Natural Capital Glossary

FOR NORTH-WEST TASMANIAN FARM BUSINESSES

What is natural capital, and how does it relate to Tasmanian agricultural businesses?

'Natural Capital' or 'Natural Assets' are a re-branding of our natural resources – such as soil, water and living things – so they can be better recognised and valued in an economic sense.

Unfortunately, our natural systems are in decline driven by immense pressure from human activities. Damaged ecosystems exacerbate climate change, undermine food security and put people and communities at risk. $44 trillion of economic value generation – over half the world's total GDP – is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss (World Economic Forum 2020).

To make good decisions that involve nature, we need to understand how nature supports our economy and wellbeing – which is where natural capital accounting fits in. The world is uniting in developing consistent systems of measuring and accounting for nature in an effort to value, preserve and enhance nature and better integrate into existing economic systems.



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Why is everyone talking about Natural Capital?

Nature underpins our economy and communities
Healthy ecosystems provide clean water, healthy soils, pollination, food production and carbon storage.

Nature under pressure = Risk to economy
Human activities and climate change are contributing to the decline of nature and the services it provides, threating our global economy.

Global Commitment to Act
Global agreements, targets and commitments are encouraging action to protect and restore nature.

How do we do this?

Measure and understand

Assessing, accounting for and communicating nature's value.

e.g. TNFD, SEEA, Science-Based Targets Network

Create incentives

New market opportunities reward nature protection and enhancement.

e.g. Carbon and biodiversity credits, certified sustainable products

Legislation & reporting

New laws and reporting requirements restrict market access for non-compliance

e.g. EU Deforestation Regulation, climate related disclosures

The outcome:

Action on farm to better preserve and enhance natural capital

Farmers and landholders protect, restore and enhance the natural assets we all rely on. This might look like fencing stock out of waterways, planting biodiverse shelterbelts, or protecting remnant native vegetation on farms.

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Section 1: Key terms and concepts

Natural Capital

Natural capital refers to the world's stock of natural resources and ecosystems that provide benefits to people, businesses and the economy. It includes resources such as soil, water, air, forests, vegetation, minerals and biodiversity.

Example: A farm's healthy soil, clean water, native vegetation and pollinator populations are all forms of natural capital that support agricultural production.

Natural Assets

Natural assets are the individual components of nature that make up natural capital. They can be living or non-living resources.

Examples include:

- Soil and agricultural land.
- Rivers, wetlands and groundwater.
- Native forests and grasslands.
- Wildlife and plant species.
- Coastal and marine ecosystems.

Example: A wetland on a farm is a natural asset because it stores water, filters pollutants, supports wildlife and provides habitat.

Ecosystem Services

Ecosystem services are the benefits that people and businesses receive from nature and functioning ecosystems.

They are commonly grouped into four categories:

- Provisioning services: Products obtained from nature, such as food, timber, fibre and fresh water.
- Regulating services: Natural processes that regulate the environment, such as carbon storage, water filtration, flood control and pollination.
- Cultural services: Recreational, spiritual, educational and cultural benefits.
- Supporting services: Fundamental ecological processes, such as nutrient cycling, soil formation and primary production.

Example: Insects pollinating crops provide an ecosystem service that supports agricultural productivity.

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Natural Capital Accounting

Natural Capital Accounting is the systematic measurement and recording of natural assets, their condition and the ecosystem services they provide.
It uses accounting principles and structured data to monitor changes in natural capital over time.

It can help governments, businesses and landholders incorporate environmental information into decision-making alongside traditional financial accounts.
Example: A farming business records the extent of its native vegetation, soil condition and water resources and tracks changes in these assets over several years.

Natural Capital Assessment

A Natural Capital Assessment is a process of identifying, measuring and evaluating the condition, extent and value of natural assets and the ecosystem services they provide.
It helps organisations understand:

- What natural assets they own, manage or depend upon.
- The condition and health of those assets.
- The benefits those assets provide.
- The risks associated with their degradation or loss.
- Opportunities to protect, restore and improve natural capital.

Example: A farm undertakes an assessment of its soil health, vegetation cover, water resources and biodiversity to understand the environmental condition of its property.

The difference: Natural Capital Assessment evaluates and analyses natural assets, while Natural Capital Accounting establishes a consistent system for measuring, recording and reporting them over time.



Section 2: Environmental frameworks, standards and regulations:

System of Environmental-Economic Accounting (SEEA)
SEEA is an international statistical framework developed under the United Nations to measure the relationship between the environment and the economy.

Taskforce on Nature-related Financial Disclosures (TNFD)
The TNFD is an international initiative that provides recommendations for organisations to identify, assess, manage and disclose their nature-related dependencies, impacts, risks and opportunities.

It helps businesses understand how their activities affect nature and how changes in nature may affect their financial performance.

Its recommendations use four key pillars: governance, strategy, risk and impact management, and metrics and targets.

The TNFD framework includes the LEAP approach:

- Locate interfaces with nature.
- Evaluate dependencies and impacts.
- Assess risks and opportunities.
- Prepare to respond and report.

Example: A food processing business that sources agricultural products uses TNFD to identify its dependence on healthy soil, reliable water supplies and pollination for both is processing and product sourcing, and assess the financial risks associated with soil degradation and water scarcity.

Taskforce on Climate-related Financial Disclosures (TCFD)
The TCFD was established to develop recommendations for companies and financial institutions to disclose climate-related financial risks and opportunities.

It focuses on how climate change affects an organisation financially, including physical risks (such as droughts, floods and bushfires) and transition risks (such as changing regulations, technology and markets).

Note: The TCFD completed its work in 2023. Its recommendations have been incorporated into the development of the International Sustainability Standards Board's climate disclosure standard, IFRS S2.

Australian organisation now need to meet these standards under their legal requirement of Corporations Act 2001.

Australian Corporations Act & Climate-Related Disclosure Requirements

Climate-related disclosure requirements have been introduced in Australia. Large entities and financial institutions are required to prepare an annual sustainability report containing climate-related disclosures for annual reporting periods beginning on or after 1 January 2025. The report must be prepared in accordance with the sustainability reporting requirements in the Corporations Act 2001 (Corporations Act) and AASB S2 Climate-related Disclosures, lodged with ASIC and given to shareholders or members alongside the annual financial report. These requirements are being phased in over time, starting with very large entities.

Important for farmers: Most small and medium-sized Australian farming businesses do not have direct reporting obligations under this regime. However, larger customers, processors, banks and supply chain partners may request environmental and emissions information from farmers.

While Australia's legislative arrangements underpinning climate-related financial disclosures have been designed to minimise the cost or burden of reporting scope 3 emissions (indirect emissions that arise from activities not directly controlled by a company, including both upstream and downstream processes in the value chain), there may be other commercial reasons a company may request farm-level data. Some businesses have set voluntary emissions reduction targets, including for their scope 3 emissions. Reporting emissions reduction against these targets over time may require specific data, such as farm-level data.

Even before climate-related financial disclosures were made mandatory, some businesses estimated their scope 3 emissions based on a sample of farmers who were interested or incentivised to opt-in to voluntary programs. In other cases, businesses have focussed on their largest suppliers or customers to estimate their scope 3 emissions.

For more information view the DAFF *Climate-related financial disclosures: what does it mean for farm businesses?* information sheet.

Science Based Targets Network

The Science Based Targets Network develops methods and guidance to help businesses and cities set measurable, science-based targets for nature.

The Science Based Targets Network is a civil-society and science-led initiative founded in 2019 by a group of global with founding partners CDP, World Resources Institute, WWF, United Nations Global Compact (also the founding partners of the Science Based Targets initiative) as well as Conservation International, UNEP-WCMC, and World Economic Forum.

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EU Deforestation Regulation (EUDR)

EUDR is an EU regulation designed to prevent certain products associated with deforestation and forest degradation from entering or leaving the EU market. It applies to seven main commodity groups: cattle, cocoa, coffee, oil palm, rubber, soya and wood. It also covers specified products made from these commodities.

Businesses within its scope must demonstrate that relevant products are deforestation-free, legally produced and supported by required due diligence information, including geolocation data.

Example: An Australian beef exporter supplying the European market may need to demonstrate that the cattle were not raised on land subject to deforestation after the regulation's applicable cut-off date of 31 December 2020.

UN Sustainable Development Goals (SDGs)

The SDGs are 17 global goals adopted by United Nations member states in 2015 as part of the 2030 Agenda for Sustainable Development. They provide a shared framework for addressing social, economic and environmental challenges.

Some particularly relevant goals for agriculture and natural capital are:

- SDG 2: Zero Hunger.
- SDG 6: Clean Water and Sanitation.
- SDG 12: Responsible Consumption and Production.
- SDG 13: Climate Action.
- SDG 15: Life on Land.
- SDG 14: Life Below Water.

Kunming-Montreal Global Biodiversity Framework (GBF)

The GBF is a global agreement adopted in December 2022 under the United Nations Convention on Biological Diversity. Its purpose is to halt and reverse biodiversity loss and put nature on a path to recovery by 2030. It contains four long-term goals for 2050 and 23 targets for 2030.

Australia has signed onto the agreement in 2022 as has since committed to:

- Committing to protect and conserve 30% of land and 30% of oceans by 2030 (known as the 30 by 30 target).
- Committing to zero new extinctions.
- Committing to real and significant climate action - to support private investment in natural capital and nature-based solutions for climate adaptation.
- Establishing a Nature Repair Market - to support landholders in Australia to conserve, protect and restore nature.

Australian Agricultural Sustainability Framework (AASF)

The AASF is a national, industry-led initiative designed to provide a common language for describing, measuring and communicating the sustainability of Australian agriculture.

It aims to align existing agricultural sustainability programs with international standards and expectations.

Its three main themes are:

- Environmental stewardship: Soil health, biodiversity, water management, landscape protection and greenhouse gas emissions.
- People, animals and community: Food safety, animal welfare, worker safety and community wellbeing.
- Economic resilience: Business viability, risk management, ethical practices and supply chain transparency.

The framework is intended to improve consistency rather than introduce another compulsory farm certification scheme.

Nature Repair Market

The Australian Nature Repair Market is a government-established market designed to encourage private investment in projects that protect and restore nature.

It provides a framework for generating and trading biodiversity certificates from eligible projects that deliver measurable improvements in biodiversity.

Landholders and project developers can potentially generate income by undertaking eligible nature repair projects and selling the resulting certificates.

The market is intended to create an additional financial incentive for landholders to protect and improve Australia's natural environment.

Currently, as of November 2026, there are two approved methods available:

- *Replanting native forest and woodland ecosystems method* - Replanting native forest and woodland ecosystems method
- *Enhancing native vegetation method* - Projects can enhance, maintain and/or revegetate areas of native vegetation.

The following method is expected to be released in 2027:

- *Protect and conserve* - The proposed method will deliver long-term protection and conservation of biodiversity on land. The proposed method will support projects that contribute to Australia's goal to protect and conserve 30% of Australia's land by 2030.

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Accounting for Nature (AfN)

Accounting for Nature is an Australian-developed environmental accounting framework that provides a scientific and standardised approach to measuring the condition of natural assets.

It enables landholders, businesses, governments and environmental organisations to measure and monitor changes in environmental condition over time.

The framework uses scientific measurements and reference conditions to produce environmental accounts and assess whether environmental assets are improving or deteriorating.

Important distinction: Accounting for Nature measures environmental condition. It is not itself a carbon credit scheme or biodiversity credit scheme, although its information can support environmental investment and reporting, and carbon and biodiversity credits.

Carbon Credit

A carbon credit is a tradable unit representing the reduction, avoidance or removal of one metric tonne of carbon dioxide equivalent (CO_2-e) emissions.

Carbon credits are generated through projects that either:

- Prevent greenhouse gas emissions from entering the atmosphere.
- Remove and store carbon dioxide from the atmosphere.

Examples include:

- Reforestation and revegetation.
- Improved agricultural soil management.
- Methane reduction projects.
- Renewable energy projects.
- Landfill gas capture.

Carbon credits can be sold to organisations seeking to compensate for emissions or meet relevant climate commitments.



Australian Carbon Credit Unit (ACCU)

An ACCU is a carbon credit issued under the Australian Government's Australian Carbon Credit Unit Scheme. Each ACCU represents one tonne of carbon dioxide equivalent (1 t CO_2-e) of greenhouse gas emissions avoided or stored through an eligible project. ACCUs can be sold to the Australian Government or private-sector buyers.

ACCU projects may include vegetation and reforestation projects, agricultural emissions reduction, improved soil and land management, methane reduction, and energy efficiency improvements.

Difference: A carbon credit is a general term used internationally, whereas an ACCU is a specific Australian Government-issued carbon credit.

Biodiversity Credit

A biodiversity credit is a unit representing a measurable and verified positive outcome for biodiversity, usually resulting from protecting, restoring or improving an ecosystem. Biodiversity credits are intended to create financial incentives for businesses and investors to support nature conservation and restoration.

Unlike carbon credits, which are measured in tonnes of carbon dioxide equivalent, biodiversity credits measure improvements in biodiversity using relevant ecological indicators and methodologies. Methods established for biodiversity credits go through processes to ensure that actions undertaken to support nature conservation and restoration are actually delivering the desired outcomes and can be measured consistently. The Nature Repair Market is an Australian Government-established market for Biodiversity Credits with approved Methods currently available.

Important distinction: Biodiversity credits are not interchangeable with carbon credits. A biodiversity improvement does not automatically represent a carbon reduction, and vice versa.

Environmental, Social and Governance (ESG)

ESG stands for Environmental, Social and Governance. It is a framework used by businesses, investors and financial institutions to assess an organisation's performance and risks beyond financial measures.

The three key areas are:

- Environmental: Climate change, emissions, pollution, waste and resource use.
- Social: Employee wellbeing, human rights, diversity, safety and community impact.
- Governance: Leadership, transparency, accountability and risk management.

ESG helps stakeholders, including investors, banks and customers, assess a business's long-term sustainability and performance.

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Section 3: Climate and emissions reduction terms:

Climate Change and Weather

Climate change is different to weather. Weather is what you experience when you step outside on any given day. Climate is the average of the weather patterns in a location over a longer period of time, usually 30 years or more. Data has shown that our climate has warmed rapidly over the last hundred years.

Greenhouse gases (GHGs) accumulate in the atmosphere and trap the suns heat, causing our oceans and atmosphere to warm up at a rate our natural systems are struggling to cope with. Some GHGs form naturally, while others are released from human activities.

GHGs include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and other gases.

Not all GHGs are the same - some can trap more heat than others, some last a long time in our atmosphere, and others are much shorter lived. These factors determine their 'warming potential'. For example, methane can trap around 80 times more heat than carbon dioxide can, but methane will disappear after around a decade in the atmosphere while carbon dioxide lasts thousands of years. Take a look at this table to learn more.

In Australia and around the world, the largest source of GHG emissions is extracting and burning coal, oil and gas for energy. You may have heard this referred to as carbon emissions.

Farms also emit GHGs. This can look like:

- Methane from livestock (especially ruminants)
- Nitrous oxide from fertilisers
- Carbon dioxide from fuel, gas and electricity consumption
- Carbon dioxide from clearing native vegetation and nitrous oxide and methane from burning vegetation

All industries need to rapidly reduce and where possible eliminate polluting GHG emissions to help prevent further warming. Every bit of GHG pollution that we don't create today means a better tomorrow for farmers and future generations.

Carbon Neutral

Carbon neutral means achieving a balance between the greenhouse gas emissions produced by an organisation, product, service or activity and the emissions avoided, reduced or offset through recognised carbon removal or offset activities.

In simple terms: Emissions produced − emissions offset or removed = Zero net emissions.

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Net Zero

Net zero means achieving an overall balance between all greenhouse gas emissions produced and greenhouse gases removed from the atmosphere.

It involves reducing emissions as much as possible and balancing the remaining emissions through carbon removals.

Difference between Carbon Neutral and Net Zero: Although the terms are sometimes used interchangeably, net zero generally places greater emphasis on deep reductions in emissions before balancing residual emissions. Carbon neutrality can rely more heavily on purchasing carbon offsets.

Real Zero Emissions

Real Zero means eliminating greenhouse gas emissions from your operations and value chains. Not offsetting them, not balancing them out, not pushing them somewhere else.

Carbon Sequestration

Carbon sequestration is the process of capturing carbon dioxide from the atmosphere and storing it in natural or artificial systems.

Natural carbon sequestration occurs through processes such as:

- Photosynthesis in plants.
- Carbon storage in trees and vegetation.
- Carbon accumulation in soils.
- Carbon storage in wetlands and other ecosystems.

In agriculture, carbon sequestration can be increased through practices such as:

- Establishing trees and native vegetation.
- Improving soil organic matter.
- Restoring degraded land.
- Protecting existing vegetation.
- Improving pasture and land management.

Example: Trees planted on a farm absorb carbon dioxide through photosynthesis and store carbon in their trunks, branches, roots and surrounding soil.

Australian Government

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