



NATURAL
CAPITAL
COALITION



CONSERVATION
INTERNATIONAL



An Oceans Supplement to the Natural Capital Protocol

Technical Briefing Note

What is the need?

Oceans support millions of jobs, and contribute an estimated US \$2.5 trillion per year into the global economy, making it a larger economy than all but six countries of the world. The ocean economy is expected to double in size by 2030, growing faster than the global economy¹, fueled by the growth in aquaculture, offshore energy, seabed mining, and coastal development.

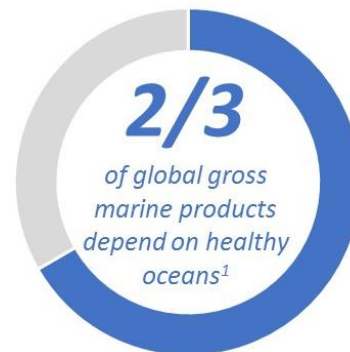
More than two-thirds of the economic value derived from oceans directly depends on them being healthy¹. Yet few companies or industries have assessed how they depend upon healthy oceans, or the impacts they have on them. There is a lack of understanding of the business risks and opportunities that result from these, and environmental issues are often relegated to corporate sustainability departments rather than boardrooms. Nor are these values and risks reflected in market values, profit and loss statements, or balance sheets.

A collaboration of leading global organizations will produce an **Oceans Supplement to the Natural Capital Protocol** to help individual businesses understand their dependencies and impacts on healthy oceans.

Businesses depend on Oceans

Ocean-related industries depend on critically important ecosystem services such as:

- ✓ Coastal protection
- ✓ Fisheries
- ✓ Climate regulation
- ✓ Tourism and recreation
- ✓ Many others ...



¹ OECD (2016), The Ocean Economy in 2030, OECD Publishing, Paris

\$bill. 83
of economic losses
from unsustainable
fisheries practices²

Businesses impact on Oceans

Ocean-related industries also impact the oceans, directly and indirectly, through:

- ✓ Extraction of resources
- ✓ Pollution - from land and at sea
- ✓ Habitat loss and degradation
- ✓ Changes in species composition
- ✓ Many others ...

What is the Natural Capital Protocol?

The Natural Capital Protocol, released July 2016, is a standardized framework to identify, measure, and value impacts and dependencies on natural capital. The Protocol is designed to generate trusted, credible and actionable information that business managers need to inform decisions. It is based on a logical framework of four stages and nine steps.

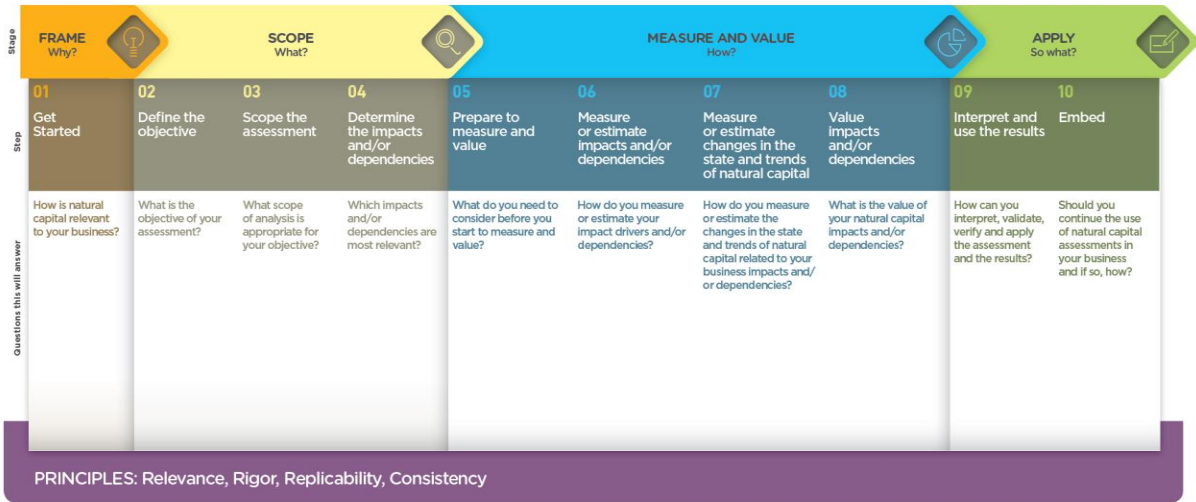


Figure 1. The Natural Capital Protocol Framework: Stages, steps and key questions

The Protocol is suitable for any business in any sector or geographic location. To provide additional guidance and insights a number of Supplements and Sector Guides are being developed.

The Natural Capital Protocol provides robust guidance in conducting natural capital assessments, especially for terrestrial assessments. Now it is time to dive into the development of marine assessments and provide a robust process for valuing the oceans.

The Oceans Supplement will focus on issues relevant to ocean-related industries, considering the unique value chains of ocean goods and services, and the special characteristics of ocean resources, such as the three-dimensional, highly connected nature of ocean ecosystems, the multiple uses of ocean spaces, the weak regulations covering these, the lack of property rights, and the increased costs of collecting data.

What are the benefits to business?

The purpose of the Ocean Supplement is to streamline the inclusion of 'marine natural capital' – natural resources of our coasts and oceans – into business decision making, to harmonize approaches and get them to scale quickly.

The Supplement will assist with the implementation of the Protocol by providing **additional guidance** and business insights, helping oceans-related sectors and businesses to:

- Identify material impacts and dependencies on healthy ocean resources.
- Identify risks and opportunities to the business model.
- Support the measurement and valuation of these impacts and dependencies, consolidate existing approaches and tools into a consistent framework.
- Address the underlying drivers of changes in natural capital— such as climate change.
- Develop practical examples and case studies to demonstrate business applications.

Businesses using the Supplement can **benefit** from:

- Cost reductions (such as raw materials costs and compliance costs).
- Improved access to financing and reduced financing costs (such as access to green funds, lower interest rates).
- Identification of new revenue streams.
- Identification of benefits and impacts to local communities to better engage with them.
- Anticipating regulatory changes, and aligning with the UN Sustainable Development Goals.
- Support for the provision of a social license to operate.
- Identification of sustainable operation strategies in the long term.
- Attraction and retention of employees.
- Support to the identification of strategies to mitigate and adapt to climate change – such as blue carbon offsets or credits and Ecosystem-based adaptation (EbA).
- Improving reporting and monitoring.

The Oceans Supplement will be oriented to inform natural capital assessments of a **diverse range of sectors** that are dependent on ocean resources, such as

fisheries and aquaculture; tourism and recreation; transportation; energy; extractive industries; marine biotechnology; coastal management; desalination, and pharmaceuticals. The Supplement will be applicable to all ocean-dependent companies, of any size; all businesses will find relevant guidance and insights.

The Supplement will provide an integrated approach to highlight sector inter-linkages. It will also identify and broaden the understanding of other relevant connections such as trade-offs between different ecosystem services, integration of land-sea connections, and whole value chain approaches.

There is real momentum for increased and smarter ocean management. **Change is on the way**, and businesses need to be ready for it.

The long-term health of the oceans —and the economic benefits they provide— depends on improving the management of ocean resources. Current oceans management tends to be siloed by different sectors (fisheries, extractives, shipping etc). The high seas - two-thirds of the oceans - are still subject to virtually no management (although this is under discussion at the United Nations currently). More coordinated management can reduce business risks and reduce conflicts among different users.

The **Sustainable Development Goals**, especially SDG14, “Life Below Water”, provide the most important policy framework and backdrop for this work; the world’s countries all recently adopted a ‘Call for Action’ to improve ocean management and improve ocean health. Attention will be paid to how the Supplement can contribute to achieving the SDGs.

How will the Supplement be produced?

The Supplement will be developed inclusively, through an extensive engagement process involving a large and diverse group of stakeholders. Based on experiences developing the Natural Capital Protocol, and the necessary collaborative, iterative, and consultative nature of such effort, we estimate a minimum of 18 months to complete the supplement. The main stages are as follows:

- **Project set-up:** The project team will be assembled and funding sources pursued for the project. A technical provider will be identified and a Project Management Team and a Steering Group will be set up to oversee the governance of the project. This stage could take two months.
- **Engagement:** Several workshops and webinars will be organized to enhance community engagement, raise awareness for the project, and identify contributors and partners. An initial scoping workshop took place in London on May 12, 2017, hosted by the Institute of Chartered Accountants in England and Wales (ICAEW); the event brought together global leaders and partners to establish the need, identify expertise, and discuss the scope for the Oceans Supplement. Further business engagement is still needed. A survey will facilitate the collection of feedback from these parties. This stage is expected to last three months.

- **Draft preparation:** The Supplement will be drafted using the comments received during the engagement process; this is key stage to develop the content of the Supplement. This is expected to last four to five months.
- **Consultation and piloting:** To test the practical application of the Supplement, a period of consultation and pilot testing of the draft Supplement will be undertaken. This is expected to last four months.
- **Final development and launch:** Feedback received from the consultation and piloting processes will be incorporated into final editing of the Supplement. Results will be launched in a high-profile venue, ideally connected to a relevant event in the oceans space. This phase is expected to last three to four months.

Timeline for the Supplement development



Who is leading this initiative?

Two of the organizations that make up the Natural Capital Coalition will lead the initiative - Conservation International (CI), and the U.S. Department of Commerce's National Oceanic and Atmospheric Administration (NOAA). Other Coalition Organizations and identified partners, will be involved, and advise, pilot and be consulted through the development.

The Natural Capital Coalition

The Natural Capital Coalition is a unique global multi-stakeholder collaboration that brings together leading global initiatives and organizations to harmonize approaches to natural capital. The Coalition is made up of over 250 leading organizations who have united under a common vision to create a world where we conserve and enhance natural capital. The Coalition's strength comes from this diversity, and from a shared belief that more can be achieved together than alone. The Coalition provides a collaboration space to organizations from any stakeholders group: conservation and Not-for-profit; research; business, membership organizations, standard setters; finance and policy.

Conservation International

Through science, policy, and partnerships with countries, communities and companies, CI has delivered innovative research and science based solutions to transform the global conservation agenda. Key divisions of CI will be working in close collaboration toward that end:

- CI's Moore Center for Science is a leader in the development of the NCP;
- CI's Center for Oceans works to improve ocean health globally through better business practices and governance solutions, including economic policy advice, tool creation, capacity building, the Ocean Health Index, and partnering with CI's field teams in over 20 countries; and
- CI's Center for Environmental Leadership and Business (CELB), focusing on making global production more sustainable by forging positive collaborations with the private sector.

The National Oceanic & Atmospheric Administration

The U.S. Department of Commerce promotes job creation and economic growth by ensuring fair and secure trade, providing the data necessary to support commerce, and fostering innovation by setting standards and conducting foundational research and development. NOAA is one of the Department's 12 Bureaus. From daily weather forecasts, severe storm warnings, and climate monitoring to fisheries management, coastal restoration, and supporting marine commerce, NOAA's products and services support economic vitality and affect more than one-third of America's gross domestic product.

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