



Natural Capital Investment Plan for Surrey

Those who live, work, visit or do business in Surrey, draw enormous and varied benefits and value from the rich and diverse natural environment of the county. However, this value is poorly understood and often goes unrecognised. The failure to recognise natural capital value limits personal and social wellbeing and future economic growth. A naturally richer Surrey needs investment to secure the continued provision of these benefits.

As recommended by the Natural Capital Committee, Surrey Nature Partnership (SyNP) believe priorities should be set to invest in natural capital where it is under most threat, where benefits arising are under most threat and where additional benefits can be best realised.

About Surrey Nature Partnership

SyNP is one of England's 48 Local Nature Partnerships, recognised by Defra in 2012. Our Vision is to see a healthy natural environment throughout Surrey supporting economic and social benefits.

Our Mission is to **hard wire** recognition of the value of the natural environment **into all decision making** resulting in more informed decisions for Surrey. It will increase recognition of the **value of our natural capital and ecosystems as critical assets for Surrey, as important as its financial, social and other capitals**, and promote the need for thoughtful, sustainable management of these assets.

The Investment Plan

In November 2015 SyNP published *Naturally Richer: A Natural Capital Investment Strategy* for Surrey, which set the direction for managing Surrey's natural assets. The Natural Capital Investment Plan (NCIP) sets out how SyNP will achieve healthy natural capital in Surrey over the next 25 years.

The size of the conservation impact investment market within which the NCIP will operate has been growing exponentially for a number of years, particularly in the USA where the Nature Conservancy has developed a systematic approach to nature conservation investing through [Naturevest](#). Most recently a report on the scale of private investment into conservation showed that the total size of private capital now committed is \$8.2 billion and this has increased by 62% over the period 2014/15 ([State of Private Investment in Conservation 2016](#)). This in itself shows the scale of the investment opportunity and when coupled with the social and environmental benefits is an important element in achieving the objectives of the NCIP.

Further work to understand the size of this opportunity in Surrey and SE England is required as part of preparing the full NCIP.

Objectives of the Investment Plan

The NCIP will:

- Identify the existing natural capital assets in Surrey as well as giving an assessment of their condition.
- Provide an understanding of the level of functionality of these assets and how far below critical functioning threshold they are.
- Outline the mechanisms to achieve capital investment for uplift of the assets to a viable, functioning threshold (assuming most assets are currently below viable)
- Proactively link the demand side (need for funding of natural capital assets through conservation projects) with the supply side (investors seeking investments with conservation impact) by promoting a deeper mutual understanding between investors and providers of conservation projects to deliver scalability as well as developing mechanisms for capital investment
- Develop the potential mechanisms to provide a revenue flow to maintain the assets in the long term (through e.g. NaturEtrade).
- Provide a clear set of actions for the period 2017 to 2022.

The plan will operate within the context of the 25 year Environment Plan, Housing White Paper and Industrial Strategy.

Role of SyNP

The role of SyNP is to stimulate and catalyse a multi-capital approach, with natural capital at its core, and we have been progressing this through conversations with Local Enterprise Partnerships, business, local authorities and Defra.



SyNP will implement the NCIP by setting up a company which through its activities as an incubator, stimulator of new approaches in natural capital investment and a forum where new and innovative partnerships and solutions can be created will deliver the change required. It will establish the delivery mechanism for the NCIP including linkages to the eight capitals to deliver multiple benefits, specifically the land, economic and health aspects. The Sustainable Development Goals provide the global framework for delivery.

The role of SyNP company as an incubator is essential to the success of this approach; it was a key element identified in the Credit Suisse [Conservation finance: from niche to mainstream](#) report that an incubator is key in stimulating and growing the conservation impact investment market. SyNP can fulfil this role by bringing together technical expertise, conservation and business partners plus the necessary infrastructure and engagement to rapidly identify, develop and test prototype ideas with scale up potential. Funding for this incubator company will be a key component in the ability to deliver the Plan.

How will investments be made

- **Value:** In the past, economic decisions have been made without calculating anywhere near the true value of the natural environment. Now we must ensure natural capital is reflected more fully in important plans.
- **Valuation:** We believe that economic valuations can contribute to powerful arguments for the conservation and enhancement of natural capital and the wider understanding of the real value they provide us.
- **Risk:** We recognise there are potential risks and opportunity costs for intervening and not intervening, and to consider and balance these while pursuing our vision.
- **Investment:** To prioritise 'investments' where lasting and multiple benefits are most likely to be achieved and represent the best possible value.

The NCIP will develop two key aspects – both capital investment and the development of revenue flow for maintenance.

1. Capital investment

The aim is to bring natural capital assets to a fully functional threshold. It is likely that a range of investment mechanisms/products will need to be developed for different assets. One clear ambition is to pilot a green bond for Surrey which sits above other investment products/mechanisms e.g. investment associated with development using approaches such as habitat banking. Other products could include the development of a conservation note such as NatureVest for Surrey.

It is clear that potential bundling of assets could make the investments more attractive and further work needs to be done to develop this thinking. The overall approach being developed is based on the model in the Credit Suisse report [Conservation Finance: From Niche to mainstream \(the building of an asset class\)](#).

2. Revenue flow

The other essential aspect of the financing is to maintain natural capital assets at a fully functional threshold once they have reached this point. There are a number of mechanisms which will potentially deliver this revenue flow including bespoke Payments for Ecosystem Services schemes. However, it is important from a scale perspective to develop a mechanism which allows the market in ecosystem services to regulate itself which is where a tool such as NaturEtrade will be essential. This allows landowners and managers to contract directly with purchasers of services e.g. water companies in a simple and straightforward manner.

This approach is also important because it means that it provides advantage to those already doing the right thing because they will be paid more rather than the possible perverse incentives to reward those doing the wrong thing, which can be a side effect of some PES schemes.