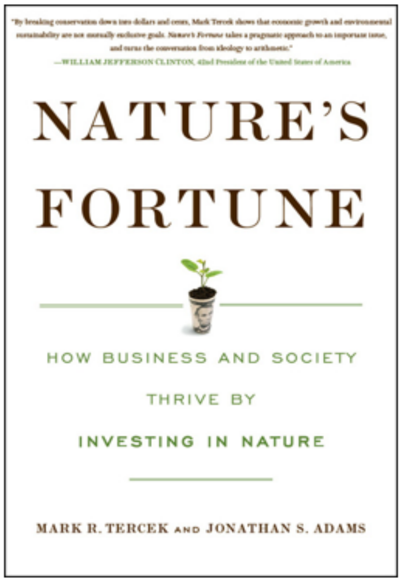
Book Review



Nature's Fortune: How Business and Society Thrive by Investing in Nature, by Mark R. Tercek and Jonathan S. Adams; New York: The Nature Conservancy and Basic Books, 243 pp. $26.99 (hardcover); $14.99 (eBook); $14.99 (audiobook)

Reviewed by Sonal Mahida, MBA

From the Oyster Reef to the Flood Plains, How Nature Creates Value for Business

Mark Tercek wants to change how we think about and value nature. The former managing director of Goldman Sachs and current CEO of the Nature Conservancy (TNC) believes that considering nature as a capital asset and applying business concepts to nature can align conservation goals and business interests. "Viewing nature through these basic business principles, focuses more attention on the benefits of conservation. You may not become a conservationist, but you will realize that conservation—protection of nature—is a central and important driver of economic activity," Tercek asserts in *Nature's Fortune: How Business and Society Thrive by Investing in Nature,* written in collaboration with science writer and conservation biologist Jonathan Adams. Using an economic lens, the book calls for increased efforts to preserve our natural resources.

Tercek draws on global examples, from the oyster reef to the floodplain, to demonstrate the business and public value of natural assets. By identifying the value that ecosystem services provide to business and local economies, the book presents investments in nature as opportunities to address climate change, water scarcity, flooding, overfishing, and food shortages.

Resource Rights and Scarcity

Resource scarcity highlights interdependencies between nature and business, and shortages of essential resources lead to risk. In order to manage this risk, Tercek observes, water-dependent companies are beginning to evaluate the resource through their business planning.

For example, water is an essential input for all beverage bottlers. The need for a reliable water supply has driven Coca-Cola FEMSA, which bottles and distributes Coca-Cola products in Latin America, to explore how protecting upstream forests can be key to securing this access. To the CEO, Carlos Salazar, the issue is a business matter leading him to ask questions that the conservation movement has not necessarily explored, such as, "How much water will I get for each dollar I spend on conservation?" To Tercek, this approach exemplifies how both the business and environmental communities need to evaluate the role of natural capital and the opportunities for conservation that arise as a result.

Issues of resource rights (including human rights), use, and availability have potential impacts for current global corporations, argues Tercek, including input scarcity, interrupted operations driven by local community outrage, damage to brand or reputation, and changes in client standards. Coca-Cola's experience in Kerala, India, and Greenpeace's engagement of McDonald's, as shared in the book, illustrate how, in an increasingly connected world, changes in availability of natural resources on local and regional levels have the potential to impact major corporations, brands, and reputations from a global perspective.

Public Investments in Natural Capital

As Tercek points out, not all opportunities in natural capital are suited for private investments. Echoing arguments made for sustainable development, Tercek urges for increased integration of natural systems into public infrastructure, using the New York City water system's leverage of the Catskills watershed as one example of how green infrastructure can boost local economies as well as conserve nature.

Green infrastructure needs to play a greater role in public strategies for climate change adaptation in order to fill the gaps left by gray infrastructure, according to the book. For example, Tercek creates a case that natural system solutions, such as oyster reefs and marshes, can be more resilient and therefore a better investment than gray infrastructure such as levees and seawalls. Our current reliance on gray infrastructure hinders climate adaptation, continues the argument, because it is often built on outdated assumptions of regional climate variance and because gray infrastructure can exacerbate instead of mitigate the climate change impacts. Levees along the Mississippi river now redirect sediment that once replenished the marshes along the coastal road of LA1 in Grand Isle, Louisiana. These marshes now overflow with water and the road could be completely underwater by 2030. Closing the road could lead to billions of dollars of economic loss because it connects to a major oil and gas shipping terminal; the cost of rebuilding an elevated road would be much less: in the millions.

Low Hanging Fruit: The Value of Collaboration

Tercek wants to scale up conservation through collaboration. He calls for traditional businesses and NGOs to understand the benefits of collaboration and to leverage business value that aligns with conservationist goals. "The point is not just to help businesses and governments do less harm, but to make them become part of something far bigger," he writes. Citing strategies that have worked for TNC and other NGOs in engaging business, Tercek sees business as one of the most powerful tools and a major ally available to conservationists. In Morro Bay, where overfishing led to the collapse of groundfish species, thus decimating the local fishing industry, TNC worked with the local fishing community to develop a solution that protected a 3.8-million-acre fishing habitat. The collaboration called for some inventive solutions, including the creation of a fishing version of a land conservation easement. Engaging business is an opportunity to address the challenges of limited capital and limited base facing the conservation movement, says Tercek.

Tercek recognizes the complexity behind his call to action, admitting early on that, "Putting a value on nature is a tricky and even controversial task." The nuanced discussions in the book highlight where there is still work to be done and more importantly, acknowledge that not all scenarios are win-win and current successes are not necessarily permanent. Potential downfalls of blanket approaches or black and white anti-corporate approaches are also addressed in the book. Regarding the value chain of Amazonian beef, the book points out that "Engaging the big multi-national companies brings leverage, but driving them out of Brazil leads either to someone else filling the void, or to simply relocating the problem." To Tercek, the solution lies in transforming the market by encouraging methods to raise cattle that do not lead to deforestation. This is not an easy task; it is one that requires capacity building for small and medium enterprises (SMEs) to adapt current technologies in order to track and monitor where cattle is being raised. Nevertheless, he argues, this approach will allow for the Amazon rainforests and the Brazilian beef industry to coexist.

Solutions are possible once we begin to understand and address the nuances of interactions between business and nature. Viewing nature as a typical business inventory without understanding its underlying systems can make some of the examples presented in the book seem counterintuitive. However, Tercek successfully demonstrates how conservation can lead to increased value. On the Micronesian island of Pohnpei, Dakio Paul's enforcement of a no-fishing area increased fish for the adjacent areas via the spillover effect. Protecting the reef of Black Coral Island, a location for grouper spawning, created benefits that rippled out to others. The practice was then adopted by other communities across the island. This scaled response led to the full recovery of the grouper-spawning habitat, thus improving the local fishing industry. Eventually, five countries in the region signed on to the Micronesia Challenge, and committed to "effectively conserve at least 30 percent of the near-shore marine resources and 20 percent of the terrestrial resources across Micronesia by 2020."

Conclusion

The book's overall argument will be familiar to those working in the fields of responsible and environmental investing. The text weaves together business fundamentals such as market dynamics with the author's appreciation of nature. Sections such as the discussion of TNC's work with the Dow Chemical Company can be informative for readers working in equity investing. A number of the case studies can be valuable for those engaged in impact investing and business-NGO collaborations. While the majority of examples are focused on NGO initiatives, they provide analogous insights for shareholder engagement strategies.

The book falls short of sharing insights into the process for arriving at the solutions. The concept of leveraging business to address social and environmental concerns is not new; the value in Tercek's offering is the specific perspective used by TNC and others. More of the content could have been spent expanding on the 'aha' moment or presenting suggestions for how readers can change perspectives and culture in order to further integrate the advocated approach. The book also skirts the divergence between timeframes for business planning and ecosystem solutions, which is a potentially major hurdle for implementation.

The most successful arguments in the book are lost at times in the descriptive, albeit beautifully written text. This may be a downfall of the book's approach to integrating two disciplines.

Overall, Nature's Fortune is a perfect introductory text for clients, the mainstream financial industry, environmentalists, and anyone who is skeptical of integrating business solutions with conservation goals. The words are often steeped in the language of an environmental NGO, but the underlying concepts are based on good management theories. For those in environmental investing, Tercek's arguments could convince the stalwart clients of the potential to enact change by engaging with companies. It can also help clients leaning towards divestment understand why engagement in certain situations can be more likely to lead to change. As Tercek writes, "The bigger the company's footprint, the bigger the opportunity for the company to reduce its impact by changing its behavior."

Sonal Mahida is the U.S. Network Manager for the Principles for Responsible Investment (PRI), where she is responsible for engaging with and supporting U.S. signatories in the practice and implementation of their environmental, social, and governance (ESG) risk management. Prior to joining PRI, Sonal focused on corporate sustainability reporting as part of the environmental, health and safety team at Hess, a U.S. oil and gas company. Furthermore, she was Vice President of the Carbon Disclosure Project (CDP), where she managed the organization's U.S. operations. Before joining CDP in 2008, Sonal was a senior governance analyst at TIAA-CREF, where she led ESG dialogues and engagements with portfolio companies and undertook internal proxy voting analysis. Ms. Mahida has worked across ESG risk from institutional investor, nonprofit, and corporate issuer perspectives. Her experience includes shareholder engagement and the development of proxy voting guidelines, proxy voting analysis, and ESG integration. Ms Mahida holds an MBA from Boston University's School of Management and a BA from Barnard College, Columbia University. She can be reached at sonal.mahida@unpri.org.