Outcome Document

Biodiversity Means Business: Industry

As a part of "Biodiversity means Life" campaign (EU-India, 2021)

Problem Statement

We all (business and individuals) rely on Nature to provide food, water and shelter; regulate our climate and disease; maintain nutrient cycles and oxygen production; and provide us with resources, health and well-being. We also use the planet as a sink capturing, buffering and sometimes neutralizing waste products. To some, Nature is therefore deemed an asset, just as produced capital (roads, buildings and factories) and human capital (health, knowledge and skills) are assets. For others, like education and health, however, Nature is more than an economic good: many value its very existence and recognise its intrinsic worth too. Biodiversity is a key factor of Nature's productivity, resilience and adaptability. Just as diversity within a portfolio of financial assets mitigates risk and uncertainty, diversity within a portfolio of natural assets increases Nature's resilience.

Collectively, we have so far failed to manage this global portfolio of assets sustainably. Recent estimates suggest that over 20 years, human capital per person increased by about 13% globally; but the stock of natural capital per person declined by nearly 40%. Continuing down our current path – where our demands on Nature far exceed its capacity to supply – presents extreme risks and uncertainty for our economies.

Conserving, restoring and sustainably using biodiversity in India requires addressing complex and deep rooted challenges such as deforestation, mining, the development of roads, cities and infrastructures, skills and capacities, access to finance and technologies, access to information and markets, unsustainable agricultural practices and limited livelihood options sometimes at odds with ecological and economical balance. It ranges from better land use, to reforming globalized food systems and bio-based industries, across far reaching supply chains. How can businesses best contribute? How can they benefit?

Vision

Lasting economic growth requires us to take a different path, where our engagements with, and dependencies to, Nature are not only sustainable, but also enhance our collective wealth and well-being and that of our descendants. From a business perspective, better technology solutions (for people, prosperity and planet!) and practices do exist already. Some could in principle be commercially viable in India, if well informed and deemed socially appropriate: e.g. agroforestry, ecotourism, climate mitigation and adaptation, biodiversity and landscape restoration along with more circular economy, clean energy, and greener mobility solutions can and do provide new livelihood options to local populations in remote, rural areas with poor connectivity.

However, if we are to avoid exceeding the limits of what Nature can provide while meeting the needs of the human population, we cannot rely on technology alone: consumption and production patterns will need to be fundamentally restructured. Breaking the links between damaging/wasteful forms of consumption and production and Nature can be accelerated through e.g. enforcing standards for re-use, recycling and sharing, and aligning environmental objectives along entire global supply chains.

Discussion

Technologies exist and the markets exist, but the transition remains slow, niche and incremental, whereas we would need it to be much faster, economy-wide and transformative. Why? What could EU and India do about it?

The first event in the series of Biodiversity Means Life took place on April 27th, 2021 with the focus on "Biodiversity means Business: Industry". It aimed at identifying means for the private sector (technology, investors, and companies) to better integrate biodiversity in business plans, operations, value chains and decision-making processes. Bringing together forward-looking businesses, the financing community and connecting investors in key projects in India, the event highlighted the need to create and maintain stable, collaborative, inclusive, platforms/fora to share experiences, best cases and lessons learnt in shifting to more biodiversity-conscious operations/halt and reverse biodiversity loss .

The speakers were invited to draw lessons and recommendations from their own experiences (successful or not) on biodiversity-friendly technologies, business models and investments, and the extent to which those manage(d) to:

- ✓ Increase economic and market opportunities,
- ✓ Attract finance, generate returns,
- ✓ Benefit from international co-operation, T-transfers, trade and investments,
- ✓ Benefit from local enabling conditions, or incentives,
- ✓ Achieve measurable reputational, social and/or environmental co-benefits,
- ✓ Achieve swift yet lasting changes in the economic and natural environment,
- ✓ Move beyond a Corporate Social Responsibility perspective, to profitable value propositions,
- ✓ Raise new questions and opportunities, open new growth strategies, and
- ✓ Connect to international value chains.

One overall message was that the availability of finance for biodiversity is NOT the limiting factor: Quite the opposite, biodiversity bonds can be largely oversubscribed, meaning there is appetite, from private investors, pension funds, sovereign and insurance companies. Indeed, conserving and restoring the natural assets business depend on will sustain and enhance their supply in the mid-to-long run. It is less costly to conserve Nature than to restore it once damaged or degraded, all else being equal. In the face of significant risk and uncertainty about the consequences of degrading ecosystems, in many cases there is a strong economic rationale for quantity restrictions over pricing mechanisms.

But for supply and demand of green finance to meet, Nature needs to enter economic and finance decision-making in the same way technical assets do. As a measure of economic activity, Gross Domestic Product (GDP) is needed for short-run macroeconomic analysis and management. However, GDP does not account for the depreciation of assets, including the natural environment. The financial market is ripe for benchmark biodiversity issues, whose quantification and accounting have progressed fast, including in India (see. e.g. NCAVES project[1]), but it also needs benchmark issuers, and most importantly, projects which are scalable and bankable, i.e which have a potential to be replicated, and can reliably generate returns (which again suggest aggregating complementary risk profiles, such as business models that continue to fare well in a diversity of circumstances, collectively).

Some possible solutions include:

Problem	**Proposed solutions**
Matchmaking: How to identify biodiversity friendly technologies or business approaches and , connect them with the needs and finance	Europe and India have some solutions, innovators and researchers around the world are constantly developing new solutions, to address some of these challenges and problems biodiversity-positive businesses face. For instance, almost 80 biodiversity-positive solutions are available to be selected and curated by corporates and investors to engage, partner, participate, invest. The challenge was connecting technology companies with the right opportunities and clients who were looking for products and services to implement projects or improve their businesses using sustainable solutions. Another key aspect was also raising awareness about new innovative solutions – there was not a repository of technologies where people could go to learn and educating themselves about relevant innovations. Open source platforms can share knowledge on projects, business, investment opportunities and solutions/technologies. Unfortunately, awareness and willingness to pay remains low among target companies. Programs, Governments, Investors, NGOs, Corporates would therefore need to fund such platforms until they become self-sufficient. Transformative change requires that broad range of loosely connected stakeholders work together to deliver on commitments and to implement solutions. To empower businesses to act at the necessary scale and urgency, platforms should promote multi-stakeholder and multi-sectoral joint action plans.

[1] https://mospi.gov.in/web/mospi/ncaves-india-forum-2021

To encourage large banks and businesses to deploy and invest in these remote areas, they need suitable local partners, willing and able to adapt local business models and practices	In Chattisgarh State in India – the Central Highlands Restoration Project (CHirP) being implemented by Commonland, Netherlands, IKEA and Global Business Inroads) is a case in point, coordinating actions from tech scouting to deployment across a whole range of opportunities that are scalable with business models/off-takers and could make business and investment sense. There are short-medium and long term opportunities for: - Indian Business and Investors - EU business and investors - Bilateral agencies, multilateral agencies, financial institutions **Project-Business-Investment: Moving to concrete actions with Impact:** Scalable Project to collaborate, co-create, localise business models with offtakers, partner and invest including short and long-term opportunities. There is a: a. Break up of needs (6 areas) b. Break up of technologies scouted (72) c. Prioritization of Short, medium and long-term actions from NTFP processing to distributed renewable energy to renewable energy based cold storage/warehousing, market linkages, etc. An ambitious and effective joint public-private approach has the potential to scale and speed up the action and investments needed from the private sector in order to create sustainable growth, generate clean jobs and potentially unlock trillions in economic opportunities.
The upfront and opportunity costs (of reforming those rural systems) is just too high (CAPEX>>OPEX)	Information required for managing and valuing ecosystems is asymmetrically distributed: much is uniquely understood and best managed by local communities, but important perspectives are also held among national governments, international organisations and along global supply chains. Institutional arrangements that enable sustainable engagement with ecosystems are 'polycentric'. They pool knowledge and perspectives among and across different levels – global, regional, national and local – and from different organisations, communities and individuals. In doing so, they enable relevant information to flow, and allow for collaborative planning, participation and coordination. **Industry/Indian corporates with investable projects and seeking new projects need such platforms to collaborate, leverage, and invest.** CII- India Business & Biodiversity Initiative (IBBI) focusses on identifying problems and solutions to bring together leading actors from MoEFCC, NBA, SBBs, businesses and civil society to identify challenges and find scalable solutions for BD Act implementation for conservation of biodiversity and adopting practices for sustainable management of the biological resource value chain. CII shared about IBBI, current activities and future vision. Also given for example the

	Commonland, TNC, GBI activities with ChiRP project, it could be explored how IBBI and others can better ensure : a. B2B matchmaking: An event to connect SMEs/solution providers to discuss their solution deployment in the context of a biodiversity project with large corporates and investors. b. Handholding for project development based on stakeholder needs and business/biodiversity goals; c. Simplify the flow of information, and thus decrease the cost of reporting impacts. **Developing Village Entrepreneurship - Connecting technology solutions to <u>Village Entrepreneurs</u>** Facilitating partnerships between technology/solution providers for agroforestry and landscape restoration with village entrepreneurs and involving corporates and investors to support and invest to scale actions. AGNIi, GOI collaborates with Common Service Centre (CSC-SPV), an SPV under Ministry of Electronics and Information Technology for organizing technology showcases for Village Level Entrepreneurs (VLEs) of digital villages across India. In this reference, they have approached GBI to collaborate to organize the next showcase for Chhattisgarh state given the GBI team has already worked for the State in shortlisting potential livelihood generation technologies. This way we can directly showcase technologies to potential adopters which might enable on-ground adoption as well. In this showcase innovators showcase and directly engage with these VLEs.
It requires small initial investments, but the social, political or governance costs/risks to maintain and make those profitable over time is just too high (OPEX>CAPEX>RoI)	For those ecosystems, a system of payments or incentives for protecting the ecosystems on which we all rely should be explored at the most appropriate level. Enabling the changes we need will also require collective and sustained action to transform the systems that underpin our engagements with Nature: Financial flows devoted to enhancing our natural assets remain dwarfed by subsidies and other financial flows that harm these same assets. Financial actors could also learn better accounting for dependencies and impacts on Nature in their activities; and through the measurement and disclosure, based on stable, global standards underpinned by credible, decision-grade data flows, which businesses and financial institutions can use to fully integrate Nature-related considerations into their decision-making, (including through price signals) and assess and disclose their use of, and impact on, Nature.

Role of Public versus private sector	There is a clear call to action to the private sector and need to be proactive. The public sector is expected to create an enabling environment for the private sector to be able to operate and adopt targets, indicators and baselines for biodiversity that allow the private sector to shift from individual nature-positive initiative to a more systemic change of their practices. The European Investment Bank and Dutch Climate Fund for Development stressed the importance of the role of the private sector in identifying and phasing out harmful activities.
Policy for scaling deployment	The lack of nature-positive policies still incentivises businesses to act against nature. - Business for Nature (BFN) has developed some high level policy recommendations that could be included in the paper: https://static1.squarespace.com/static/5d777de8109c315fd22faf3a/t/5e26011f6fef6f177e81d7de/1579548988762/BFN-Policy-Recommendations-FINAL.pdf - The Coalition for Private Investment in Conservation (CPIC), a global multi-stakeholder initiative focused on enabling conditions that support a material increase in private, return-seeking investment in conservation. http://cpicfinance.com/
Where to start: Private Sector ?	Business and Investors, Corporates, SMEs start-ups, solution providers can focus on two of the main dimensions of biodiversity governance: conservation and sustainable use with a two-step approach of identifying their operational areas with most negative impact on nature, and developing strategies redirecting them towards biodiversity-positive streams. Find out what are the short, medium and long-term solutions – and make a plan to start implementing. Three concrete steps corporates can take (Source: BCG): To determine the appropriate scope of action, a company should take **three concrete steps**: **Step 1: Identify key issues**. This identification process should include the company's own sites of operation and those of its suppliers of raw materials, components, energy, or services—and it should assess the impact of how consumers use and dispose of the company's products and services. For each of those categories, the company should consider three factors. First, which ecosystems are concerned? Second, what are the pressures, and what is the company's role in causing them? Third, which issues are most urgent? The answer to the last question will depend on several things, including the state of the ecosystems in question and the magnitude of pressure on them, the importance of those ecosystems to society in general and to the company's value chain in particular, and the company's contribution to the pressures (its biodiversity footprint).

	Step 2: Prioritize issues and derive strategic objectives. In analyzing each issue, the company should apply two criteria: the materiality of the issue and the degree of control the company has over it. After prioritizing its major biodiversity issues, the company should translate them into strategic objectives. Our research indicates that 15 objectives could significantly move the needle toward greater preservation of biodiversity. **Step 3: Develop and communicate a narrative**. The company should create a narrative to guide its biodiversity action. As the company takes steps to reduce its negative impact on biodiversity, it should disseminate the narrative both within the organization and to outside stakeholders such as consumers, investors, and regulators.
Driving Mindset Change	World Biodiversity Anthem: Ricky Kej, Grammy Award Winner and Environmentalist has suggested that we could create a World Biodiversity Anthem: He could create a very energetic, positive anthem, featuring musicians from around the world, and CMS could create a stunning video using archival footage (but not footage that people would normally have access to) featuring stunning visuals of species in a Bluechip documentary style, and release that, hoping it would go viral. Growing urbanisation has meant that many people have grown distant from Nature. Interventions to enable people to understand and connect with Nature would not only improve our health and well-being, but also help empower citizens to make informed choices and demand the change that is needed. A policy of environmental education is therefore essential. The development and design of environmental education programmes can help to achieve tangible impact, for example by focusing on local issues, and collaborating with scientists and community organisations.

Standard economic models view our choices as self-centred. There is growing evidence, however, that our preferences are affected by the choices of others. The necessary changes are not only possible, but could be less costly and less difficult than often imagined. The same ingenuity that has led us to make demands on Nature that are so large, so damaging and over such a short period, can be redeployed to bring about transformative change, perhaps even in just as short a time.

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