

Factsheet 3:

Natural capital and environmental markets

Natural capital, environmental services and more explained

The value of the natural resources, or natural assets, on your land, and the services they provide, is known as your natural capital. As a landholder, you can benefit from enhancing the value of your land's natural capital and get a financial return for your actions through environmental market opportunities and improved productivity that often comes from improving your farms natural assets.

This factsheet introduces natural capital, environmental services and other related terms, and how they relate to environmental markets. This information may help you better understand these services and markets, and support you to make the best decision for you and your business.



Natural assets

Natural assets are the world's stock of natural renewable and non-renewable resources, including soils, air, water, trees, plants, animals, and all living things. You will likely have many different natural assets on your property.

The services these natural assets provide—such as food production, drinking water supply, fuel, building materials and medicines—are known as ecosystem services.

Natural assets and ecosystem services are essential for humans and other animals to survive, from the air, water and food we consume, to the wildlife that maintains healthy ecosystems and the forests that absorb carbon from the atmosphere and regulate climate.

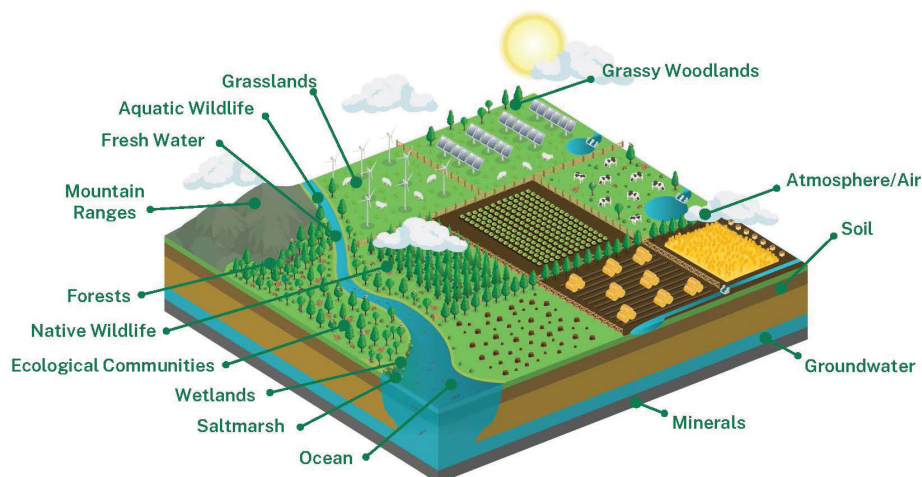


Figure 1. Different types of natural assets. Source: Environmental Markets Leadership Course (2023).

Environmental services

Environmental services are the activities that people do to protect, manage, restore or improve natural assets and ecosystem services. This includes activities like protecting native species, revegetation, regenerating topsoil or repairing damage to landscapes.

You're probably already doing activities on your land that could be described as environmental services. Natural resource management, regenerative agriculture, environmental protection or sustainable land management are all on-farm practices that improve, protect and restore natural assets and ecosystem services, while also improving productivity. Payment for these services through environmental markets recognises the value and costs associated with these actions and contributions.

Combining environmental services with your existing primary production activities could add value to your business. Environmental services can also be separate from your primary production activities, such as on lifestyle or culturally managed properties, or other sections of your property.

Natural capital

Natural capital recognises the benefits and value of natural assets and ecosystem services. It frames nature in a similar way to traditional forms of capital, such as financial, built, human and social capital. As a landholder, if you invest in natural capital, you create value; if you degrade natural capital, you reduce value.

There are many positive effects that come from well-functioning natural assets, ecosystem services and the environmental services that support them, such as:

- a stable climate
- safe drinking water
- safe, high-quality food and fibre
- thriving industries such as agriculture and tourism.

Natural capital recognises these benefits to individuals, groups and the broader community by assigning them economic, environmental, social and cultural worth, known as value.

Natural capital allows you to understand and demonstrate the value of your assets and land management practices. It allows governments to account for nature's role in the economy, measure how humans affect nature and invest in nature. It also helps businesses, investors, banks and wider society to monitor their impact and make more informed decisions that promote sustainable land management and improve their environmental credentials.

Natural capital and environmental markets

If you can demonstrate the benefits and value of your natural assets, ecosystem services and environmental services, you may be able to exchange natural capital for financial rewards through environmental markets.

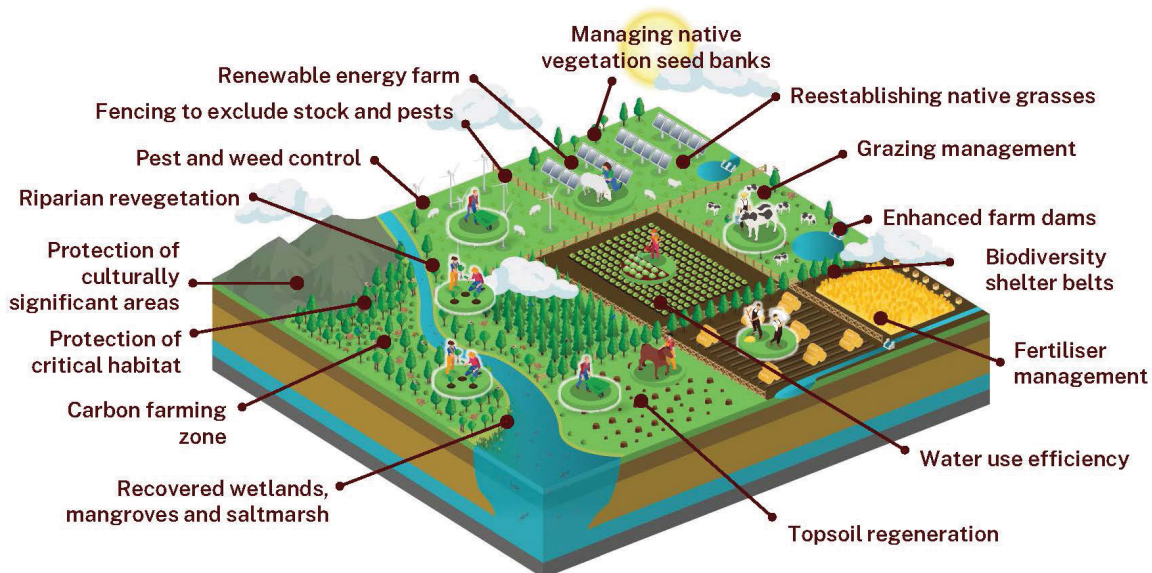


Figure 2. Environmental services you may offer on your property. Source: Environmental Markets Leadership Course (2023).

Find out more

Local Land Services can help you understand the natural capital and environmental market opportunities available, and the potential benefits and risks, so you can make the best decisions for your property. We are currently building our services to provide independent advice and help you navigate new opportunities in farming.

For more information visit www.lls.nsw.gov.au