

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)