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BY MARK TERCEK WITH  
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Over the past decade, sugarcane farmers in the Cauca Valley, near Colombia's Pacific coast, have become increasingly concerned about the availability of water for irrigating their fields. The valley is home to one of the richest cane-growing regions in the world. The Nature Conservancy (TNC, where I am president and CEO) met with the farmers in October 2011 to develop a solution that would draw on both basic ecology and economics: Defend the water supply by protecting the forested watersheds that feed the Cauca River. The cane growers are now helping ensure that the forests remain intact through an investment strategy called a water fund—an endowment for water conservation.

The idea is simple: Treat those upstream forests as valuable natural capital. Make a relatively small investment in nature now to obtain plentiful clean water in the future, and avoid the prospect of much

higher future spending on expensive filtration plants and equipment. Not only does it cost less to protect the forests than to implement the engineered alternative, but the investment also produces a host of other benefits, including improved wildlife habitat and cleaner water for local communities.

Environmentalists sometimes see large agricultural interests such as cane growers as the enemy. But in doing so, they are missing out on an opportunity that could have far-reaching effects. Environmental issues are rarely black and white, and finding common ground can open the door to effective conservation programs and bottom-line growth—both for small businesses like the Colombian sugarcane farms and, potentially, for large multinational corporations. It's an idea we've heard before, but one that has been difficult to put into practice. Historically, that's in part because we environmentalists have done a better job of speaking to one another than to businesspeople. We need to get better at growing the constituency of conservation, and getting others to prioritize protecting nature.

We can begin to change the dynamic by demonstrating the investment opportunities that nature can offer. Emphasizing the pragmatic value of nature has rarely been a strength of environmentalists. To champion long-term investments, we should listen closely to what businesses and governments need, and think carefully about how nature can help fill these gaps. Although many leaders may be personally dedicated to protecting nature, I know from experience that environmentalists cannot depend on goodwill alone. The surest way to get the attention and commit-

ment of key stakeholders is to put environmental issues in terms of "here's what's in it for you."

## Making the Case

When I started my first job on Wall Street more than 25 years ago, few (if any) bankers spent much time considering the business opportunities of making investments in nature. I know I didn't. We didn't think the environmental community had much to tell us about how to run our business, and my guess is that the feeling was mutual.

But times and attitudes change. I began working on an environmental effort at Goldman Sachs in 2005, with the support of then CEO Henry M. Paulson. We thought it made great commercial sense to be smarter about environmental issues. Our primary motivation was not philanthropy or corporate social responsibility; it was purely business. The fundamental idea was to look for investment opportunities that produced two kinds of benefits: strong commercial results for Goldman Sachs and positive environmental outcomes. The more we pursued these win-win opportunities, the more we found.

From my current vantage point on the environmental side, I see a similar transformation in thinking. Today, as the leader of TNC, I collaborate, together with my colleagues, with businesses, governments, and other groups not usually considered to be environmentalists. Alliances like these can still be difficult terrain for a conservation organization. But by focusing on the value of nature, environmentalists can reach those who once stood on the sidelines of conservation, and even those sometimes viewed as opponents. Instead of vilifying them,

we can see what they want to accomplish and find shared goals.

This is not a call for naivete. Businesses must always ask tough questions about what will yield profitable results. Governments must do their part in enacting smart environmental policies and regulations. And environmentalists must remain vigilant about identifying and confronting companies that undermine environmental standards and regulations. Collaboration does not mean that companies should expect a free pass from environmentalists; watchdog organizations will always play an important role in exposing bad corporate practices. But even those organizations that push companies hardest see the benefits of working with those willing to do things differently.

We will have opportunities over the next several decades to make real progress on these issues, if we start now. In many of the places conservationists want to protect, the underlying threat is human demand for food, energy, space, and water. An expanding global middle class will only intensify this demand. It will push companies to build more roads and other infrastructure, expand agricultural lands, and extract more minerals, oil, and natural gas. Simply ignoring these trends will only put the planet in greater peril. Likewise, just saying no to these companies and their customers is unlikely to be a successful strategy.

### Changing the Conversation

What if instead of saying no, environmentalists ask “how?” How might companies change their practices to achieve better environmental and business outcomes? How might governments create incentives for companies to invest in and pro-



tect nature rather than degrade it?

The water fund in the Cauca Valley is just one project being framed by these questions. Another can be found along California’s central coast. There, the same frustrating dynamic played out for years: Environmentalists argued for limiting or halting all bottom trawling and creating reserves where fishing would be prohibited, while the fishing industry fought all restrictions as assaults on fishermen’s livelihood. The result was as predictable as it was devastating. The groundfish industry collapsed, and that environmental disaster rippled throughout the local and regional economy.

Some conservationists gradually came to realize that simply talking to (or on occasion yelling at) the fishermen was not going to work. A breakthrough came when we at TNC decided that instead of fighting the industry, we would join it. We bought trawlers and trawl per-

mits from willing sellers in the fishing town of Morro Bay, and the fishermen who wanted to keep fishing agreed to support the protection of 3.8 million acres of fish habitat that would be off-limits to trawlers.

No one had ever tried this approach before, and the fishing community reacted with disbelief. Who could imagine that a bunch of tree huggers would end up owning a large share of West Coast fishing rights? Some TNC supporters and even some staff reacted the same way. But the result has been a successful partnership with local small businesses. Instead of trawlers, most fishermen are using hooks and lines, and the market for live-caught fish is booming.

Major corporations are learning the same lessons. In 2011, Dow Chemical Company CEO Andrew N. Liveris challenged TNC to help apply the concept of nature’s value to his company’s business decisions and operations. His questions were eminently practical: How do Dow’s operations both affect and depend on nature’s services? How would the natural assets that generate such services be accounted for on the company’s balance sheet? How vulnerable are those services, and what might Dow do about those vulnerabilities—either on its own or by joining with other stakeholders to influence natural resource policy?

Today, TNC and Dow are working together to answer these questions. The hypothesis is that once businesses can quantify a broad range of services they depend on from nature, they will see a bottom-line payoff from investing in the natural assets that generate those services. If that hypothesis proves to be right, a straightforward business calculation should motivate new

corporate practices that favor nature protection. Those changes could ripple across entire industries. But this is an experiment. The proof will be in what Dow does with what we learn, and how receptive other companies are to the findings.

Mining giant Rio Tinto Group offers another opportunity. The company is hoping to construct one of the world's largest copper and gold mines in Mongolia. Done

ing, Dow engineers consider climate change. And perhaps most important, as we look ahead to the political progress we'll need in order to protect the environment, we expand our support base beyond committed conservationists to a far bigger and more inclusive group.

This approach may be a significant breakthrough. None of us can find the answers we need on our own, and all of us can benefit from a

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poorly, such a massive project could be a serious threat to the species and landscapes of the Gobi desert. TNC is working with Mongolian scientists, Rio Tinto, and others to find ways to benefit the environment and the economy. The goal is to provide a blueprint for a shared vision—a plan that will be adopted and applied by government, industry, lending institutions, environmentalists, and communities, and that will guide land-use decisions in order to support healthy natural systems and a more sustainable Gobi region.

### Partners in Progress

Making a business case for nature enlists new and sometimes surprising groups of people in our cause—Wall Street bankers, companies with large environmental footprints, governments planning big infrastructure projects, and agribusinesses that clear forests and apply fertilizer. Further, as these groups engage with their “investment” project, their perspective changes: Cane growers now also worry about their water footprint, fishers stop trawl-

good dose of humility in the face of major challenges. Projects like those in the Cauca Valley and Morro Bay, and like those burgeoning at some large multinationals, can get people who don't consider themselves to be environmentalists to join us on common ground. And they can attract the kind of large-scale investments that we need to truly make a difference. +

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This article is adapted from Tercek and Adams's recent book, *Nature's Fortune: How Business and Society Thrive by Investing in Nature* (Basic Books, 2013).

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