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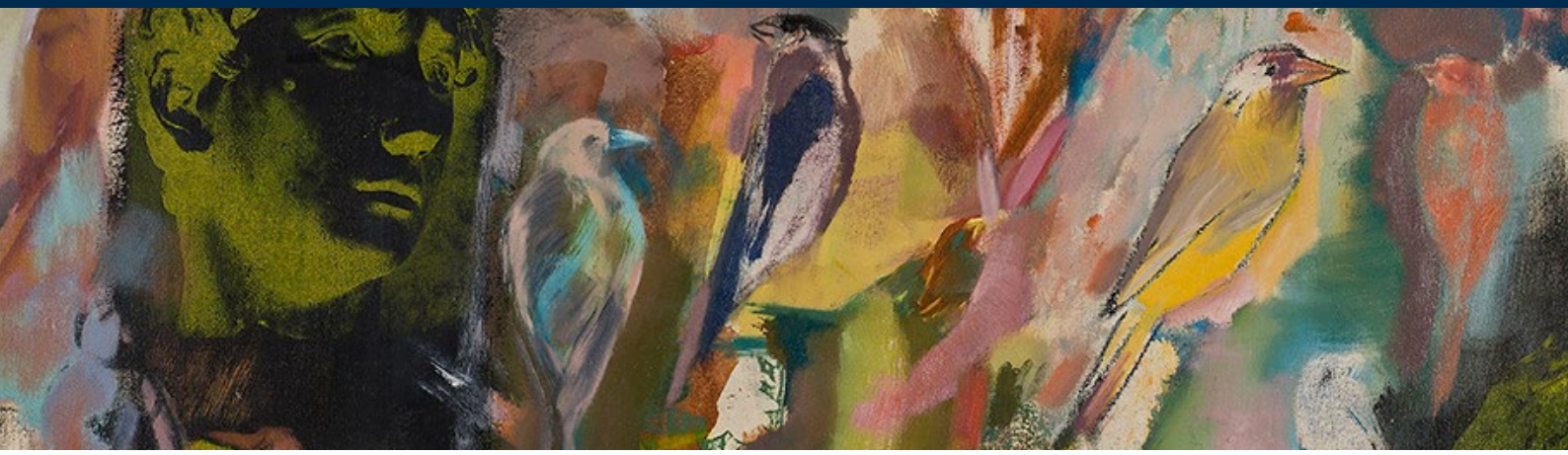

"WE'RE FIDDLING WHILE THE FORESTS BURN"

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Focusing on rising temperature while ignoring our emptying natural habitats makes no sense. An approach that takes the hand of nature while forcing climate change to slow down is the best way forward, says Oliver Balch.

Seven minutes. Allegedly, that's how long it takes for an Oxbridge graduate to let slip the name of their *alma mater* on first meeting. Biodiversity advocates are similarly predictable but, in their case, you can expect to hear their favourite phrase within sixty seconds: 'tipping point'.

To be fair, they have good reason. Mother Nature is groaning under the weight of nearly 8 billion people running around our finite planet – building cities, planting crops, making plastic – and, in the process, turning natural habitats on their heads.

The headline stats say it all. Wildlife in freshwater habitats is down 84% since 1970. Total species decline is 68% over the same period. One million species threatened with near-term extinction.

Nor is there any question whose fault it is.

"As a population, we are living beyond Nature's means. Earth Overshoot Day[1] – the point after which the planet can no longer replenish the resources we consume – occurred on 29 July this year. Three decades ago, the fateful date didn't land until early October."

So what? For a profit-seeking company legally going about its business, it's a legitimate question. Of course, no-one wants to see the pandas die out or our oceans clogged with rubbish. Yet, is protecting the world's biodiversity any more relevant to a private corporation than, say, solving world hunger? Either way, is there any point in making the effort?

The response is deceptively simple: businesses do not operate in a vacuum. From the water used to till farmers' fields to the rivers tapped for power generation, nature assists companies in a myriad of ways every single day (and, invariably, for free).

In hard-nosed economic terms, a staggering $44 trillion of annual value generation is dependent to some degree on what economists refer to as nature's "ecosystem services", a report by the World Economic Forum[2] finds.

As Cambridge University's Professor Partha Dasgupta puts it, the global economy is "embedded within Nature... not external to it".

Less succinct, but no less powerful, is the econometrically robust 610-page independent report[3] that Dasgupta recently oversaw for the UK Treasury. The landmark review refers to nature as an asset, "just as produced capital (roads, buildings and factories) and human capital (health, knowledge and skills) are assets".

If nature is an asset, then logic holds that damaging it represents a financial risk. That's certainly the conclusion of the Central Bank of the Netherlands, which finds that over a third[4] (36%) of Dutch financial institutions' portfolios are exposed to biodiversity-related risks.

CLIMATE CONNECTIONS

Notably, nature lovers are not the only ones to use the term 'tipping point'. In fact, climate scientists have long been warning about a point of no return.

Indeed, the idea of a scenario becoming irreversible after a certain moment in time lies at the heart of the 2015 Paris Agreement and its goal of keeping average temperature rises "well below" 2°C.

This common language is no coincidence. Experts are increasingly of the opinion that tackling biodiversity without conjointly addressing climate change is not just muddle-headed, but actively counter-productive. Either both get solved together, or, to put it colloquially, we're all fried.

Maria Mendiluce, CEO of the company-led climate coalition, We Mean Business, makes the case clearly: "Taking action on climate means we cannot ignore nature and nature cannot ignore climate change. Integrated policies will lead to solutions that are win-wins for both and also create efficiencies for business."

The timing is also auspicious. In the upcoming months, political leaders will meet for major UN conferences on biodiversity (in Kunming, China, in October) and climate change (in Glasgow, Scotland, in November), respectively.

The political winds also appear to be converging around – well – convergence. The UN's chief bodies on both subjects – the climate-oriented IPCC and the biodiversity-focused IPBES – have recently been workshopping the idea.[5]

G7 leaders went one step further, launching an ambitious Nature Compact[6] at their recent meeting. The announcement included pledges to fund projects that explicitly deliver "co-benefits" for both the climate and biodiversity.

Their enthusiasm derives in part from the knock-on economic benefits. According to the World Economic Forum, shifting global systems onto a more nature-friendly, low-carbon footing could generate 395 million new jobs by 2030[7] – a welcome boost for the G7's pandemic-pounded economies.

SYNERGIES IN ACTION

For all the positive talk, however, practical examples of such a synergistic approach remain limited.

The reality on the ground is a "patchwork approach", says Jeremy Oppenheim, Co-Founder of the advisory firm SYSTEMIQ and former Programme Director of the global New Climate Economy commission.[8] As he puts it: "We're fiddling while the forests burn."

Business for Nature[9] (BfN), a relatively new private-sector coalition, is more optimistic. Eva Zabey, the group's Executive Director, says "momentum is building" for convergence, pointing to "decisive action" by half a dozen or so leading firms.

Her list includes Anglo-Dutch fast-moving consumer goods firm, Unilever, which last year launched a €1 billion Climate and Nature Fund.[10] A core component of the ten-year initiative is a "regenerative[11]" approach to agriculture that includes steps to restore damaged landscapes and prevent deforestation.

More common among Zabey's exemplars is action at strategic level, with companies targetting climate and nature together in their environmental policy commitments. UK pharmaceutical company GSK[12] and US retail giant Walmart[13] are two notable cases in point.

Just because a connection between nature and climate may have moved towards cliché, it doesn't mean that connection is no longer valid. Planting trees is a prime example. The photograph of happy volunteers planting saplings in their local

park is now a CSR staple. Yet, few interventions generate greater long-term positives for both climate and nature than growing trees.

"Trees and photosynthesizing plants are masters of climate control. Forests, grasslands, mangrove swamps and other terrestrial 'carbon sinks' (including oceans) collectively sequester about 45% of all the carbon dioxide emitted by human activity every year."

When trees are felled, not only is this sequestration function surrendered, but the carbon they have stored is released into the atmosphere. Up to 10% of current greenhouse-gas emissions occur in this way, according to Jonathan Foley, Executive Director at US-based climate charity, Project Drawdown.[14]

The effects of deforestation on biodiversity are no less profound, he adds: "It is one of the principal drivers of biodiversity losses worldwide... not to mention its terrible impacts on watersheds, air quality, and people in forest regions."

Protecting the world's forests has edged up the business agenda in recent years. This is especially true for companies reliant on primary materials such as palm oil, soya and beef, which are closely associated with rainforest depletion.

Despite public pressure, however, corporate efforts to stem the tide of forestation loss remain sluggish at best. A string of big brand names, including Nestlé and P&G, missed self-imposed deadlines to eliminate deforestation from their supply chains by 2020. Allegations of 'greenwashing'[15] quickly followed.

Not that business has given up. A group of nine global companies – including Amazon, Salesforce and Nestlé – recently launched a joint initiative to mobilize over $1 billion to end tropical deforestation, for instance.

NATURE-BASED SOLUTIONS

Where climate and nature are most explicitly linked, however, is in cap-and-trade initiatives, also referred to as 'offsetting'. Such mechanisms offer companies a way of balancing out their carbon footprint by generating or acquiring carbon 'credits' (for example, by reducing carbon emissions). The same concept undergirds voluntary efforts to achieve 'net zero'.

Moves are underway to tighten up the nascent offset industry, Smith emphasises. He points to organisations such as the Natural Climate Solutions Alliance,[19] which are pushing for independent quality-assurance standards and certification for individual offset projects.

Of course, climate advantages are not always the objective of nature-based solutions. Take a project that aims to prevent human activity degrading coral reefs. In such a case, carbon benefits don't even feature as a secondary biproduct.

LESSONS FROM CLIMATE

Generating co-deliverables for both biodiversity and climate is certainly the ideal, but it is not the only example of a useful synergy between the two themes. Business management, for example, is another area where considerable overlap lies.

If corporate efforts to manage their climate-related risks teach anything, it's the critical importance of having a strong 'north star' to follow and a set of clear measures to get there.

GIVING BACK TO NATURE

Recent years have seen a boom in what project developers describe as 'nature-based solutions'. Typically, such projects focus on land-management activities aimed at conserving or improving forests, agricultural lands, and other areas rich (or once rich) in biodiversity.

"Framing nature-based solutions through a climate lens facilitates flows of private-sector investment into nature for climate approaches," notes James Smith, a climate expert at the World Business Council for Sustainable Development.

Magali Anderson, Chief Sustainability and Innovation Officer at Holcim, the world's largest cement manufacturer, is also a fan of nature-based approaches. Her firm's own catalogue of solutions includes replanting its end-of-life quarries[16] and commercialising a permeable concrete[17] that helps sustain urban forests by conserving rainwater.

"Nature-based solutions not only reduce the impacts of climate change, such as flooding and the 'heat island effect' in cities, but they also increase resilience against those impacts. So, in one action, we can tackle two critical challenges society is facing," Anderson adds.

Carried out effectively, nature-based solutions could deliver over a third[18] (37%) of all the emissions reduction required to achieve the Paris Agreement targets. Not all deliver combined benefits, however, either because of poor initial design or weak execution.

"Isolated actions alone are not effective," Smith suggests. "Business needs to put in place a coherent strategy that speaks to all levels of the mitigation hierarchy [i.e., avoid emissions and nature loss above all], as well as reverses loss of nature through restoration and regeneration activities." Any such strategy must also look beyond a company's own direct impacts. In the case of carbon, that means businesses reaching out to suppliers and customers to reduce emissions related to their products or services. The same is equally true for companies' indirect impacts on nature.

As well as being inclusive in scope, biodiversity goals also need to be business-relevant and community-backed, advises Alison Thompson, Programme Director, Nature and Business, at the Cambridge Institute for Sustainability Leadership.

Corporate climate leadership also teaches the importance of employee ownership, Thompson adds: "Companies need to embed this approach across their entire business, making all departments responsible for change and resourcing them to do it."

Another lesson from climate management centres on the critical role of internal targets and measurement. The first without the second is puffery; vice versa, it's bookkeeping and nothing more. Yet, when combined, the two elements are invaluable for assessing progress and establishing priorities.

With respect to targets, corporate goalsetting has historically been a rather arbitrary affair. That's slowly beginning to change, owing in large part to guidelines set by the non-profit Science Based Targets Network.[20] Adapted from a tried-and-tested methodology on climate, the protocol takes companies through a more empirically robust decision-making process.

As for data collection, biodiversity is tricky. Unlike climate change, where greenhouse gases are measured in standard units wherever they occur in the world, natural phenomena are both hugely diverse and highly localised.

Such variability complicates measurement, as well as making comparability hard.

"Which is worse, for instance, the beverage company that extracts 1,000 litres of water from a drought-hit region or the farmer that consumes 100,000 litres but in a healthy watershed?"

And how should habitat depletion in one ecosystem be judged versus air pollution in another?

All the same, monitoring and measuring cannot be ignored. Fortunately, tools are now emerging to help. A recent EU Commission-endorsed guide[21] for investors picks out six examples, including ENCORE,[22] a protocol for integrating biodiversity goals into financial portfolios.

Another recent example is the Biodiversity Impact Metric.[23] Launched by the company-led Natural Capital Impact Group[24] in 2020, the tool is designed specifically to help companies that source raw agricultural materials to identify nature-based risks in their supply chains.

A final insight from the climate playbook relates to disclosure. Staying silent on your biodiversity risks and impacts is fast becoming a non-option. Not only do consumers, investors, regulators, and local communities want to know; as ever-tighter climate norms indicate, they have a right to know.

Again, the biodiversity field has borrowed from the climate change field in its search for standardisation. The Taskforce on Nature-related Financial Disclosures,[25] launched in June, is set to release a final set of voluntary rules disclosing nature-related risks in 2023.

Consistent, comparable disclosure is "essential" for building a market-based solution to nature loss, according to the taskforce's Co-Chair, David Craig. The ability of financial institutions and companies to make data-driven decisions is, he says, "how we will solve the global ecological crisis".

POLITICAL DIRECTION

However, the market is not a self-policing entity. Nor is business the only player in town. Governments have a role to fulfil in replenishing nature and mitigating climate change, as well as helping companies do theirs.

So says Business for Nature at any rate. In the run-up to the UN's biodiversity conference in October, the membership organisation is putting forward five big asks of government.

First and foremost is that political leaders agree clear targets and timelines for a "net zero, nature positive, and equitable economy" – all backed up by mandatory reporting.

Eliminating government subsidies for nature-harming activities also features prominently. Public incentives would be redirected towards the promotion of emission-reducing, nature-preserving activities, the group argues.

Redirecting all subsidies that are harmful to biodiversity would incentivise and reward business leadership to design innovative, circular, profitable business models that deliver for nature, climate, and people," says Eva Zabey.

Demands four and five hammer home the convergence message; namely, incorporate climate and nature action

into post-pandemic recovery plans; and ensure close alignment between today's major global conventions on climate, biological diversity and desertification.

COMBINED ACTION

The 2020s have been pitched as the "decade for action[26]". It's not too late to stop nature from tipping over the proverbial cliff, scientists and conservationists argue. Even so, we're hovering horribly close to the edge. The same is true for climate change.

Climate and nature are not in perfect sync. Gaps and trade-offs will be inevitable with a joint approach. Yet, with resources tight and the clock ticking, you don't need an Oxbridge degree to realise that today's siloed approach makes no sense.

Oliver Balch is an author and writer specialising in the role of business in society. He has written for *The Guardian* and the *Financial Times* among others.

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