

UNNATURAL CAPITAL

MIKE HANNIS asks what ‘no net loss of biodiversity’ really means.

Last November, Edinburgh’s plush International Conference Centre hosted the World Forum on Natural Capital. This was an exclusive gathering of bankers, politicians, business leaders, and top people from some very big conservation NGOs, such as IUCN and WWF. Odd bedfellows perhaps, but such liaisons are becoming increasingly common.

Natural Capital was defined on the event’s website as “the world’s stocks of natural assets which include geology, soil, air, water and all living things”.¹ Delegates heard high-flying international speakers explain with almost religious fervour how factoring the enormous financial value of these ‘stocks’ into business decisions could literally save the world.²

Across town, activists from all over Europe gathered at a counter-forum more catchily entitled Nature Not For Sale. They argued – in some cases with equal fervour – that translating the value of all living things into money would not save the world at all, and would in fact be more likely to do exactly the opposite. Publicity for the view that pricing nature leads inexorably to selling it was successfully generated by selling Ben Nevis on Ebay, and again on the pavement outside the EICC.³

Here in Britain the process of natural capital valuation is well under way. But the government’s 2011 National Ecosystem Assessment acknowledged that it had been unable to take into account values arising from “the view that the natural world merits conservation regardless of any material benefits or measurable values”.⁴ In other words, it accepted that natural capital accounting could not account for many of the ways that real people value places and species threatened by development. Strangely though, this was not one of its headline messages.

Offsetting

This natural capital accounting mindset underlies the new technique of biodiversity offsetting (see *The Land* issue 12), under which a developer is allowed to work out how many ‘biodiversity units’ their project will end up destroying, and then pay for that number of units to be recreated or preserved somewhere else.

These ‘somewhere elses’ can then be joined up into ‘habitat banks’, providing larger and better habitats. Advocates for offsetting in England claim that existing arrangements for requiring on-site mitigation are failing, and too often end up providing not strategic ecological networks, but sad little bits of unloved green space that serve as habitats only for abandoned shopping trolleys. Offsetting is presented as a way of maximising the ecological usefulness of the compensation and mitigation measures required as conditions of planning permission, resulting in ‘no net loss of biodiversity’.

All this of course assumes that it makes sense to say that one bit of nature can be meaningfully regarded as equivalent to another. Moreover DEFRA candidly admit that biodiversity itself is in fact impossible to measure. They get round this by using habitat as a proxy for biodiversity – so the number

of ‘biodiversity units’ is actually based on the area of habitat affected, adjusted for ‘distinctiveness and condition’. There are good ecological reasons to question the validity of this proxy relationship, not to mention the byzantine formulae or ‘metrics’ that are then applied to come up with a final number.

Two-year voluntary offsetting pilot schemes started in six local authority areas in 2012, and as we go to press there is still only one case which has actually reached the stage of offsets being purchased. But DEFRA’s recent Green Paper on offsetting proposes moving ahead with a nationwide roll-out before these pilots have even finished, never mind been analysed.⁵ So why the rush?

Simpler and Faster

The policy-making process seems to be heavily influenced by a formidable coalition of vested interests. *The Land* recently attended a DEFRA consultation workshop on the Green Paper. Discussion at this event was dominated by consultants and brokers, several of whom enthusiastically promote offsetting in a dual capacity, both as representatives of private companies and simultaneously as leading members of government advisory bodies such as the Natural Capital Committee, the Ecosystems Markets Task Force, and perhaps most worryingly, Natural England.⁶

Developers were also there, hoping for easier planning permissions and the “increased net developable area”⁷ achieved by moving mitigation offsite. Landowning interests, represented by the CLA, were hoping to profit from development, but also from providing offsets on currently unprofitable land. Last but not least, local wildlife trusts were hoping to access funding by reframing their existing activities as offset provision, and establishing ‘habitat banks’ on land they already manage.

All this no doubt has an effect on policy. But the broader rhetoric of the Government suggests strongly that its enthusiasm for offsetting is simply about clearing the way for the increased development it claims is required to “succeed in the global race by creating growth”, as the Green Paper puts it. The “unavoidable impacts” of this increased development can be offset, “offering developers a simpler, faster way through the planning system”⁸, and removing a blockage to economic growth. This is presented as a win-win solution that is also good for nature. But even if offsetting means that this extra development does indeed produce extra conservation funding, can this really add up to “no net loss”?

Several losses seem not to feature in this optimistic equation. Offsetting creates a situation in which planting a tree in one place can actually legitimise environmental destruction elsewhere. Conversely, it makes conservation funding paradoxically *dependent* on the very environmental destruction it’s trying to address. This does not bode well for the independence and transparency of conservation policy, or for the continuation of public funding, especially in a climate of enforced ‘austerity’. Offsetting also undermines the value and uniqueness of places,

and entrenches the division of the world into 'places for humans' and 'places for nature'. If humans are to live sustainably, this divide needs breaking down, not reinforcing.

Meanwhile, Somewhere Else ...

Natural capital accounting and offsetting are not just happening in Britain. As readers of *The Land* will know, this is a time of massive global expansion not only in intensive agriculture, but also in large-scale extractive industries such as mining, drilling, and logging. These extractive industries are arguably the real driving force behind the growth of offsetting worldwide.

Case studies celebrated by offsetting promoters include Rio Tinto's ilmenite mine in Madagascar. Using a spectacular array of creative accounting techniques, the offsetting proposal for this massive operation claims that by paying towards the preservation of other forest nearby, the company can completely offset the impacts of scraping away thousands of hectares of rare littoral forest, 'dredging' the underlying soil to extract ilmenite, and building a new deepwater port to export the mineral by ship. The result, supposedly, is a "net positive impact" on biodiversity. Locals disagree. Ilmenite is used to produce titanium dioxide, a brilliant white pigment for paints, plastics and paper: this is greenwash and whitewash in one.⁹

Markets or Ethics?

Speakers at the Edinburgh counter-forum argued that offsetting is happening not, as claimed, because environmental regulation isn't working – but because regulation *is* working. It isn't much of a brake on 'development', but it does, sometimes, have a delaying effect. Now, as development goes up another gear, civil society around the world is also demanding more effective environmental protection. The response from neoliberals, just as it was in the 1990s to concern about carbon emissions, is to introduce market-based mechanisms such as offsetting, which purport to address environmental problems while conveniently avoiding compulsory regulation.

Of course there are plenty of well-meaning environmentalists involved in natural capital accounting, attracted by the promise that market-based mechanisms could attract very big money into conservation. Some really are market enthusiasts, while others are uneasy, but have adopted market language simply because they now find they need to speak this way in order to be heard. Activists shouldn't assume that everyone involved has gone over to the dark side. Taking environmental costs into account is still arguably better than ignoring them as 'externalities', or as someone else's problem. Indeed this used to be a message that many environmentalists agreed on, before the world of finance reinterpreted the idea for its own advantage.

But examples such as the EU's collapsed carbon trading system show just how wrong market based mechanisms can go, and how they can in fact easily make matters worse. Now that the price of carbon is at an all time low, and there are far more



Activists selling Scotland's natural capital at knockdown prices.

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permits in circulation than required, the financial incentives are working in exactly the opposite way to what was claimed. Emissions are cheap, so this has perversely become a relatively profitable time to burn coal, and there's certainly plenty of it being burnt.¹⁰

In reality, natural capital accounting and market based mechanisms create ways for polluters to buy their way out of the need to change their practices. They also create big new markets, with opportunities for further financial gain. But markets cannot replace ethics, and business as usual cannot be made sustainable. The world is not made of natural capital: the reality is both much simpler than that, and much more complicated.

REFERENCES

1. www.naturalcapitalforum.com/. See also critical reports at <http://tinyurl.com/LCSV-Carver> and <http://tinyurl.com/SullivanWFNC>, and for further detail, Sian Sullivan's analysis of the "myth of natural capital" in *The Land* issue 14, or online at <http://tinyurl.com/SullivanMyth>.
2. <http://tinyurl.com/bakkworld>
3. www.naturenotforsale
4. <http://tinyurl.com/NEAvalue> (see p19)
5. The Green Paper and associated Impact Assessment are online at https://consult.defra.gov.uk/biodiversity/biodiversity_offsetting
6. <http://tinyurl.com/monsells>
7. As promised in the Impact Assessment: see also www.environmentbank.com/docs/FAQs_Offsetting.pdf
8. Owen Paterson, ministerial foreword to Green Paper
9. <http://tinyurl.com/RTmadagascar>; <http://tinyurl.com/madagascarunrest>
10. See eg <http://tinyurl.com/fraunhofcoal>