

IPBES 'Methodological Assessment of the Diverse Values and Valuation of Nature'

Environment analysis: Jenni Ramos, corporate/finance and biodiversity lawyer, and Zaneta Sedilekova, director, climate law lab and biodiversity risk advisor, at the Commonwealth Climate and Law Initiative, consider the IPBES' methodological assessment of the diverse values and valuation of nature including its wider background, relevance for companies and lawyers, as well as the key findings.

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Who is IPBES?

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) provides objective scientific assessments on biodiversity and ecosystem services, similar to the role of the Intergovernmental Panel on Climate Change (IPCC). Its reports are a globally recognised authoritative source of the latest science. In July 2022, IPBES released its ['Methodological Assessment of the Diverse Values and Valuation of Nature'](#) (Valuation Assessment). Approved by 139 states, the Valuation Assessment considers approaches to valuing nature and ecosystem services, such as temperature regulation and water purification. It concludes that policymakers have valued nature far too narrowly, over-prioritising short-term material gains at the expense of nature and society. This has been a key driver of the global biodiversity crisis.

How does the wider background make the Valuation Assessment relevant to companies?

Negative environmental impacts (including on biodiversity) have historically been viewed as an externality to the economic system's main goal of increasing output. Nature, its impacts and its dependencies have been disregarded in financial and corporate decision-making. We are now seeing a rapid shift in societal norms, with scientific, legal, regulatory and market frameworks assessing the monetary value of biodiversity and the materiality of nature-related risks. This has the potential to impact on the standards expected of companies in future.

On the scientific front, the 2019 IPBES [Global Assessment Report on Biodiversity and Ecosystem Services](#) alerted the world to a million species of plants and animals now facing extinction, many due to human activities. The IPBES-IPCC joint 2021 report on [Biodiversity and Climate Change](#) highlighted the inextricable connections between climate change and biodiversity loss and warned against climate solutions that could exacerbate biodiversity loss.

On the economic front, the 2021 [Dasgupta Review on the Economics of Biodiversity](#) recommended restructuring of the economic system to price in nature and ecosystem assets, since the natural asset base that underpins the global economy risks being eroded to the point of collapse. The [Network for Greening the Financial System](#) (NGFS) is exploring the extent to which such ecosystem collapse may constitute a systemic risk to the entire financial system. In [2020](#), [2021](#) and [2022](#) the World Economic Forum identified biodiversity loss as a top five long-term risk facing business in terms of both impact and likelihood. It is expected that at global biodiversity conference [COP15](#) in Canada in December 2022, states will adopt the Post-2020 Global Biodiversity Framework—the equivalent of the Paris Agreement for climate change, signalling another shift in legal frameworks and societal norms (see: [LNB News 13/07/2021 15](#)). For more information, see Practice Note: [1992 Convention on Biological Diversity—snapshot](#).

On the market and regulatory front, standards and metrics for nature-related financial disclosures under development by the Task Force on Nature-related Financial Disclosures (TNFD) will require companies to consider and report on both the impacts of biodiversity *on* their business and the impacts *of* their business on biodiversity (the concept of double materiality). The International Sustainability Standards Board (ISSB) will include biodiversity within its global sustainability disclosure standards. Combined with emerging due diligence obligations (for example, the proposed [EU Corporate Sustainability Due Diligence Directive](#)) this is likely to raise the existing corporate duty of care. Regulators are expected to require companies to measure their impacts and dependencies on nature, at which point an understanding of valuation approaches will be crucial. For further reading, see Practice Note: [Sustainable finance and ESG—horizon scanner](#).

What is the relevance of the Valuation Assessment for companies and lawyers?

The Valuation Assessment is a highly technical document aimed at policymakers. While it might not be described as key legal reading, it is a building block that could underpin nature valuation. In turn, this may increasingly influence corporate decision making and financial disclosures (relevant to commercial and finance lawyers) and trickle down into environmental policy making and evaluation of policy effectiveness (relevant to environmental lawyers).

Corporate, commercial and finance takeaways

The Valuation Assessment found that policy-making approaches have often ignored stakeholder views. Less than 5% of decision-makers reported using published valuation studies. The Valuation Assessment recommends equitably accounting for the values of multiple stakeholders.

This recommendation for stakeholder consultation is pertinent to companies and their advisors when considering tools at their disposal to protect ecosystem services on which their business depends, in order to minimise potential loss of profits caused by biodiversity loss and loss of ecosystem services.

For counsel advising on disclosures, nature valuation or directors' duties, the recommended values typology of the following four perspectives may be useful:

- living from nature emphasises nature's capacity to provide resources for society, including people and corporations
- living with nature focuses on rights of non-human life, independent of human needs
- living in nature refers to nature as the setting for people's sense of place and identity
- living as nature sees nature as a physical, mental and spiritual part of oneself

The living from and in nature perspectives are anthropocentric and instrumental, focused on the value of nature to humans, characterising nature as a resource or asset and its loss as a cost to humanity and corporate profits. The living with nature and living as nature perspectives consider nature's inherent worth. This aligns with stewardship, indigenous views and the burgeoning rights of nature movement, where various jurisdictions have awarded legal personality to nature, rivers and mountains. These shifts in societal norms could signal an increase in immediate reputational risk to companies and investors that fail to mitigate their impacts on nature. This changing context could also influence interpretation of directors' and fiduciary duties.

Environmental policy takeaways

The Valuation Assessment adds to the dynamic landscape around risk and impact measurement of biodiversity loss described above. It advises combining four values-based leverage points:

- undertaking valuation
- embedding valuation in decision-making

- undertaking policy reform to internalise nature's values
- shifting societal norms and goals

To achieve the transformative change required to tackle the biodiversity crisis, the Valuation Assessment recommends that policymakers integrate the diverse and multiple values of nature throughout the cycle of policy formulation, implementation and evaluation. Examples of this, which are relevant for companies, include on a scale from less to more transformative approaches:

- biodiversity offsets and trade bans
- certification schemes, environmental accounting and legally protected areas
- co-management regimes, eliminating harmful subsidies, payments for ecosystem services, area-based conservation measures and the rights of nature

What are the next steps?

The Valuation Assessment was released alongside the IPBES [Sustainable Use of Wild Species Report](#), which details the importance of wild species to billions of people for food, energy, materials, medicine and more. These form part of IPBES' [strategic work plan](#) to assess and strengthen knowledge, build capacity, support policy, communicate and engage. Published 5 months before COP15, the Valuation Assessment is likely to have a significant impact on the international negotiations. It has received good media coverage and is expected to be thoroughly reviewed by policymakers and diplomats.

Significantly for corporates, IPBES is [now embarking on](#) an [assessment of the links between business and biodiversity. A 2020 report](#) by the Commonwealth Climate and Law Initiative explores this link from a liability perspective and identifies 10 categories of biodiversity liability risks. By the time that this new business-biodiversity assessment is published in 2025, it is likely that global norms and standards will have shifted further, influencing business conduct and factors to be taken into account by lawyers. This shift may be shaped by the Valuation Assessment as well as the goals set at COP15, implementation of the EU Corporate Sustainability Due Diligence Directive and further work of the TNFD, ISSB and the NGFS.

Interviewed by Diego Salinas