
A new deal for Nature – Account for the true value of nature

Decisions that affect biodiversity have a key economic dimension. Global capital markets – responding to consumers – will determine in large part whether the Sustainable Development Goals will be achieved by 2030. However, global markets fail when it comes to valuing biodiversity, and natural ecosystems are systematically under-valued and over-exploited. This is primarily because biodiversity is taken for granted, with individuals and firms using it without accounting for the cost of losing it. A new deal for Nature demands that this major market failure is corrected through economic tools reflecting the true value of nature.

To this end, we need to start by conducting better measurement. National economic accounting and assessments need to better reflect the value of biodiversity and ecosystems. Secondly, we need to shift incentive structures from stimulating pollution, ecosystem degradation, and over-exploitation of natural resources towards pro-conservation behaviors. Adequate tools to do so are at our disposal already, but we need to make sure that decision-makers adopt them.

The situation today

Decision-making in global markets is dominated by trading amongst buyers and sellers. Yet biodiversity and ecosystem services are not factored into these equations. Biodiversity is considered a global public good, the benefits of which are shared by all humans, and which is therefore not properly accounted for in economic terms. We typically cannot exclude others from exploiting biodiversity, even if such exploitation degrades crucial ecosystem services upon which humanity depends.

The resulting costs, both in economic and social terms, are alarming. For instance, the sharp decline in the numbers of pollinators (such as bees and other insects), are leading either to increased food prices or significantly lower yields. Moreover, degraded coastal areas lead to growing loss of life and property damage in the event of storms and other natural disasters and extreme weather events.

Where we need to be by 2030

Changing course is possible. It requires analyzing the problem and identifying channels of change, together with the socio-political will to overcome vested interests. Various tools and mechanisms already exist, with businesses and governments having a huge role to play in how to manage, safeguard and invest in the planet's natural capital.

First, we need to measure our economy better. National Income Accounts, in particular the widely used Gross Domestic Product (GDP), fail to include biodiversity values and to measure well-being and sustainability – they were never designed to do so. Alternatives are needed. Ecosystems and biodiversity, beyond their intrinsic value, possess an instrumental value to human societies and economies as well.

Pollination and freshwater provisioning, for instance, contribute to our well-being and thus determine as 'real' a benefit as any other more tangible, marketed, good or service.

In this respect, the Inclusive Wealth Index, for example, developed by UNEP, is a better way to account for productivity and human well-being. The index includes not just manufactured capital (such as plant and machinery), but also human capital (the stock of the labour force's skills) and natural capital (natural assets including forests, rivers, land, minerals and oceans). Charting changes in these three capital stocks in one Index offers a better way to evaluate progress towards sustainability.

Whereas the Inclusive Wealth Index looks at the sum of these three capital stocks, the UN Statistical Commission has developed a statistical standard that focuses on natural capital, and specifically on the condition and extent of ecosystems, and the contributions that ecosystems provide to human livelihoods in the form of what are termed 'ecosystem services'. The same National Statistical Offices that provide GDP data also have begun to apply this single UN statistical standard on environmental accounting called SEEA (the System of Environmental-Economic Accounting). We should contribute to the mainstreaming of SEEA in policy-making

Secondly, we need to promote market-based solutions that contribute positively to biodiversity conservation, and correct market failure. Perverse subsidies, which currently reward excessive use of fertilizers in agriculture and over-fishing, need to be redirected or replaced by fiscal policies supporting pro-conservation behaviours, such as tax breaks and payments for ecosystem services. In addition, governments and industry should better regulate information, labelling and certification around biodiversity-friendly goods and services. Many consumers are willing to pay a premium for them, but the risk of false claims and lack of evidence undermine the effectiveness of such schemes.

Finally, at the global level, the trade terms for biodiversity-rich countries should be improved, in order to enable them to protect and cultivate their natural capital. International prices for goods and services offered by biodiversity-rich low- and middle-income countries (LMCs) tend to decline over time, especially relative to those being traded by the affluent North. This creates a vicious cycle leading them to 'liquidate' their natural capital, thereby reducing the capacity of their precious, mega-diverse ecosystems to sustain life and human livelihoods.

What UNEP advocates for

COMMITMENT

Full consideration of the ecosystem services benefits and natural capital costs incurred by economic activities, including their wider impacts on human well-being and their sustainability in the face of climate change.

AWARENESS

A greater understanding among decision-makers and the broader public of how nature underpins economic and social systems. Labelling of products and certification standards can help in disseminating knowledge about the supply chain steps of a product.

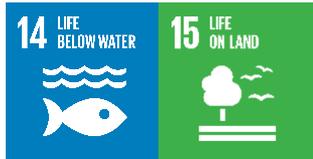
FUNDING

Innovative fiscal policy reforms to incentivize private sector organizations to meet environmental objectives. It is essential to go beyond perverse subsidies mechanisms that currently reward overproduction without any regard for natural or social capital costs.

Key UNEP reports

- IPBES 2019 Global Assessment Report on Biodiversity and Ecosystem Services
- Inclusive Wealth Report (2018)
- UN Green Economy Report (2011)
- Mainstreaming the Economics of Nature: A Synthesis of the Approach, Conclusions and Recommendations of TEEB (2010)
- TEEB for Business – Executive Summary (2010)

SDGs served



Relevant United Nations Environment Assembly (UNEA) resolutions

- 2/13 Sustainable management of natural capital for sustainable development and poverty eradication
- 2/16 Mainstreaming of biodiversity for well-being
- 4/5 Addressing environmental challenges through sustainable business practices
- 4/22 Poverty Environment Nexus

The Inclusive Wealth Report (IWR) is a biennial effort led by the UNEP to evaluate the capacities and performance of the nations around the world to measure sustainability of economy and wellbeing of their people

