

# The Future.

## Natural Capital, Biodiversity and Carbon Markets.

### How they may evolve and impact Valuers

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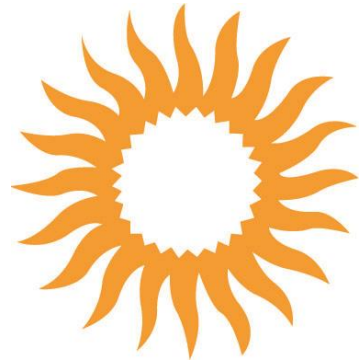
Policy, Strategy, Due Diligence  
Project Development  
Biodiversity, Natural Capital  
Electricity and Environmental Markets



# Natural Capital is essential for our existence

Changes in the stock and condition of natural capital alter its ability to provide goods and services which businesses depend and therefore have implications for operations and profitability of businesses and financial institutions<sup>1</sup>

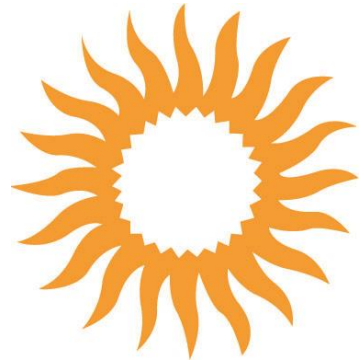
## Companies are now seeking to report and act on nature related risk



1. The Economics of Biodiversity: Dasgupta Review 2021

# ENVIRONMENTAL WINDS OF CHANGE

Ecosystems are capital goods – Their depreciation is in many cases irreversible or systems take a long time to recover, it is not possible to replicate a depleted or degraded ecosystem and ecosystems can collapse abruptly without much warning<sup>2</sup>



# The Drivers Behind the Change

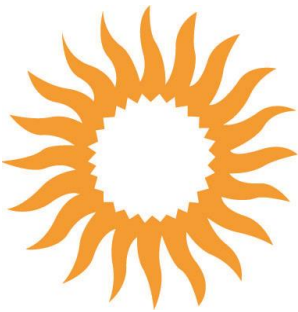
Climate change/Biodiversity loss

International focus

Government want to know how economic growth is impacting nature

Investors want to invest in companies and projects that do not degrade nature – Nature Positive

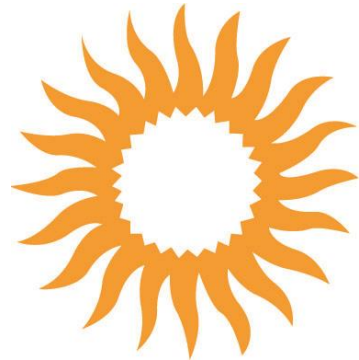
Supply Chain wants to understand the impact of nature loss



# How is change manifesting



- Farms– Natural Capital Accounting – eg Kilter Rural, Jigsaw Farms, QLD Land Restoration Fund
- Supply Chain – Harris Farm linking with Australian Holistic Farm Management, Verifiable credentials, compliance data, global standards
- Research – Farming for the Future, Latrobe University
- New Markets – Carbon, Biodiversity, offsets, biobanking, blue carbon, green finance etc
- New Data sources: "Satellite Data Promises to Unlock Fresh Capital for Agriculture" AFR April 2023
- TASK FORCE ON NATURE RELATED FINANCIAL DISCLOSURES



**Emerging market risks are focused on proof of environmental sustainability – PWC Farming for the Future Report**

***Biodiversity fund assets triple in 2022 to nearly \$1bn - Environmental Finance 27 February 2023***

**[USA and Australia sign Joint Statement on Natural Capital Accounting](#)**

Eco Voice | December 20, 2022

Australia's first natural resource management agency to audit its environmental assets has welcomed a Joint Statement between the Governments of Australia and the United States on natural capital accounting.

**Private banks, wealthy investors pile into sustainable farming fund**

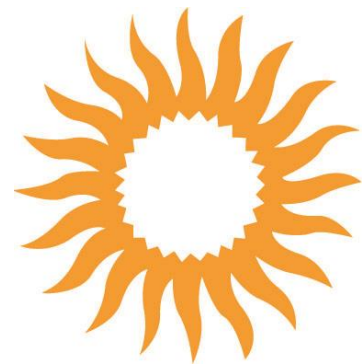
**AFR 7 May 2023**

***EU carbon border tax is a warning to Australia: cut emissions or lose exports SMH July 15, 2021***

**Harris Farm Markets**

**Just as we keep vigilant on additives in products, we should build our knowledge of the farming practices our suppliers use and create the opportunity for them to be more sustainable. The more our supply chain contributes to healthy soil, the more sustainable our environment and food supply will be.**

[https://cdn.shopify.com/s/files/1/0206/9470/files/Sustainability\\_Manifesto\\_-\\_Sept\\_2021.pdf](https://cdn.shopify.com/s/files/1/0206/9470/files/Sustainability_Manifesto_-_Sept_2021.pdf)



# A Challenging time for the Valuation Industry

- Instructions are more likely to include reference to Natural Capital, ecosystems, carbon and biodiversity
- Requires new industry guidance
- New skills and new approaches to valuation required to include natural capital
- New Competition
- Address Conflict with economic and social outcomes
- New sources of Data

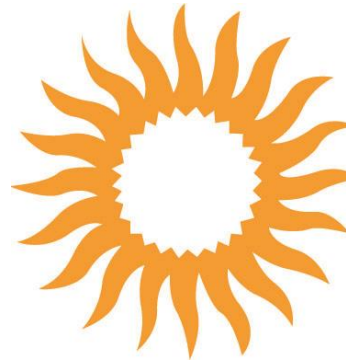


# Case Study – Syndication Sanctuaries



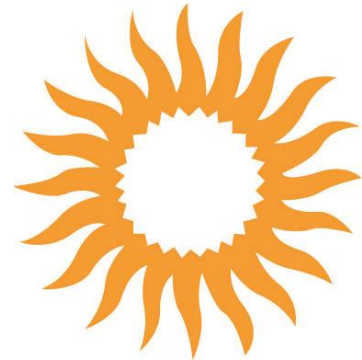
- *September 2022 portfolio of 5x properties for sale by tender closing 12th October 2022.*
- *12,844 acres, with an estimated \$198M of Biodiversity Offset Scheme (BOS) credits<sup>1</sup>*
- *Clearview Park (part of the portfolio) acquired by the syndicate in 2019 for \$2M*
- *Based on sales data current value as is of Clear View circa \$3M*
- *The IM notes that \$3.6M of BOS credits sold off this site to date. Still has 2,700M of BOS credits.*
- *What is the value of the balance of the BOS credits? How do the BOS credits influence the underlying value of the asset.*
- *Wider Implications?*

1. Syndication Sanctuaries Biodiversity Stewardship Portfolio IM  
<https://forsale.syndicationgroup.com.au>





# ADAPTING TO CHANGE – THROUGH AWARENESS AND COLLABORATION



# In Conclusion



- IF YOU'RE NOT PUSHING BOUNDARIES HOW DO YOU INNOVATE ?

**At**  **N**  
c o n s u l t i n g

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