Ecosystems and Land Use Stakeholders Engagement Group (ELSEG)
New (private sector) instruments for multiple benefits – notes and presentation

Monday 21st January 2019, Victoria Quay, Edinburgh

New (private sector) instruments for multiple benefits

Kirsty Blackstock (presenter); Antonia Eastwood (facilitator); Paula Novo (notetaker).

The session started with an overview of the role of the private sector in developing instruments (investment, management or information) that have the potential to conserve or restore natural capital. The question was whether these instruments could be used in the Scottish land-based sector. This was followed up by some questions and a discussion. The main points raised by participants across the two sessions held are:

- There is a lot of interest in investing more in land management, but businesses need to have a better understanding of what the tangible (multiple) benefits to their businesses are.
- More companies focusing now on stewardship. Peer-pressure, information disclosure and sustainability ratings are important drivers for this.
- When it comes to farmland, it is so dominated by agricultural subsidies that it's hard for mechanisms such as the Peatland or Woodland Carbon Codes to have an impact. Also, many investment opportunities require large parcels of land and capital instruments to reduce transaction costs.
- Drivers for private investors to get involved in the land-based sector aren't always economic. Some pointed out that sometimes it's difficult to find what's driving the private sector involvement. Reputational and supply chain risks are two of the main drivers for multinationals, but these may not be the same for smaller companies.
- Investment is generally about capital funding, but revenue for ongoing management activities was highlighted as a key challenge for conservation.
- Internationally, the UK is lagging in getting real engagement the private sector. There are too many once off instances or discussions but not a sustained change in how business invests in natural capital (unlike in US, Netherlands or France).
- In some cases, decisions to invest sit within an individual which was seen as risky from a longer-term perspective.
- A long-term legal framework is needed for businesses to see where they would fit and enable their business planning.

- There is a lack of evidence about whether these instruments do lead to a change in environmental outcomes – this may be because firms haven't shared these data in the past – and also because monitoring to illustrate outcomes is challenging.
- There is a potential to transfer private instruments to land-based industries, but it would be important to have a better understanding of the factors that may inhibit this transfer, what would be the barriers and how policy makers could incentivise this transfer.
- In terms of the categorisation proposed, it might be helpful to check with private businesses how they would categorise the different instruments.
- Insurance firms as investors in natural capital approaches; and differential insurance premiums needed to be made more explicit in the list of instruments.

Appendix 1 - Presentations

The following pages show the new instruments for multiple benefits presentation slides

New instruments for multiple benefits

Kirsty Blackstock, Kerry Waylen, Alba Juarez-Bourke, Jessica Maxwell and Sophie Tindale

Scottish Government
Riaghaltas na h-Alba
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The James Hutton Institute

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INTRODUCTIONS

Scottish Government
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Context

- Protection & restoration of natural assets
  - Scottish Government policy objective
  - Paris Accord, Sustainable Development Goals

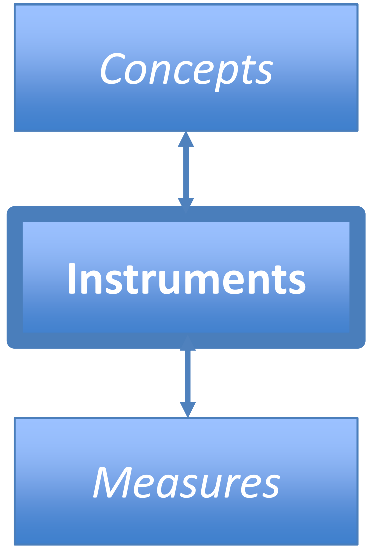
- Interest in the role of the private sector:
  - Limited public sector funding
  - More salient = more engagement with other actors

Objectives

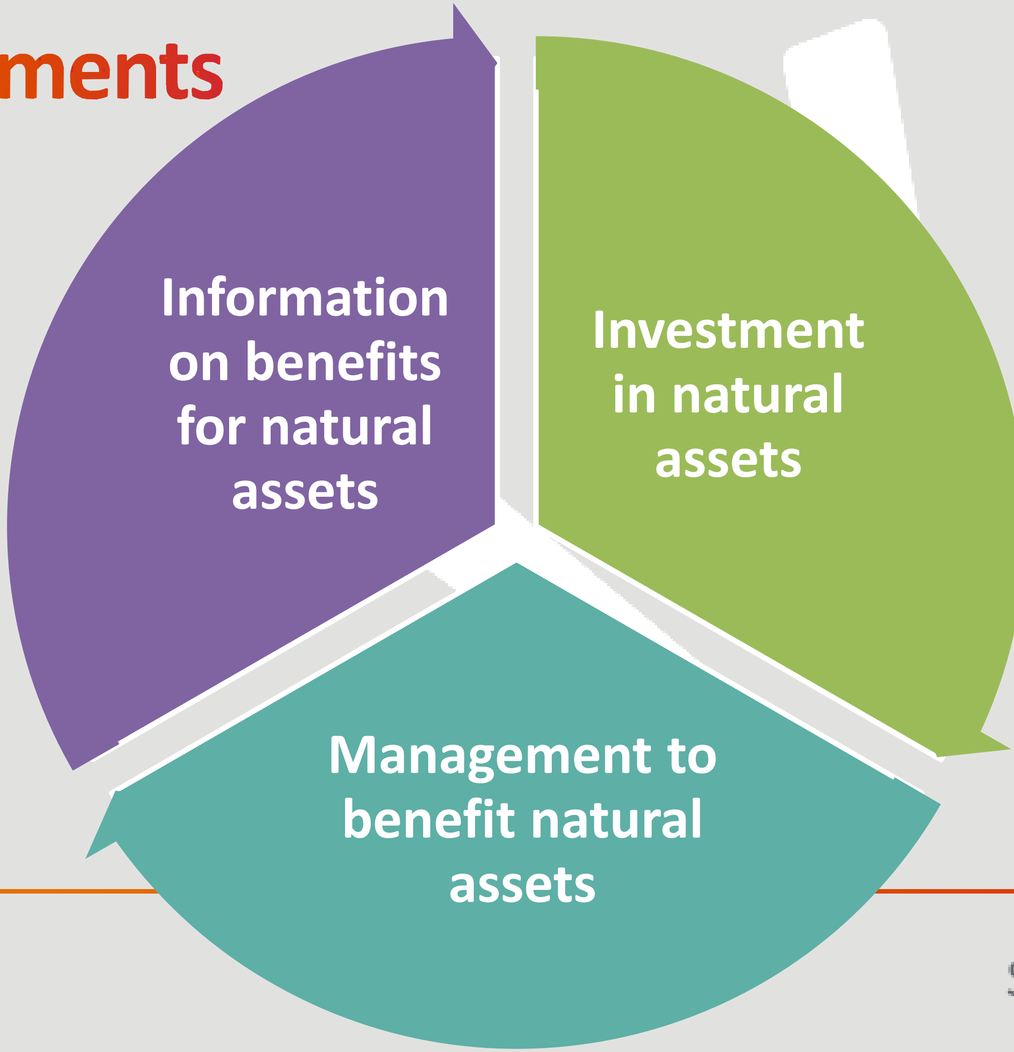
- Scope the range of instruments that can be led by non-state actors and are relevant to integrated management of natural assets;
- Focus on those that have emerged within the last decade, or where existing approaches have a novel twist; and
- Assess what is claimed about these instruments and whether they might deliver more than existing public policy-led approaches.

Focus

- Environmental stewardship by private sector not new
    - ➢ focus on those that are novel for Scottish land-based sector.
- Instruments initiated or led by private commercial companies that
    - ➢ reduce pressure on natural assets and invest in their protection.
- Voluntary action that go beyond compliance



Types of instruments



Investment	Management cont.
Green Finance	Sustainable Procurement
Impact Bonds	Best Practice Guidance and Tools
Offsetting	Non-State Standards
PES Including Investment Models	Sustainable Supply Chain Management
Public-private Partnerships	**Information**
Management	Accreditation, Certification and Labelling
Conservation Covenants	Ecological Footprinting
Corporate Social Responsibility	Product Premiums
Green Lending Policies	Sustainability, Triple Bottom Line or True Cost Accounting

Investment

- Motivations - profit (investors) new sources of capital (Government)
- State and third sector are involved – brokers and accountability
- Not many examples - very few active examples in the UK or Scotland

- Private sector claimed to be more efficient but this is disputed
- 'New' investment or redirected existing investment?
- Alignment of profit motivation with conservation; alignment of business return period with natural cycles?

Management

- Individual companies & collective (sector) approaches – interact
- Motivations (private sector) protect supply chains, self-regulation, responsible global citizens – achieving Government and NGO aims
- State and third sector are involved – accountability, level playing fields

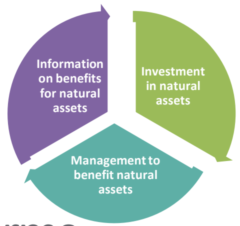
- Not new so much as increasingly mainstreamed
- Little data about to what extent they achieve protection and restoration of natural assets

Information

- Motivation – social licence to operate & brand differentiation
- 3rd sector involved – scrutiny and accountability, level playing fields
- 'Green washing' - only about product premiums brand differentiation OR changing norms of usual business practices?

- Not new but still powerful
- Mixed results on whether result in changed consumption practices

Summary



- Interconnected – information for investment, invest if well managed etc
- Not simple profit motivation –collective action, risk minimisation & social norms
  - ➢ Are they more effective? Fashion or improvement?
- Sustainability focus from multi-nationals
  - ➢ Transferability to Scottish land-based sector
- Appropriate for common pool or public goods?
- Not private v public sector - public-private-civic partnerships
  - ➢ Raises questions about 'private governance' (power, authority, accountability)
  - ➢ New skills and competencies, new ways of working

Questions for Discussion

- Were these ‘new’ to you? Have you ever experienced them in your work?

- Is the focus on the private sector (commercial companies) useful?
- Is the categorisation of instruments as Investment, Management or Information mechanisms helpful?

- Are there other delivery mechanisms that should be explored?

- What is the potential to transfer some of these mechanisms from other sectors or setting to Scottish land-based businesses?

Thank you

More information on project can be found at:
http://www.hutton.ac.uk/research/projects/analysing-how-policy-instruments-shape-soil-water-and-biodiversity

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