Report Delves Into The Potential Benefits Of Pricing Nature In The Brazilian Amazon

DUBLIN, Nov. 8, 2021 /PRNewswire/ -- S&P Global Ratings said today that natural capital accounting pricing measures could potentially encourage more forest-friendly farming practices and help tackle global deforestation, a major issue in the fight against climate change (see Natural Capital Valuation: An Incentive To Protect Nature? published today on RatingsDirect.

Using beef produced in the Brazilian Amazon as a case study for pricing nature in nature-dependent supply chains--noting that beef production is a key driver of deforestation in the region--S&P Global Ratings estimates a hypothetical cost of nature loss for Amazonian-sourced beef of US$4 billion in 2020, or 12% of Brazilian beef processors' revenues for the same year.

"Valuing nature is something we do without thinking, but going one step further and putting a price on nature could be a way to help protect it," said sustainable finance analyst and lead author, Maurice Bryson.

"Using ecosystems services valuations to gauge the potential value of nature loss when a hectare of the Amazon is deforested, and then using this natural capital valuation assessment to more accurately assess the externalized cost of nature loss could help stem the decline in nature," Mr. Bryson added.

The data indicate that a hectare of standing forest in the Amazon createsUS$4,741 of ecosystem services per year, and, if properly accounted for, could be a first step to incentivizing more forest-friendly farming practices.

Ascribing value to a standing forest is not without its challenges. By assessing the services that intact nature provides--ecosystem services--and then putting a value on these, which can come from calculating how much it would cost humans to replicate nature's services, incorporating nature into the assessment of wealth becomes more tangible.

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