

Sibyllina

Natural Capital Transfers

What we do

Sibyllina connects organisations that desire biodiversity assets with owners of land that contain valuable, biodiverse, and functional ecosystems.

Sibyllina exists to foster the stewardship of ecosystems and the preservation of biodiversity.

We do this through simple land lease agreements that transfer the natural asset value created by long-term ecosystem stewardship onto the balance sheets of organisations seeking natural capital assets to offset their natural capital liabilities.

Benefits to organisations with natural capital liabilities

Many large businesses have a natural capital deficit on their balance sheets.

The leadership of these organisations are under increasing pressure to consider how to mitigate the risk of these liabilities being recognised by regulators and the capital markets

Australia and the UK have mandatory disclosure requirements for climate impact, and biodiversity is expected to follow. The Task Force for Nature-related Financial Disclosures (TNFD) is leading efforts to standardise disclosure requirements for biodiversity reporting.

As the regulatory, accounting, and corporate governance environment becomes more sophisticated in assessing biodiversity and natural capital risks, shareholders are coming to assess the potential impact of these liabilities being recognised on their balance sheets. This presents a risk to valuations, share prices, and capacity to access capital.

Simple lease agreements are a more effective way to fund and steward ecosystems in the long-term, in contrast to other approaches such as biodiversity accounting, offsets, or credits, whose complexity and cost create barriers to funding and adoption.

Benefits to organisations with natural capital liabilities

Bringing natural capital assets onto the balance sheets of companies with a lease agreement has several benefits to companies with biodiversity impacts in their operations:

- **Strengthened balance sheets:** the leasing of natural capital assets offers a discount to the cost of businesses in reversing their negative natural capital impacts
- **Specificity:** Leasing provides for the specific recognition, valuation and protection of natural assets, without the additional complexities linked to land ownership and activities.
- **Flexibility:** Short lease periods (2-5 years) allows businesses to ramp their investments up or down according to need, without the long-term commitments of ownership and management required by purchasing land.
- **Natural Capital Portfolios:** Leases across several ecosystems allow organisations the flexibility to map a portfolio of natural capital assets to their material impacts or liabilities.
- **Enforceability:** Leases are foundational to property law and are well-understood by regulators
- **Simplicity:** Conservation of existing ecosystems is simpler to report on and manage than the complexity of detailed ecological accounting
- **Risk Management:** Rights and responsibilities are easier to manage than through the purchase and management of land, that is not core to the business operations.
- **Reputation:** Sybillina provides simple access to long-term ecosystem stewardship
- **Capital access** as nature liabilities become more effectively regulated

The Lease

Sibyllina brokers lease agreements between land-owners who commit to formal conservation of the ecosystems on their land, and organisations with a natural capital deficit on their balance sheets, for the transfer of biodiversity attributes of that land.

Under international accounting standards, leased assets are recognised on the balance sheet of lessees as “right of use” assets for the duration of the lease period.

The benefits to Lessees are:

1. Leases are simple and flexible contractual mechanisms that are easy to enter into, whilst allowing additional complexity to be accommodated if required.
2. Leases provide a mechanism by which value transfer can be recognized on balance sheets.
3. Leases are very well understood and supported in the law and provide excellent certainty and risk management for both parties.

The benefits for landowners are:

1. Leases provide certainty of an annuity income to landowners, often supplementary to their existing income-generating activities, facilitating capital investments in ecosystem and biodiversity management.
2. Leases provide a mechanism for the securitisation of natural capital assets in a mature market.
3. Leases provide long-term mechanisms to support land stewardship.

The Lease

The rights and responsibilities of Lessee and Lessor will be negotiated based on the specific needs of each, but will likely include:

- Allowing the lessee to exclusively recognise the ecological assets and the co-benefits of ecosystem services of the land being leased.
- Allowing the landowner to retain the rights to access, use, sell, or otherwise transact with the land – the only limitations on the landowner is to maintain or improve the ecological function of the land in accordance with a Biodiversity Management Plan.
- It requires the land-owner to implement, audit, assure, and report annually, the baseline and ongoing health of the eco-systems in accordance with a Biodiversity Management Plan accepted by the lessor.
- The confirmation of continued ecological performance of the land is achieved through annual audit and independent review which is contracted in the lease
- The minimum lease period is 2 years, with 5 year lease agreements preferred.
- Leases can be arranged for whole projects or shares of larger projects. our minimum project size is 50Ha, and the minimum lease area from our larger projects is 100ha or 5% of the project area, whichever is larger.

Sibyllina does not seek formal protected status for all its projects (although this does not preclude it). Rather, our philosophy is that the lease itself, and its standing in law, is an internationally understood mechanism through which the stewardship of the land is assured.

Sibyllina also does not provide biodiversity accounting services, but each lease can accommodate biodiversity accounting requirements if agreed by both parties. In recognition of corporate accounting systems and standards, we can facilitate the term sheet of lease agreements to reflect any specific biodiversity accounting requirements of lessees, subject to agreement from landowners.

Sibyllina charges a commission on each lease agreement.

Why it is

Earth faces a biodiversity and conservation crisis. Sibyllina is a new way to steward, conserve, and restore earth's ecosystems. Our goal is to conserve functional ecosystems and realise both their intrinsic value, and the continued shared health and prosperity of people and communities that rely on them.

The Global Biodiversity Framework (The Kunming-Montreal Protocol) has established a target of 30% of the earth to be under conservation protection by 2030. Achieving this goal will require large-scale voluntary conservation and restoration of ecosystems on land.

We are failing in this mission and need more innovative approaches to succeed.

We have built a simple mechanism that funds the long-term stewardship and conservation of existing functional ecosystems at scale, without the complexity and often false-certainty of detailed ecological accounting and biodiversity offsets and credits.

Our preferred approach is to use a record of landscape stewardship, following a biodiversity management plan, as an effective surrogate for detailed biodiversity accounting.

Why it is

Three of the major benefits that Sybillina offers are:

- **Scale:** ecosystems are conserved at a scale that their function is preserved and the complex needs of large organisations can be accommodated across multiple land parcels. This allows for the building of natural capital portfolios with exposure to different ecosystems. This scale is significantly more expensive and complex to achieve through the purchase, management and ownership of land.
- **Flexibility:** organisations have different needs when it comes to their natural capital exposure. These bespoke requirements can be met through robust leasing contracts. Different leasing periods allow companies to increase or decrease their natural asset exposure according to changing requirements over time.
- **Simplicity:** leases offer organisations a simple mechanism to recognise natural capital systems on their balance sheets without the complexity of land ownership or biodiversity certificates. The main responsibility of the lessor is to maintain the natural capital that exists on their land from the beginning of the lease period until its end.

All companies have a nature liability associated with their activities – all of human society casts a shadow on nature. This shadow has caused the global, widespread, destruction of natural capital and loss of biological diversity, which threatens the health and prosperity of people everywhere – we all rely on nature.

Our pilot projects

We are proud to present the following pilot projects as a proof of concept to test this mechanism with stakeholders that are committed to finding more effective ways to protect our world's natural assets.

Pilot 1 | Santa

Our first project is a 1200 ha grassland and wetland property within the endangered Dullstroom Plateau Grasslands, with most of the landscape qualifying as irreplaceable as a Critical Biodiversity Area. It forms part of a Strategic Water Source Area. It contributes to the conservation of important species, ecological processes and ecosystem services. Santa has been declared a private nature reserve and is administered under the authority of a Biodiversity Management Plan.

Santa includes several commercial activities, including trout fishing and cattle farming, within its conservation duties and the removal of alien vegetation over time to enhance the value of the highland grassland ecosystems.

Pilot 2 | Salela

Salela is a small (60 ha) private farm on the banks of the Sabie River in the Mpumalanga Province of South Africa near the town of Hazyview that includes a remnant section of indigenous riparian forest which is habitat to numerous bird, insect and small mammal species.

The farm is running a long-term restoration of legacy litchi orchards to revert to more indigenous forest systems, as well as local advocacy with neighbours to extend protection and restoration of indigenous riparian forests to a longer portion of the river.

The Sabie River is a critical ecosystem, Salela includes upstream reaches of the Sabie River, which flows through the iconic Kruger National Park. The river is under constant pressure from commercial macadamia production and other agriculture which impacts both on water quality and quantity in the Park.

Express your interest

Sibyllina is seeking expressions of interest from businesses seeking to bring natural capital onto their balance sheets, and landowners in South Africa and Australia with ecosystems that they wish to conserve.

We also seek consultation and feedback from peak bodies providing benchmarking and certification services and frameworks.

Contact us via our website: www.sibyllina.com or via email at RossE@sibyllina.com