

NATURAL CAPITAL

Issues for UK Minerals Extraction

What is Natural Capital?

- The World's stock of natural resources, including geology [*therefore minerals*], soils, air, water and all living organisms (Wikipedia)
- Natural Capital assets provide a wide range of goods and services - called ecosystem services
- Ecosystem services underpin all societies and economies and make human life possible, providing air, water and food

The economic aspects

- **Ecosystem services are “free” at the point of generation** - e.g. air, water, soils, plant pollination, carbon sequestration
- **But many natural resources (or the commodities dependent on them) acquire value to owners of land and governments as they enter markets and are traded** - e.g. water, soils, crops, timber, minerals
- **Natural resources can be degraded by human activity** - appropriate environmental protection and conservation is necessary for the continued health and future availability of the assets on which ecosystem services and human life and activity depend
- **Human activity can also sustain and enhance natural capital**

The Natural Capital Agenda in the UK

- The Government accepted in September 2015 most of recommendations of the Natural Capital Committee
- It also confirmed the NC Committee would continue during the present Parliament - to 2020
- **Government 25-year action plan responding on key issues and activities:**
 - Promote better understanding of/responses to National Capital issues
 - Identify most important threatened environmental assets
 - Develop policies to secure better environmental outcomes
 - Enhanced countryside protection with a £3bn fund from the CAP to 2040 (would this survive exit from the EU?)
 - More tree planting
 - Action to reduce air and water pollution
 - Protection of Green Belts [?], AONBs, National Parks and SSSIs

Government Action Plan - continued

- **Planned financial measures:**
 - **Better data and monitoring of the state of NC assets**
 - **Develop proper NC business accounting by 2020 (adopting work to be done by the Natural Capital Coalition) - to be explained by David McCabe (Tarmac)**
 - **Improved consideration of NC values in the government's economic appraisal guidance for major projects (e.g. HS2 and Heathrow R3?)**
 - **Long-term research into the functioning and valuation of NC benefits**
 - **NC issues to be reflected in public investment in land and water assets**

Minerals sector's relationship with Natural Capital

- **The minerals industries currently pay for their impacts on the natural (and historic) environment through:**
 - **Compliance with regulatory requirements** in planning permissions and environmental permits
 - **Taxation**; the Aggregates Levy (direct and sector-specific) and general taxation applied to its operations (e.g. fuel duties, VAT)
- **Mineral extraction reduces the stock of a natural resource**, though recycling/reuse can partially offset that
- **But extraction can also enhance natural capital through:**
 - **Creation of new plant and wildlife habitats**
 - **Remediation of former derelict land**
 - **Providing materials for environmental works** (e.g. flood and coastal defence, land drainage, renewable energy, soil improvement)

What might happen next? The National Capital Coalition's Framework

- **The Natural Capital Coalition is a global, multi stakeholder open source platform to support the development of methods for natural and social capital valuation in business.**
- **Its aim is to achieve a shift in corporate behaviour to preserve and enhance, rather than deplete the earth's natural capital.**
- **It is made up of early adopters from the business, policy, accounting and NGO communities. (UKMF members include The Crown Estate and (via CBIMG) CEMEX).**

Development of the National Capital Protocol

- A project of the National Capital Coalition
- **The Protocol is a standardised framework for business to measure and value direct and indirect impacts and dependencies on natural capital (Corporate NC Accounting)**
- **The results are to be used to embed NC awareness and responses into the business**
- **Implications for the minerals industries?**
 - The nature of their business means minerals operators should be well ahead of other sectors in awareness of and responsiveness to natural capital issues
 - A positive approach to NC is essential for the licence to operate
 - But no room for complacency - efficiency in using resources and determination to mitigate environmental damage must be central to the business model

Conflicting future challenges?

- **The current deregulatory agenda (possibly reinforced by UK exit from the EU) could weaken the present degree of environmental protection and mitigation required from mineral operators: will that threaten UK's NC?**
- **New environmental capital valuation techniques could demonstrate the overall net costs effect of mineral extraction on the UK's overall stock of NC assets:**
 - **If these were negative would there be pressure for compensatory taxation, as with the Aggregates Levy?**
 - **Will it be possible to develop a comprehensive valuation scheme that is understandable and commands general acceptance?** (The problems of valuing the “cost” to local communities of aggregates extraction in the late 1990s show how formidable the task of the developing comprehensive agreed valuation principles will be)