

Opinion **Environment**

We need a new asset class of healthy soils and pollinators

Valuing nature as we do traditional goods and services will help us face 21st-century environmental risks

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A Chinese farmer pollinates a tree by hand in Sichuan province. A total loss of nature's pollinators could lead to a drop in annual agricultural output of more than \$200bn © Kevin Frayer/Getty

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The writer, a former US Treasury secretary, chairs the Paulson Institute

The Covid-19 pandemic has exposed a fundamental failure in our collective ability to deal with predictable global crises. It should have been a wake-up call and yet we are in danger of sleepwalking into another disaster — this one caused by staggering biodiversity loss.

As governments [rebuild and invest](#) in the wake of this crisis, policymakers must learn to value nature, providing the right conditions and incentives to drive change. One important step would be to create a new asset class comprised of things such as productive soils, crop pollination and watersheds. This might sound far-fetched — especially coming from [a former US Treasury secretary](#) — but valuing nature as we do traditional goods and services will create incentives to avoid biodiversity destruction, manage climate change and preserve lives and livelihoods. Harnessing the power of markets can protect our environment and prevent its rapid destruction.

With tropical forests in retreat and the [extinction of species](#) thought to be about [1,000 times the natural rate](#), nature's ability to provide the goods and services on which we depend is being undermined, presenting enormous risks to prosperity. Take, for example, the “service” [provided by pollinators](#) — essential to grow fruits, nuts and vegetables — that are dying in record numbers. A total loss of these species could lead to a drop in annual agricultural output of [more than \\$200bn](#). Add the secondary service of pollinating non-food crops such as alfalfa, the main feed for cattle, and the impact rises to more than [\\$500bn a year](#). In financial terms, bats, bees and birds are a valuable asset.

The same is true of watersheds. In the 1990s, New York City, for example, improved the ability of the Catskills watershed to filter the city's water. They paid farmers to use organic products and move animals away from streams, improved sewage systems and established conservation agreements. The result was cleaner water achieved with [a \\$1.5bn investment](#), compared with up to \$8bn needed to build a filtration plant.

Policymakers often consider nature's benefits “free” so market pricing is difficult, sometimes infeasible, and they are often valued at zero. Conserving the environment is not adequately rewarded financially and damaging it is not appropriately penalised. One result of this failure is an enormous shortfall in the money needed for biodiversity protection, conservation and restoration.

A [major report](#) due to be released next week by the Paulson Institute estimates that the current biodiversity financing gap will be over \$700bn a year for the next decade. Our report offers a number of policy and financing mechanisms that could help close this gap, but our core message is simple: we must develop innovative financial mechanisms that transform the goods and services provided by nature into asset classes.

This will mean fundamental changes in our thinking. First, we need to look at how subsidies promote “bad behaviour”. Consider that annual subsidies for activities that harm biodiversity, such as [\\$400bn for dirty energy consumption](#), are at least twice the annual capital flows towards biodiversity conservation. Here, governments must begin the politically fraught process of diverting public funds away from environmentally harmful activities and towards those that protect and sustainably manage nature. This step could help close the funding gap by up to half.

Second, we need to pave the way for more action by the private sector and its substantial financial resources. Companies will not — and cannot be expected to — deploy capital for conservation projects that don’t promise economic returns. That is why governments need to put in place policy measures, such as tax breaks, incentives and regulatory requirements, to encourage investment.

Third, we must improve global co-ordination. It is in the economic interest of the world’s financial institutions to increase their support for biodiversity. The costs of preparing for and preventing Covid-19’s spread, for example, would have been high — but nowhere near those the pandemic has wreaked. What’s more, investments in conservation will help protect against future zoonotic outbreaks. We need to lay the groundwork to ensure our institutions are fit to face 21st-century risks.

This will not happen overnight. There is significant short-term pressure to counter this economic shock. But, as governments consider how to revitalise their economies, they would do well to think long-term and ask how resources can be redirected to projects and initiatives that will not only create jobs and kickstart economies, but also reduce the prospect of future pandemics.

If we learn the lessons of Covid-19, we may be able to avoid the worst outcomes and tragedies of the next predictable crisis. It’s time to approach the biodiversity and climate challenge with the urgency, creativity and political will that it merits — before it’s too late.