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HEARING ON THE POLICY RECOMMENDATIONS FOR DEEPENING U.S. – AFRICA TRADE AND INVESTMENT RELATIONSHIP

Post-AGOA Trade and Investment

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Thank you for inviting me to present here today on the views of the Natural Capital Coalition and how including nature in our decisions can lead to stronger and more beneficial trade and investment relationships.

Nature underpins everything we do and is essential for our prosperity and well-being - whether it is providing the air we breathe, the water we drink, or the food we eat. Whether it is the raw materials that go into the products that we make and buy, or the landscapes we enjoy. All of these things rely on the health of the natural environment.

We are however depleting the global stock of natural resources much faster than the Earth is able to replenish them, and the gap between what we possess and what we require is accelerating[1]. This is happening because we have traditionally failed to optimize our decisions, and have neglected to take account of the fact that the financial, social and natural costs and benefits are components of an integrated whole. Rather, we prioritize one over the other, failing to acknowledge that all three are deeply interconnected and that if the stocks of one decrease, this will have a direct and meaningful impact on the 'whole'. Unless we change course and begin to include the value of nature in our decision making, our actions will result in increasingly severe social and economic shocks. These impacts will affect every nation, but the brunt will be shouldered by poor and developing countries.

Trade and investment are fundamentally dependent on natural systems, and finding a consistent way to place nature at the heart of agreements is essential to robust long-term relationships among trade partners. This approach can illuminate how and where development opportunities can be identified, as well as working towards fairer and less exploitative trade relationships (i.e. the depleting of the natural capital from one nation to benefit the social, financial or manufactured capital of another).

In pursuit of opportunities to improve the outcomes for all parties, it is important to understand the role of the different stakeholders, and in particular the role of business.

The Natural Capital Coalition brings together over 180 initiatives and organizations from around the globe, to collaborate on projects that aim to deliver a common vision of a world where business conserves and enhances natural capital[2]. The members of the Coalition cover non-governmental organizations, science and research institutions, business, associations,

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[1] World Wildlife Fund – Living Planet Report 2014, see http://www.worldwildlife.org/pages/living-planet-report-2014

[2] We define natural capital as 'The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soil, minerals) that combine to yield a flow of benefits to people.'

standard-setters, financial and accounting firms, public policy experts and governments. We believe that by including all of these different stakeholders, we can build confidence and consensus, address challenges before they arise, and go further than we could alone.

The main project of the Coalition is the development of the first global Natural Capital Protocol. The Protocol is a standardized framework that can be used to measure and value direct and indirect impacts and dependencies on natural capital. Over 50 businesses from around the world are currently piloting the Protocol, and there are many more lining up to use this approach voluntarily when it is launched in July 2016.

There are areas where it is important to focus activities, and the study we commissioned, *"Natural Capital at Risk: The Top 100 Externalities of Business*[3] *"* estimates that these risks are costing the global economy upwards of $4.7 trillion per year in terms of the environmental and social costs which are generated as a consequence of the loss of ecosystem-services and increased damage from pollution.

There are many levers that can be used to help create the right enabling environment. Business is ultimately looking for clear direction and confidence from long term policy. This confidence is essential for innovation and investment. We cannot underestimate the importance of the overall system under which the policy is developed, and the fact that there are distinct cultural approaches must be taken into account. A good example of this is the Intended Nationally Determined Contributions (INDCs) which were part of the Conference of the Parties (COP21) in Paris last year. Set individually by country, the approaches vary greatly, but the summed output can still be considerable at an international level.

Trade agreements therefore should be used to support enhanced protection for the environment and not be used as a downward harmonization. The Coalition has proven that it is possible to work together and produce something that is not the lowest common denominator, but is instead improved through collaboration. Trade agreements should encourage cooperative efforts among trading partners, both to strengthen national or regional efforts to protect nature, and to combat climate change.

Water is of specific interest here as an example. Tax and other incentives to encourage businesses to locate in certain areas of the world are very common. Not being charged, or preferential rates and access to water supplies can often be part of the deal. If water is not

[3] Natural Capital Coalition – Natural Capital at risk, see http://www.naturalcapitalcoalition.org/projects/natural-capital-at-risk.html

valued correctly in these situations, the business can find - particularly at times of water stress - that their decision making is influenced adversely against a longer term sustainable strategy and this can leave them with poor community relations, reduced efficiency and even stranded assets.

Conclusion

In order to develop strong and lasting trade agreements, we need to first understand the stock of resources that are available at a national and local level, and the benefits that can be derived from them. Without this information as a foundation, any agreement is in jeopardy of future risk from depleted resources. Natural Capital Accounting must therefore be implemented in order to inform potentially damaging international trade policy and negotiations. It is also crucial to gain comprehensive understandings around how natural resources run through markets at local, national and international levels. In order to facilitate this understanding, all stakeholders need to recognize the role that they play in natural resource management. All businesses around the world must be encouraged to use the Natural Capital Protocol in order to accurately understand their relationship with natural systems, and to measure and value this through a standardized process. Financial institutions must also understand the risks and opportunities that an awareness of natural capital issues can create for them. The effective implementation of such tools will necessarily deliver stronger and more beneficial trade and investment relationships by virtue of increasing the volume and accuracy of evidence on which such relationships are built.