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HKGFA's biodiversity teach ins

Session 1 : Global & APAC state of biodiversity and international momentum

01/11/2024

GROUPE BPCE

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01

Definition of biodiversity main concepts and its global state

- Global state of biodiversity
- Sectors driving biodiversity loss
- Pressure-impact relationship
- Ecosystem services & dependencies
- The macro-criticality of nature loss

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Biodiversity and Nature

A web of interrelations

1 Biodiversity & Nature definitions

Biodiversity (derived from “biological diversity”) refers to the **variety of living species** that are available on Earth. It encompasses **plants, animals, bacteria and fungi**.

Nature regroups all non-human living entities and their interaction with other living or non-living physical entities and processes. This definition recognizes that interactions bind humans to nature, and its subcomponents (e.g. species, soils, rivers, nutrients), to one another.

In the Anthropocene, biological diversity can be a sensor of the state of Nature in all its dimensions and scopes (richness, condition, capacity to renew itself and provide ecosystem services). Together, these notions give a sense of how human interactions both impact and depend on its environment.

2 Why is it important?

Nature supports **human needs**

Ecosystem services

Basic needs: food, oxygen, fresh water, recycling of nutrients

Provisioning services: natural materials and fibres, bioenergy, waste decomposition, soil fertility, medicine.

Regulatory role in the face of natural disasters (e.g., flood protection), epidemics (e.g., controlling invasive or pest species) and climate change.

Utilitarian function: providing crucial services such as pollination, seed dispersal, climate regulation, water purification, nutrient cycling.

Source: IPBES Global Assessment Report, available here

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Global state of biodiversity

Key facts

Impact

69%

The **wild vertebrate population** declined by 69% between 1970 and 2018.

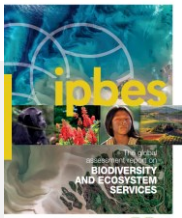
85% of the world's wetlands have disappeared

75% of terrestrial areas and
66% of marine areas have been severely degraded by humans

50% of the coral cover has been lost since the 1870s

1 million species are threatened with extinction

Such changes are known to occur in response to human activities



Ecosystem services

Sources: IPBES Global Assessment Report, available here
The living planet report, WWF, 2022, available here

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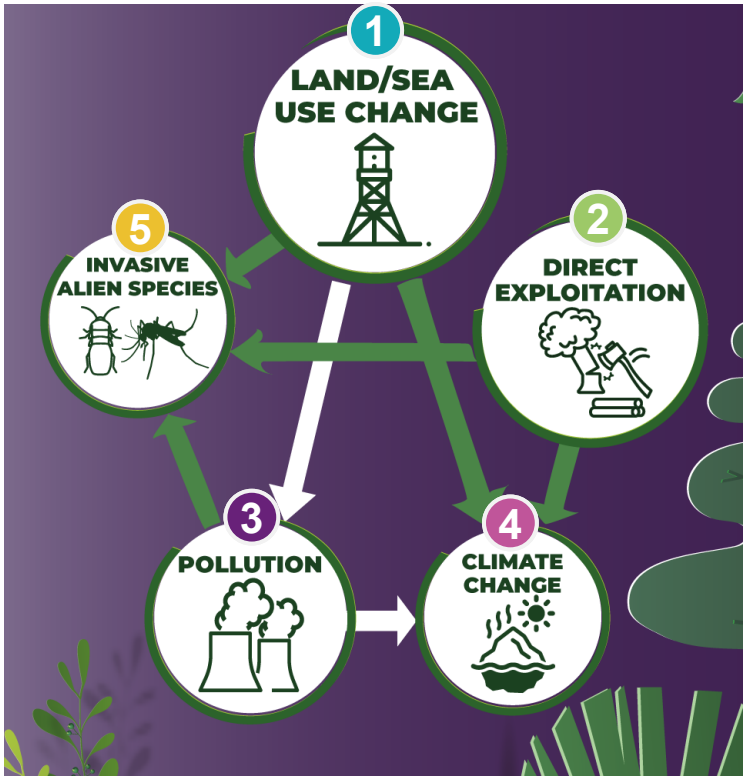
Biodiversity, a complex issue

Yet, complexity must not stifle action

CO_2e is a synthetic indicator accounting for the warming potential of different greenhouse gases (CO_2, CH_4, N_2O). **It is fungible, highly material, comparable and can be monitored at many different scales from the earth system to households**.

Unlike climate change where an almost linear relationship between CO_2 concentration in the atmosphere and the increase in global temperatures exists, **multiple drivers are pushing biodiversity loss**.

Dominance hierarchies of the five direct drivers of biodiversity loss



Source: Jaureguiberry et al., The direct drivers of recent global anthropogenic biodiversity loss, Science Advances, 2022, available here

1. **Destruction:** draining of wetlands, deforestation, artificialization
   Fragmentation: creating obstacles to species movements
   Disturbance: noise or light pollution that disturbs species
2. **Removal** beyond the renewal capacity of the stock (e.g. fishing, forestry, large mammals...)
3. **Air or water pollution** through the release of toxic substances
4. Rise in temperature, rise in sea level and intensity of extreme events, increase in precipitation, acidification of the oceans, wildfires, etc.
5. **Invasive species** are species not native to the ecosystem into which they have been moved, either intentionally or inadvertently. The introduction of these species may disrupt the balance of local nature

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Main sectors affecting biodiversity

And how their value chain may affect biodiversity

50%	25%	10%	10%	5-10%
Food & Beverage	Infrastructure & Mobility	Energy	Fashion	All other

i.e., the Food and beverages sector account for around 50% of total pressures on biodiversity

	Food & Beverage industry	Infrastructure and mobility industry	Energy industry	Fashion industry
1 Sourcing	Monoculture affecting soil quality, deforestation, overexploitation and degradation of ecosystems Direct exploitation; Land and water use change	Exploitation of mining sites driving habitat conversion, extraction of materials creates GHG emissions Land and water use change; Pollution	Supply of machinery creates emissions and waste. Extraction and cultivation pollutes ecosystems and converts land for biofuels Pollution; Land and water use change	Raw materials production (e.g., cotton) converts land, exploits plants and creates pollution. Pollution; Direct exploitation; Land and water use change
2 Processing	Pollution due to packaging Pollution	Soil and water pollution, freshwater use. GHG emissions and waste production Pollution; Resource overexploitation; Land and water use change	Processing can cause GHG emissions, pollute soil, water and air and drive habitat loss. Power generation can also require land use change and generate GHG emissions Land and water use change; Pollution	Production of fabric produces GHG emissions and pollutes freshwater. Pollution
3 Distribution & consumption	Pollution due to transport, propagation of invasive species; Food waste heavily contributes to pollution Pollution; Introduction of invasive species	Developing infrastructure can cause habitat loss for species, creation of waste and pollution Pollution; Land and water use change	The distribution produces GHG emissions and divides habitats (power lines) Land and water use change; Pollution	Shipping represents a big share of the sectors' pollution and may introduce invasive species. Water is polluted from cleaning and waste disposal. Pollution

Source: The biodiversity crisis is a business crisis, BCG report, 2021, available here

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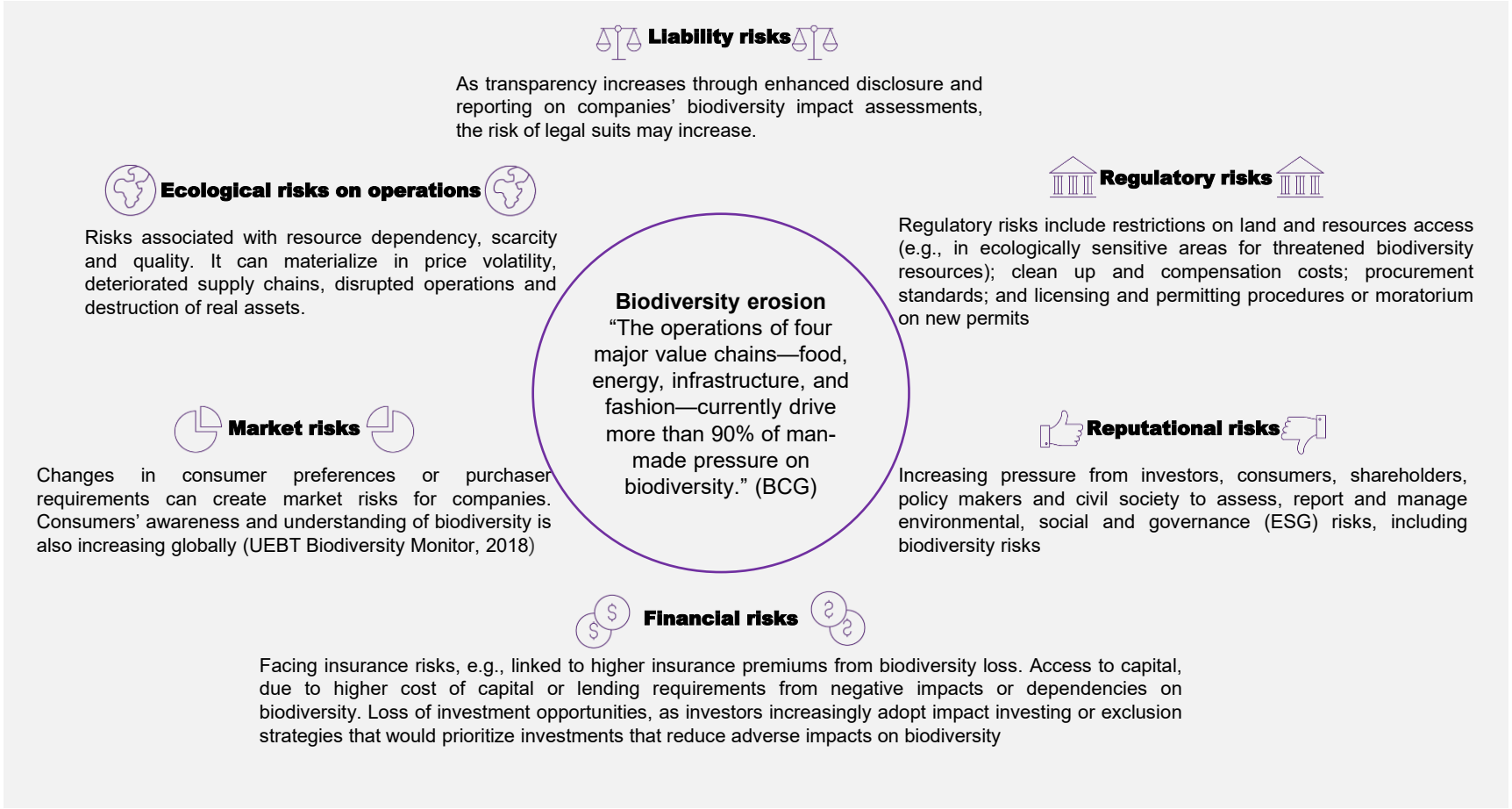
Biodiversity related risks

Ecosystem services (pollination, water purification, flood protection and carbon sequestration) are estimated to be worth between USD 125-140 tn/year (OECD, 2019).



Sources: The Biodiversity Crisis Is a Business Crisis, March 2021, BCG
Biodiversity: Finance and the Economic and Business Case for Action, May 2019, OECD
Biodiversity-related risks to businesses, 2019, OECD

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The macro-criticality of nature loss

And the need for nature in risk analyses

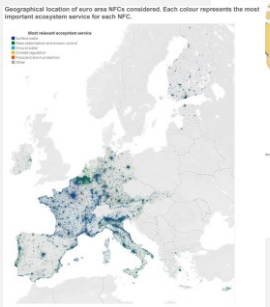
Pricing nature-related risk is instrumental for financial institutions to align with the goals of the Global Biodiversity Framework.

Water-related risks are dominant and could constitute 7 – 9% of global GDP (5% VaR – Value at Risk)[1].

Risks to agriculture are also significant, estimated at around 14 – 18% of output at **risk from water-related risks and potentially 12%** of output at risk related to pollinator decline.

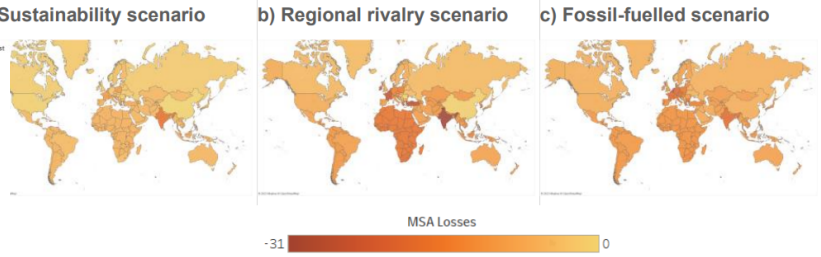
These direct impacts could be amplified by **cascading feedbacks across markets**, and act as **a risk multiplier on climate change**, leading to significant impacts on people and economies, as well as the global financial system.

Accounting for Nature-related risks



Country-level projected losses of mean species abundance by 2050

Changes in biodiversity intactness by 2050 (expressed as percentage losses compared with the baseline year of 2015) following three different shared socio-economic pathways (SSPs) combined with different levels of climate change expressed as representative concentration pathways (RCPs)



Living in a world of disappearing nature: physical risk and the implications for financial stability, ECB, December 2023, available here

A commonly accepted approach to explore rather than predict

1. Gathering assets geospatial data and types (sector, infrastructure etc.).
2. Match the location with local state of nature and ecosystem services (ex: water stress levels) and assets' ecosystem dependencies through environmentally extended multiregional input-output tables such as exiobase.
3. Project Nature and ecosystem services degradation and observe the potential losses incurred.

[1]The Green Scorpion: the Macro-Criticality of Nature for Finance, NGFS, December 2023, available here

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02

APAC state of biodiversity

- APAC dedicated IPBES report summary
- Critical ecosystems, extinction rate
- Main drivers of nature loss

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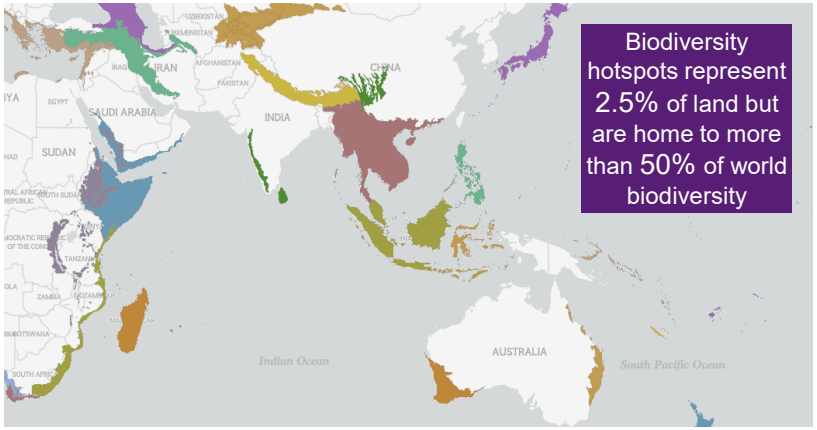
IBPES regional assessment (1/2)

A biodiversity rich region: forests, coastal systems, alpine and wetlands ecosystems …

The Asia-Pacific region is home to 17 of 36 global biodiversity hotspots and 7 of the 17 megadiverse countries.



Source *: National Geographic - Terrestrial Biodiversity Hotspots*

The Asia-Pacific region is home to **70%** world biodiversity

25% of species in Asia and the Pacific are currently on the IUCN list of threatened species

Asia-Pacific region is experiencing some of the fastest urbanization rates, currently welcoming **60%** of world population

Main pressures in the Asia-Pacific subregion

Invasive species	Pollution	Direct resource exploitation	Land use change pressure	Climate change
Voluntary or unvoluntary species introduction, GMOs,	Biomass burning, toxic river discharges, plastic waste	Overfishing, wood extraction, water overuse	Agricultural intensification (palm oil, pulp, rubber; timber), Urbanization, dam construction, deforestation	CO_2 emissions contribute to extreme weather event intensification, sea level rise, amongst many other events
e.g. Fall Armyworm invasion in Thailand	e.g. Ganges river pollution	e.g. overfishing in Southeast Asia	e.g. palm oil deforestation in Indonesia	e.g. Great barrier reef coral bleaching

Pressures are interrelated and can reinforce one another

SOURCE : UNEP Biodiversity assessment, Asia-Pacific, IUCN Red List, FAO

IBPES regional assessment (2/2)

Human dependencies and value at risk

Humanity is dependent on various ecosystem services it is currently degrading …

Rich Biodiversity and ecosystem services are extremely vital to APAC's 4.5 billion population and contributed to its rapid economic growth in the last 30 years.

50%
of APAC's forest cover has been lost in the last 50 years

60%
of grassland is degraded due to overgrazing

8 of 10
Most plastic-polluted rivers are in Asia

… putting business and the economy at risk.

63%
of APAC's GDP is assessed to be at risk

FISH
Fish stock could collapse in **30 years**

WATER
Increasing water scarcity threatens agriculture, industries and sanitation

Pollination
Pollinators decline threaten dependent crop production

SOURCE : NEW NATURE ECONOMY: ASIA'S NEXT WAVE, Temasek and WEF, 2021 available here

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03

Global and regional momentum

- A multiplication of standards and guiding principles
- COP 15 goals and targets
- Regional engagements (APAC specific)

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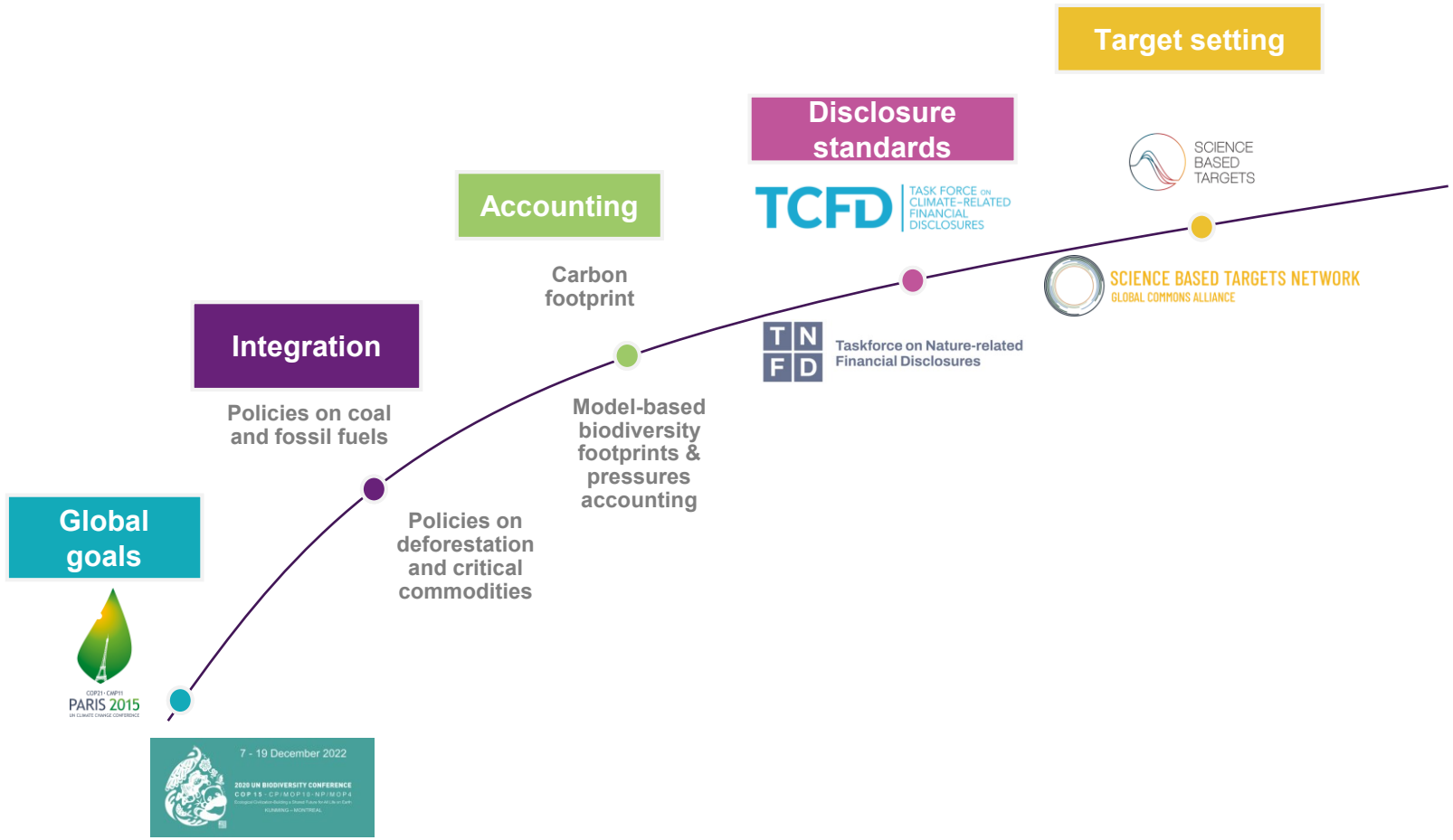
An accelerating trend

Following the steps of climate integration



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COP15 propelling the World on the way to halt and reverse biodiversity loss

Adoption of the "Kunming-Montreal Global Biodiversity Framework" (GBF).

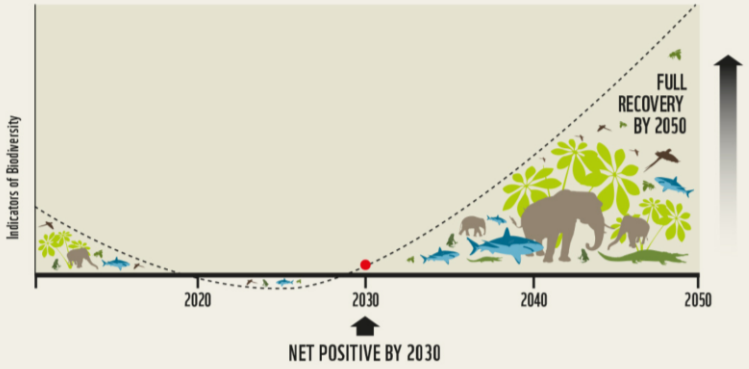
Restore 30% degraded ecosystems globally (on land and sea) by 2030

Conserve and manage 30% areas (terrestrial, inland water, and coastal and marine) by 2030

Convention on Biological Diversity

Full text available here.

A biodiversity target to set business course on



Source: Nature positive initiative, WWF, 2023, available here

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« Biodiversity » Cop15's butterfly effect

A sample of material targets for companies

		Implications for companies	Usability for companies	Integration in EU laws
Target 1	Reduce to **near zero the loss of areas of high biodiversity importance**	Companies' value chains which depend on biodiversity hotspots might be impacted by increased regulations	Companies could **assess, disclose and mitigate or exclude direct or indirect exploitation** in areas of high biodiversity importance and provide full transparency on their value chains (using geospatialisation tools)	Both **EU biodiversity strategy to 2030 and the regulation on imported deforestation** contribute to that objective although it is not stated as such
Target 2	Ensure that **by 2030 at least 30 % of areas of degraded terrestrial**, inland water, and coastal and marine ecosystems are under effective restoration	Businesses which contributed or contribute to land degradation might be impacted by or be part of national restoration measures.	For relevant sectors (mining, agrifood, construction, transport etc.), set 2030 targets in line with the global target to restore 30% of degraded areas in their value chains	**Nature restoration law** The EU has a target to put 20% of land and sea areas under restoration by 2030
Target 3	**Effective conservation and sustainable management of at least 30%** of the world's lands, inland waters, coastal areas and oceans	Companies can contribute through sustainable management and conservation objectives alongside or within their value chains	Businesses can assess the land intensity over their value chains (m²/€ of revenues or else), absolute land use (in m or ha) and reduce both on a pathway to reach a target in line with global objectives	The EU has the same target enforced in its **Biodiversity strategy to 2030**
Target 7	**Reduce by half both excess nutrients and the overall risk posed by pesticides and highly hazardous chemicals,** working towards eliminating plastic pollution	Companies will be impacted by national regulation limiting the use of pesticides of chemicals on their premises and more globally in their value chains.	Relevant companies could set a 50% reduction target on the use of fertilizers, pesticides and highly hazardous chemicals by 2030 on their entire value chains Setting targets on plastic wastes elimination by 2030 on their entire value chains (plastic recycling rate and infrastructure financing)	**Sustainable Use of Pesticides Directive** **Farm to Fork Strategy** The target for the EU is the same
Target 15	**Require large and transnational companies and financial institutions to monitor, assess, and transparently disclose their risks**, dependencies and impacts on biodiversity through their operations, supply and value chains and portfolios	Regulation on biodiversity-related disclosure will require companies to collect and disclose more data on biodiversity.	Companies already report biodiversity related KPIs when relevant (solid waste, water consumption etc.). Nonetheless, this target might lead to more requirements in global regulatory environments with thresholds (taxonomy-like) and the adoption of more synthetic indicators.	EU biodiversity strategy CSRD / SFDR

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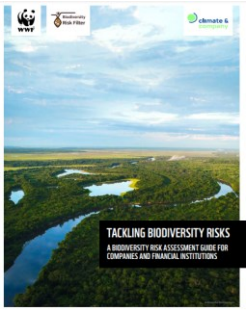
A multiplication of standards and guiding principles

Nature-Related Financial Disclosures - TNFD

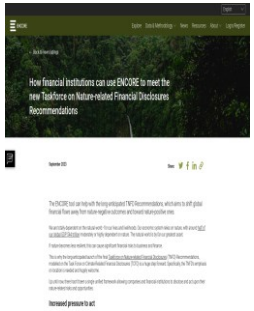
The TNFD has published a series of guidance on how to assess nature-related issues and set science-based targets for nature. The aim is to support businesses in better assessing nature related risks and opportunities.

Biodiversity Risk Assessment Guide - WWF



Guide for companies and financial institutions on how to identify biodiversity risk, including tools such as the WWF Biodiversity Risk Filter.

ENCORE Tool



Online tool to support organizations in identifying their exposure to nature-related risks, by understanding their dependencies and impacts.

Science-Based Targets for Nature - SBTN

Resource on how businesses can incorporate action on nature more efficiently. Includes a five-step guidance for companies to set, measure, disclose and monitor their targets.

Framework Biodiversity-Related Disclosures

While the CDSB has been integrated into the IFRS Foundation, its guidance is useful to assist companies on material information on biodiversity. Including a checklist.

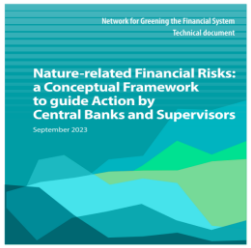
Natural Capital Protocol

NATURAL CAPITAL PROTOCOL

NATURAL CAPITAL COALITION

Set of common standards to support decision making that takes natural capital into account. Protocol lays the foundation for identifying, measuring and valuing direct and indirect dependencies and impact on natural capital.

Nature-Related Financial Risks NGFS



NGFS

Initial guide for central banks and supervisors to better understand nature-related risks. Sets a conceptual framework to address nature-related financial risks.

Guidance on Biodiversity Target Setting

Designed for banks to provide guidance on setting and achieving biodiversity targets. Provides a practical approach with case-studies and used biodiversity KPIs and targets.

General Guidance
Financial Institutions
Corporates

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TNFD Disclosure Framework Final Draft

TNFD latest developments (March 2023)

Taskforce on Nature-related Financial Disclosures

In March 2023, the Taskforce on Nature-related Financial Disclosure (TNFD) released the final draft of its Nature-related Risk and Opportunity Management and Disclosure Framework (here).

This framework is **poised to inspire regulations and corporates** in the reporting of their biodiversity impacts and dependencies.

It established a **set of core disclosure metrics** to help comparability within and across sectors on areas of high priority. These are divided into:

- Core global metrics (thereagainst)
- Core sector metrics (draft available for agriculture and food sector)

More sectors are expected to be covered in the future.

Summary of TNFD's core global metrics

Core global metrics: Impacts and dependencies	
Climate change	Scope 1, 2 and 3 GHG emissions – refer to TCFD (excluded from 14 core metrics)
Land/freshwater/ ocean-use change	Extent of land/freshwater/ocean use change, by type of ecosystem and business activity
	Extent of land/freshwater/ocean use change, by type of ecosystem and business activity, for prioritised ecosystems
Pollution/pollution removal	Total pollutants released to soil, split by type
	Volume of water discharged and concentrations of key pollutants in the wastewater discharged, by type
	Total amount of hazardous waste generated, by type
	Total non-GHG air pollutants, by type
Resource use/ replenishment	Total water withdrawal and consumption from areas of water stress
	Quantity of high-risk natural commodities sourced from land/ocean/freshwater, split into types
	Quantity and share of natural commodities sourced **from priority ecosystems**, split into types
Core global metrics: Risks and opportunities	
Nature-related risks	Proportion and total annual revenue exposed to 1) physical risks and 2) transition risks
	Proportion and value of assets exposed to nature-related 1) physical risks and 2) transition risks
	Proportion and value of assets/total annual revenue exposed to risks, by risk rating
	Proportion and total annual revenue/value of assets with substantial dependence on ecosystem services or with a high impact on nature
Nature-related opportunities	Value of capital allocated to nature-related opportunities, by type of opportunity, with reference to a jurisdictional green taxonomy

Source: TNFD, available here

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Policies are under development

International coalitions, policies and commitments

COP 15
Kunming Montreal Global Biodiversity Framework

Convention on Biological Diversity

Halt (2030) and reverse (2050) biodiversity loss, alongside various other nature-related targets 30x30 target (conserve 30% of world by 2030)

COP 28
Dubai

United Nations Climate Change COP 28 DUBAI UAE November 2023
UNFCCC

Global Biodiversity Framework Fund: New Fund Launched to Deliver on Biodiversity COP15 Goals

Example of regional efforts and commitments

India launched the "Green India Mission" program in 2014 **to increase forest cover and restore degraded ecosystems**.

Great green wall project to reforest Northern regions near the Dobi desert. **Pledge to plant and conserve 70 billion trees by 2030 in 2022**

Japan also adopted the strategy, "National Biodiversity Strategic and Action Plan 2023-2030," in March 2023
The **Japan Biodiversity Fund (JBF), with a 60 million USD eq government contribution since 2010**

The ASEAN Member States have committed to taking **coordinated and bold action to prevent species extinction across the Region** and in line with their commitments and participation in the Convention on Biological Diversity, and other multilateral environmental agreements.

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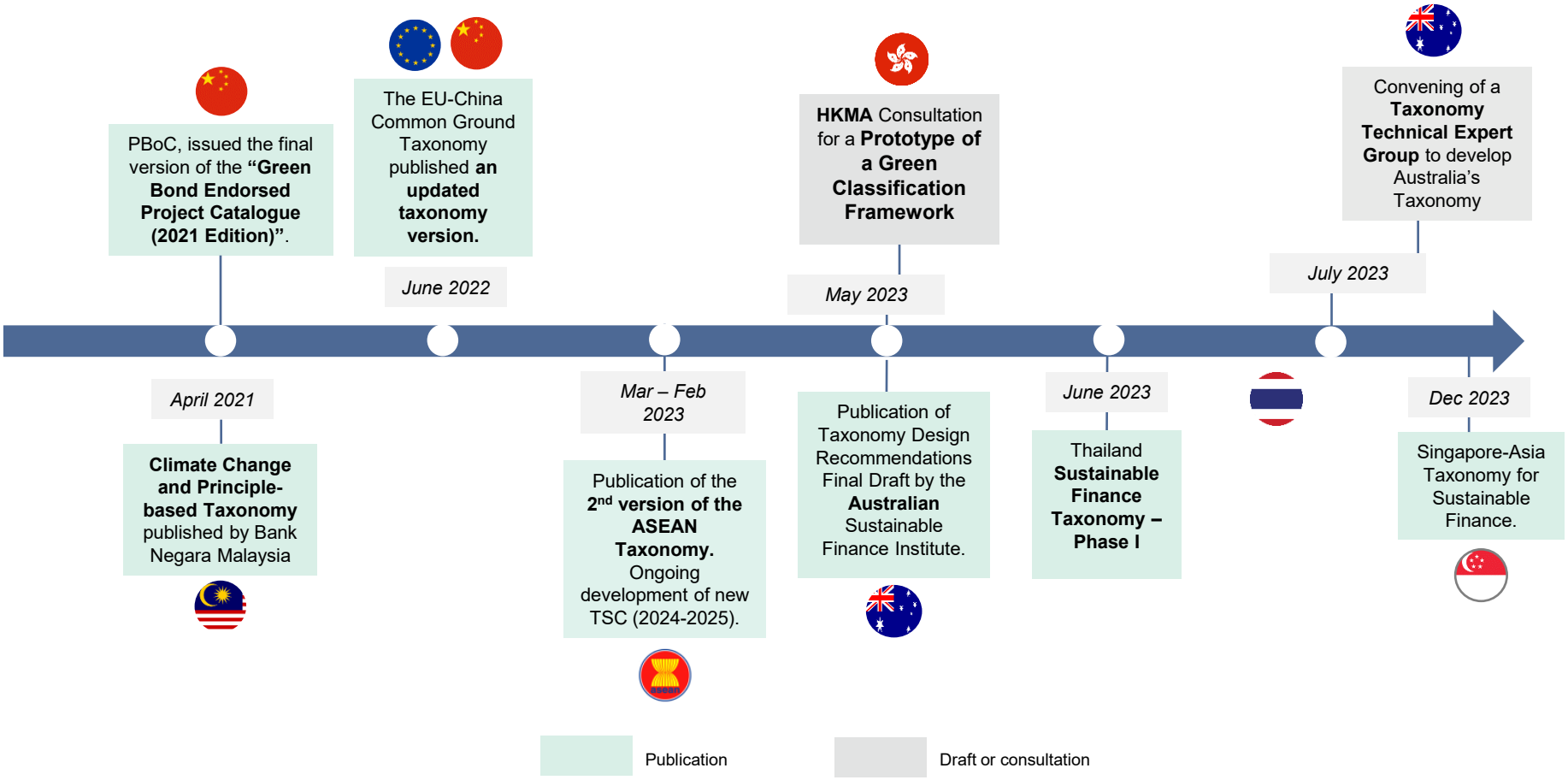
APAC taxonomy landscape evolution

A multiplication of national and regional approaches



Source: The new geography of taxonomies, Natixis Green & Sustainable Hub, available here

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Biodiversity integration in APAC taxonomies

Benchmarking the environmental objectives	CBI Taxonomy	ASEAN	Malaysia	Indonesia	China	Mongolia
Sustainable use and protection of marine and water resources	✓	✗	✓	✗	✓	"Resource conservation"
Circular economy, waste prevention and recycling	✓	"Transition to circular economy"	✓	✗	✓	✗
Pollution prevention and control	✓	✗	✓	✗	✓	✓
Protection of healthy ecosystems and biodiversity	✓	✓	✓	✗	✓	✓

June 2023

In the ASEAN taxonomy, biodiversity and nature are considered through the third Environmental objective "Protection of Healthy Ecosystems and Biodiversity"

Its general principles encompass:

- **Meet the goals set by the Convention on Biological Diversity** 1992 (CBD, 2022).
- **Take into consideration the equitable use of biodiversity** and ecosystem services.
- **Avoid or minimise adverse impacts on the environment** by implementing pollution control mechanisms.
- Avoid or minimise emissions of short and long-lived climate pollutants.
- Avoid or minimise generation of hazardous and non-hazardous waste.
- **Minimise and manage the risks and impacts** associated with **pesticide use**.

Source: The new geography of taxonomies, Natixis Green & Sustainable Hub, available herec

Survey & Newsletter

Survey: Investing in biodiversity, challenges and opportunities

Participate to our investor survey on biodiversity integration here

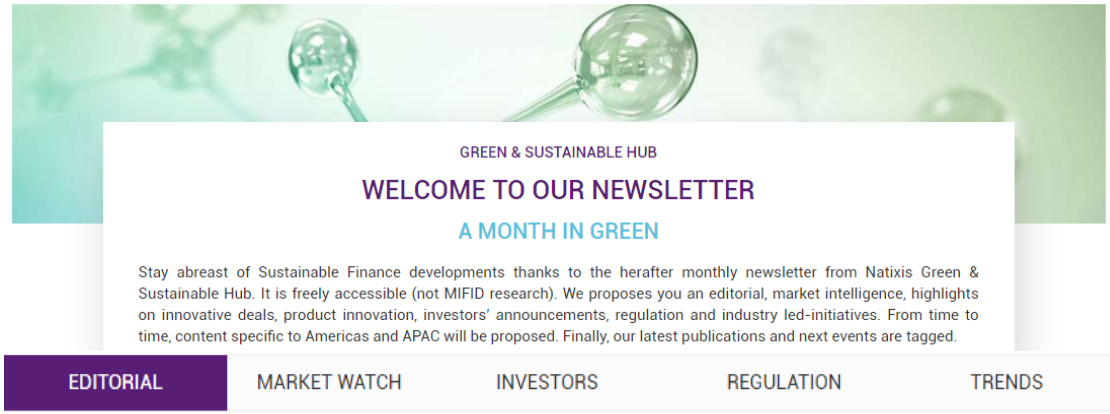
2. **Do you have or plan to have a strategy engaging on a pathway to reduce your portfolios' pressures on biodiversity?**

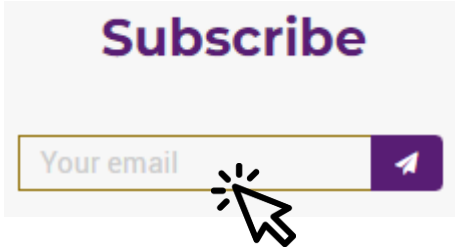
Such as "halt and/or reverse biodiversity loss[1]", "nature positive" etc.

- ○ No
- ○ Yes

Please specify

Green & Sustainable Hub Newsletter





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