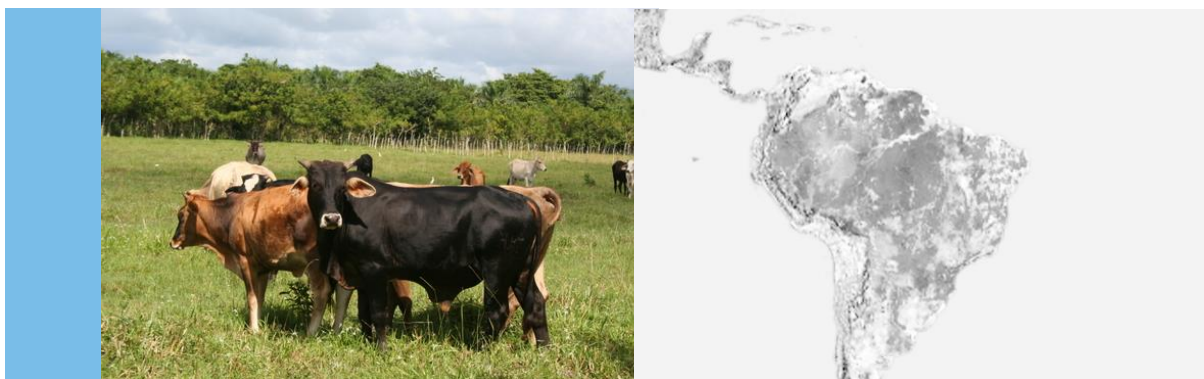


## FACT SHEET | SUSTAINABLE PERFORMANCE

## Ecosystem Services Appraisal: Making the Business Case for Investing in Biodiversity



### WHAT IS AN ECOSYSTEM SERVICE?

The benefits that the environment provides to people. Businesses depend on a wide range of services: clean water supply, soil productivity, natural disaster mitigation, animal health, and more.

As the leading multilateral development bank in Latin America and the Caribbean, the Inter-American Development Bank (IDB) seeks to make investments that benefit business growth while also improving environmental outcomes.

The IDB has developed a new tool for its private sector clients. The Ecosystem Services Appraisal treats the environment as an asset that can be invested in and allows clients to improve their competitiveness by identifying environmental investment opportunities.

The Ecosystem Services Appraisal allows companies to identify which ecosystem services are most relevant to their business and how investments can maximize environmental and financial returns. Three examples demonstrate how companies are benefitting from this approach:

- Dow Chemical found that ecosystem restoration would cost-effectively reduce its vulnerability to storms and water scarcity
- Hydropower operator Energias de Portugal performed a cost-benefit analysis of different water uses to inform future decisions on management of a local watershed
- A plastics company, Cook Composites and Polymers, found that it could reduce costs on storm-water management by investing in wetland ecosystems

**“Ecosystem services appraisal is the next critical tool needed by business to evaluate the value creation and financial impacts of various ecosystem services risks, opportunities, and strategies at their operations.”**

—Harve Stoeck, VP Environment & Public Affairs, A&C North America, Lafarge

## ASK YOUR COMPANY:

Would an Ecosystem Services Appraisal differentiate us from our competition?

How can we demonstrate positive impact on the environment?

How can we impact our bottom line through better resource management?

## Technical Assistance Grants

The IDB is identifying up to five companies that will be offered grant resources to carry out an Ecosystem Services Appraisal. The appraisals will be conducted by an experienced consulting firm, managed by the company and the IDB.

The IDB will select companies based upon a number of criteria, including: a demonstrated track record in sustainability, potential for improving impact on the environment, and willingness to integrate environmental capital analysis into decision-making.

Companies will receive the appraisal at no cost, but must contribute analysis of business challenges and opportunities, data collection, and logistical support.

## Steps to Complete an Ecosystem Services Appraisal

- **Scoping with IDB:** Interested companies should reach out to their IDB investment officers. A scoping call will allow the company and the IDB to decide if an Ecosystem Services Appraisal is appropriate and to identify priorities. Existing IDB clients and companies with IDB eligibility qualify for this technical assistance.
- **Agree on Consultant Work Plan:** The company and the IDB will determine the specifics of the consultants' work over 3-4 months. The Appraisal will be tailored to fit companies' needs.
- **Execution:** The company and consultant will assess the predicted change in ecosystem services – and their impact on the financial bottom-line – for a number of investment scenarios.
- **Communicate Results:** All parties will work together to produce a presentation of the results of the Appraisal.

## Example: Weyerhaeuser Considers Alternative Land Management Scenarios

Weyerhaeuser is an international forest products company with operations in Uruguay. While it considered planting eucalyptus and energy crops on land currently used for cattle pasture, it used an Ecosystem Services Appraisal to maximize its return. The Appraisal considered changes in several ecosystem services, including: solid wood production, energy crop production, and carbon sequestration.

The Appraisal found that planting switchgrass, sweet sorghum, and eucalyptus provided the greatest profits for the company as well as high environmental returns. The Appraisal allowed Weyerhaeuser to investigate a number of different scenarios, taking into account different assumptions, such as the social cost of CO2 emissions.

In the future, Weyerhaeuser plans to operationalize this approach by applying it to decisions across a number of potential value streams and by linking ecosystem values to conventional financial accounting. As it mainstreams the Appraisal approach, Weyerhaeuser is also considering including other ecosystem services, such as clean water provision, into its decision-making process.