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Biodiversity or climate change: do we have to choose?

Hélène CHARRIER,
Head of SRI Solutions,
LBP AM

Guillaume Lasserre,
Deputy Chief Investment Officer,
LBP AM

The United Nations Convention on Biological Diversity believes that Earth is on the verge of a sixth “mass extinction” and the first attributable to mankind. 1 million species are already threatened with extinction¹. Meanwhile, the IPCC2 has once again sounded the alarm that greenhouse gas emissions from human activities have exacerbated global warming at an unprecedented pace. The average global surface temperature has risen by 1.1°C since the pre-industrial era and the 1.5°C threshold is likely to be reached in the early 2030s, with serious consequences, in some cases irreversible, on ecosystems and populations.

These dual crises of climate change and biodiversity, each of which poses a threat to human survival, are closely intertwined. Climate change itself is one of the causes – all of which are connected to human activities – of the collapse in biodiversity.



WHAT HAS CAUSED THE COLLAPSE IN BIODIVERSITY:

- **Changes in use of land** and marine spaces (including deforestation, soil artificialisation, etc.), due, among other things, to urbanisation and intensive farming. This causes the destruction and fragmentation of natural habitats and is currently the main cause of the loss of biodiversity;
- **Overexploitation of animal and plant species** (through fishing, forestry, etc.);
- **Pollution** (chemical, physical, light, and sound);
- **Importing of invasive species** and diseases ;
- **On top of these factors**, climate change, according to the IPCC, “has caused substantial damages, and increasingly irreversible losses, in terrestrial, freshwater and coastal and open ocean marine ecosystems.”

1. Source: The Global Assessment Report on Biodiversity & Ecosystem Services, 2019.

2. Source: IPCC AR6.



While these crises are mutually reinforcing, they can also be jointly resolved. For example, activities that are harmful to biodiversity, such as deforestation, are also harmful to the climate. Conversely, initiatives for preserving and restoring biodiversity help combat climate change.

So, it is of critical importance to identify those economic activities that help protect biodiversity and the climate, and to ensure financing of them so they can take off rapidly in the next decade.

This is one of the essential challenges of the European taxonomy on sustainable activities.

The Taxonomy regulation adopted by the European Union in June 2020 created a classification of economic activities based on their potential contribution to the EU's six environmental goals:

- ▶ **Attenuation** of climate change,
- ▶ **Adaptation** to climate change,
- ▶ **Protection and sustainable use** of water and marine resources,
- ▶ **Transition** towards a circular economy,
- ▶ **Preventing** and **controlling** pollution, and
- ▶ **Protecting** and **restoring** biodiversity of ecosystems.

It also requires that companies – and investors – identify within their business portfolios those activities that fall within this classification and to report the proportion that they make up in their overall activity.

Activities making a positive contribution to protection of biodiversity and climate

As the issues of climate change and loss of biodiversity are closely linked, many activities overlap between them. Some examples include promoting recycling and circularity, alternative sustainable construction materials, and plant-based foods.

Some other eco-activities affect more specifically the preservation and restoration of biodiversity in the form of regenerative agriculture and agroforestry.

THESE ACTIVITIES THAT HELP LIMIT CLIMATE CHANGE BUT THAT COULD HARM BIODIVERSITY

Some eco-activities, whose usefulness has been proven in combating climate change on a global scale, may have a negative impact on biodiversity on the local level. It is therefore essential

to look beyond the activity itself and to understand how it is undertaken with regards to other issues at stake, such as the “Do No Significant Harm” (DNSH) rule integrated into the European Union’s Taxonomy.

At LBPAM, we have set up due diligence procedures to verify the impact of eco-activities from several angles, including protection and restoration of biodiversity, respect for human rights, etc.

One clear example is electric batteries. While the development of electric vehicles is widely regarded as a remedy for air pollution and CO₂ emissions, what about the manufacturing of batteries, which requires the use of rare metals and the destruction of ecosystems in mining those metals?

What approach should be taken to companies in transition?

Some companies whose activities may strongly impact climate and biodiversity may also provide solutions, particularly in the agriculture, forestry, and utilities sectors. It would therefore be inappropriate to take an all-inclusive or black-and-white approach to such companies.

As an investor, our role is to use our entire toolkit to assist these companies in their transition:

- through **exclusion policies**;
- through **allocation of our investments**;
- through **shareholder engagement and collaborative engagement**.

Regarding biodiversity, there is currently no method for assessing companies' overall footprint, as is already the case for their carbon footprint or greenhouse gas emissions. However, data are available in individual areas, such as impact on deforestation or use of plastics. These can be used as a basis for shareholder engagement on these particular issues.

One example is the good practices under the Standards for Responsible Mining of the Initiative for Responsible Mining Assurance, which aims to reduce the harmful impact of such activities on biodiversity, even if the use of the mined materials assists in the energy transition.

1. Upstream:



- ▶ **Before commissioning the site**, good practices consist in undertaking environmental studies, particularly regarding water, biodiversity, potential pollution and the impact on local populations. Such studies are mandatory in some jurisdictions, but the level of precision may vary.
- ▶ **Biodiversity studies:** Is this a key geographical area for biodiversity? What ecosystems and species could be affected by the mine's operations? How can the mine's negative impacts be reduced to the utmost? What pollution-mitigation steps can the mine take while protecting species, ecosystems and local populations?

2. During the mine's phase of operations



Obviously, the aforementioned studies must be repeated on a regular basis in order to ensure that actions taken have been effective and to react rapidly if such is no longer the case.

Here are some examples of actions that can be taken while the mine is in operation:

- ▶ **Quality - and quantity - based monitoring**
- ▶ Use of **closed circuits** whenever possible
- ▶ Waste management: **mitigation methods** may be used if they don't harm ecosystems, species and local populations.

3. Shutting down the mine



- ▶ Environmental rehabilitation and restoration of the site must be included in the project's initial planning stage, before the mine begins operations.
- ▶ This includes site cleanup and restoration of habitats, among other things.
- ▶ A standard of good practices exists for this stage: "International Principles and Standards for the Ecological Restoration and Recovery of Mine Sites" by the Society for Ecological Restoration

Climate and Biodiversity strategies proposed by LBP AM:

TOCQUEVILLE
GLOBAL CLIMATE CHANGE ISR

- [Tocqueville Global Climate Change ISR](#)

TOCQUEVILLE
ENVIRONNEMENT ISR

- [Tocqueville Environnement ISR](#)

TOCQUEVILLE
BIODIVERSITY ISR

- [Tocqueville Biodiversity ISR](#)

► **Net-Zero trajectory: how to build up a global equity portfolio that is aligned with the Paris Agreement?**

For its European insurance clients, LBP AM has just set up a Global Equities strategy with a Net-Zero trajectory. [Go to the full article.](#)



INVESTING IN ECO-ACTIVITIES VIA PRIVATE EQUITY: LBPAM'S INFRASTRUCTURE DEBT CLIMATE IMPACT FUND

In accordance with the 1.5° trajectory defined in the Paris climate agreement, LBP AM's impact fund targets low-carbon-emission infrastructures based on the new European Taxonomy.



The **Infrastructure Debt Climate Impact Fund** focuses on infrastructures that have a positive impact on climate change and the success of the energy transition.

Three main initiatives in several sectors of activity:

- **Decarbonising the energy mix:** renewable, low-carbon energies, such as wind, solar, etc.;
- **Electrification:** clean transport (trams, freight, etc.) and e-mobility;
- **Enhancing energy efficiency** (smart meters, heat pumps, etc.), energy storage (batteries, hydrogen, etc.) and digital data.

An objective impact measure by Carbone4

Three key performance indicators can be used to calculate the carbon footprint transparently:

- **The “green share”,** i.e., the percentage of alignment of each asset and of the portfolio as a whole with the new European Taxonomy. The fund has set its green share target at no lower than 70%.
- **The carbon footprint,** calculated in Co₂ tonnes-equivalent avoided.
- **Alignment of temperatures,** measured with CIARA, a tool developed by Carbone4 and sponsored by LBP AM

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