



Nature restoration is the key to effective climate action, and **we need to act now**.

Nature Credits: **the product**

- ⊗ Not a 'loss avoidance' product.
- ⊗ Not a greenwashing product.
- ⊗ Not an offsetting product.
- ✓ A real nature positive investment.
- ✓ Netting tangible, measurable gains.
- ✓ Robust governance

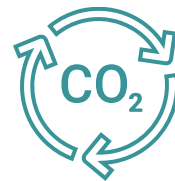
- Nature Credits are Environment Bank's newest **natural capital asset class**, built upon the same **robust principles** that underpin our Biodiversity Net Gain products.
- This product provides the solution for businesses facing the challenge of making **meaningful, demonstrable, and legitimate actions** that net **measurable, nature-positive outcomes**.
- Our Nature Credit projects will holistically deliver **impactful uplifts for biodiversity and natural capital** in a way that can tangibly be quantified for stakeholders.
- Buyers can own a **share of those measurable uplifts** and claim as their own, giving them a convenient way to **demonstrate impact** with **quantifiable data**.

What is a Nature Credit project?

Nature Credit projects will be delivered on land that offers the greatest potential gains for nature and communities.

This means they need to be...

- On a **landscape scale** for optimal impact.
- Secured and bound for a **fixed time period** of 33 years, or more.
- Driven by **good ecological outcomes** that are appropriate to the land.
- Providing a **measurable social impact**, such as improving job opportunities, boosting rural economies, offering better access to nature, and providing equitable economic outcomes.
- Enhancing wider **ecosystem services and assets.**



Carbon sequestration



Water quality regulation



Air quality regulation



Natural flood management

Nature Credits: demonstrating impact



Interactive dashboards and annual reporting

Personalised, accessible data sets with easily tailored user settings to make the platform suitable for marketing or educational purposes alongside detailed annual reports for your key stakeholders.



Your share in the **positive outcomes**

The client's investment directly correlates to their ownership of all measured data sets

- The value of your contribution towards the project's total cost dictates the **proportion of the project's total outcomes** that you can take credit for.
- This means you can easily **demonstrate the share** in nature positive impact your organisation has contributed towards.
- Data can be presented using a variety of metrics **to suit your organisation's goals**.



Nature Credits: our core principles



Quality Projects

Biodiversity outcomes are the driving force of our nature recovery projects.

We work with the land to maximise the uplift in natural capital value and ecosystem services – this also includes wider, people-focused asset classes.



Science-based Monitoring

Using a range of robust methods, we are able to track the technical performance of our projects throughout their entire lifetime.

This enables us to demonstrate tangible and quantifiable impact as well as easily identify the need for corrective action.



Good Governance

Our projects are underpinned by many of the same principles utilised by the statutory framework in England for Biodiversity Net Gain.

These ensure that appropriate legal and financial mechanisms are in place to secure the committed outcomes for our clients under all circumstances.

EB Nature Credits

Secure our vital ecosystem services with **landscape scale Nature Credits projects**



A NEW PLAN FOR THE PLANET

EB ENVIRONMENT
BANK

The Catalyst, Baird Lane, York
North Yorkshire YO10 5GA

01904 202990

environmentbank.com



Understanding Demand in Emerging Nature Markets

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BIODIVERSIFY

IEMA

Transforming the world
to sustainability

The Challenges of Biodiversity

There is no fungible unit of biodiversity

- The complexity and local specificity of biodiversity means that there is no equivalent to tons of carbon
- A universal credit system similar to carbon is unlikely to be successful

Biodiversity action has to be contextually specific

- Actions have to be effectively tailored to the context
- Effective action requires considering many contextual factors

Understanding impacts requires high supply chain transparency

- Most biodiversity impacts occur at the start of the supply chain, where materials are grown, farmed, mined or harvested
- Few companies currently have good visibility over their supply chain



Biodiversity
challenges &
opportunities



Biodiversity
Policy &
Frameworks



Business
Implications



Nature
Market
Implications

	Stores, Warehouses, Offices	Assembly	Manufacturing	Raw Material Processing	Raw Material Production
Air Emissions 	●	●	●	●	●
GHG's 	●	●	●	●	●
Land Use 	●	●	●	●	●
Waste 	●	●	●	●	●
Water Consumption 	●	●	●	●	●
Water Pollution 	●	●	●	●	●



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

The Opportunities of Biodiversity

Biodiversity provides a huge range of benefits

- Nature provides us with a host of services, such as
 - Flood and drought mitigation
 - Water purification
 - Pollination
 - Public health
 - Increased soil fertility
- These benefits are highly significant to many businesses, they are critical to maintaining the long-term viability of production landscapes

The personal connections to nature are strong

- People connect with nature on a personal, and often emotional level, in a way that we don't see with other areas of sustainability
- This presents a huge opportunity for collaboration, collective action and community engagement



Biodiversity
challenges &
opportunities



Biodiversity
Policy &
Frameworks



Business
Implications



Nature
Market
Implications

International Developments

November 2021	The Environment Act Passed in the UK
October 2022	Science Based Targets for Nature Interim Guidance
October 2022	Taskforce on Nature Related Financial Disclosures Pilots Start
December 2022	World Benchmarking Alliance launch Nature Benchmark
December 2022	COP 15 of the CBD adopted the Global Biodiversity Framework
January 2023	The Corporate Sustainability Reporting Directive Passed
June 2023	Science Based Targets for Nature Pilots Start



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

Navigating the Acronym Soup

Acronym	Purpose
Taskforce on Nature Related Financial Disclosures	To allow investors to understand the impacts of their investments
Science Based Targets for Nature	A standardised way of setting targets for nature
CSRD (ESRS E4)	To combat greenwashing through disclosure



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

Navigating the Acronym Soup

Acronym	Purpose	What are they really asking you to do?
Taskforce on Nature Related Financial Disclosures	To allow investors to understand the impacts of their investments	Assess your biodiversity impacts
Science Based Targets for Nature	A standardised way of setting targets for nature	Assess your biodiversity impacts
CSRD (ESRS E4)	To combat greenwashing through disclosure	Assess your biodiversity impacts



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

Navigating the Acronym Soup

Acronym	Purpose	What are they really asking you to do?	What do they not do?
Taskforce on Nature Related Financial Disclosures	To allow investors to understand the impacts of their investments	Assess your biodiversity impacts	Act to reduce your biodiversity impacts
Science Based Targets for Nature	A standardised way of setting targets for nature	Assess your biodiversity impacts	Act to reduce your biodiversity impacts
CSRD (ESRS E4)	To combat greenwashing through disclosure	Assess your biodiversity impacts	Act to reduce your biodiversity impacts



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks

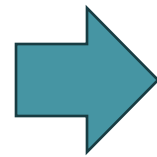


Business Implications



Nature Market Implications

Navigating the Acronym Soup



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

What does this mean for business?

CSRD means that businesses are going to have to report on biodiversity impacts

- Most companies will have to report on 2024 by 2025
- Companies with over 500 employees must report
- Roughly 50,000 companies will need to report, many of these on biodiversity

Significant supply chain data is needed

- These companies will need supply chain visibility
- This is quite a challenge for most companies
- This is also harder for certain commodities, such as paper/paperboard

There is a steep learning curve

- Many people will need to get their heads around biodiversity
- All of the frameworks etc are still in development



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

Developing Biodiversity Strategies

Developing a strategy requires new methods

- Biodiversity is harder than carbon
- The lack of a single metric means decision support and reporting is much more complex

Impact assessment methods are still being developed

- 17 companies are currently trialing SBTN
- TNFD recommendations have just been released
- Baselines as traditionally perceived will most likely not be possible

Achieving nature positive requires a breadth of actions across a company

- Locally specific action is needed wherever there is impact
- Many different types of actions are required
- Understanding when “enough” has been done will be very challenging



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

What does this mean for nature markets?

The necessary changes are systemic

- To achieve something approximating nature positive companies require systemic change
- Companies cannot offset, use credits or other external spends alone
- Systemic change is challenging, and often about mindsets

It will be years before most buyers are ready to invest

- This is all very new and very overwhelming for most companies
- CSRD is positive but also very distracting, it focuses attentions on disclosure not action
- Companies need a clear reason for investing in credits, and for that they need strategies
- The most rapidly moving companies are still early in their journeys

The predominant frameworks don't have a clear role for credits

- CSRD/TNFD/SBTN all focus on identifying impacts, they don't ask about credits
- There's debate about whether credits are offsets, but if they are not linked to impacts, what is their role?
- The critical question is "what problem do credits solve for companies?"



Biodiversity
challenges &
opportunities



Biodiversity
Policy &
Frameworks



Business
Implications



Nature
Market
Implications

What does this mean for nature markets?

The UK BNG market is the place to watch

- This is the first proper biodiversity market in the world
- Understanding the market dynamics as they emerge will be very interesting
- The mechanics of pricing are looking to be particularly fascinating

Biodiversity credits will need to provide locally specific benefits

- Credits should ideally address geographically specific impacts
- The case will be stronger if credits provide ecosystem services to important sourcing regions
- A universal credit seems extremely unlikely

Underestimate the challenges of conservation at your own peril!

- Conservation is extremely challenging in practice, there are many routes to failure
- An influx of money is great, but there have been many well funded failures
- An intervention of this size can easily have unintended consequences



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

What does this mean for nature markets?



Demand may grow slowly

Companies are going to need time to undertake analyses and develop strategies



Business case must be made for credits

At the moment the potential role for credits is unclear, with conflicting views being presented



Delivery will be hard

Conservation on the ground can be extremely challenging



Biodiversity challenges & opportunities



Biodiversity Policy & Frameworks



Business Implications



Nature Market Implications

Thank you for listening!

Panel Discussion



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**Policy and Engagement
Lead, IEMA**

IEMA

Transforming the world
to sustainability

Thank You for Joining

Join the biodiversity and nature capital
network: banc@iema.net