

# Natural capital and carbon credits - an evolving land valuation issue

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## SUMMARY

Current global valuation methodologies and standards are principally based on financial metrics, largely derived from property transaction evidence or market based costs and returns. Natural capital has not traditionally traded in this way and therefore is not susceptible to being evaluated by these methodologies. It is however fundamental to sustaining all of the other connected valuations.

Many different approaches have been developed to evaluating natural capital mainly by the economic and ecological disciplines. These are described as ‘values’ by these disciplines but the profession needs to distinguish between values based on market transaction evidence relied on by the financial markets for decision making and what might best be described as ‘evaluations’. Additionally, FIG/IVSC/RICS needs to address the need to build capacity in developing methodologies to carry out such natural capital evaluations which may through government policies strategic land management begin to impact on the real market and by extension market valuations.

Natural capital has been the focus of The Economics of Ecosystems and Biodiversity (TEEB), a global initiative focused on ‘making nature’s values visible’ whose principal objective is to mainstream the values of biodiversity and ecosystem services into decision-making at all levels across all sectors. There has been a plethora of other global initiatives with natural capital at their core. This is particularly relevant in the global south where up to 70% of land (and much of that biodiverse rich) is held in an informal, customary and unregistered state. UN GLTN, RICS, FIG and IVSC have collaborated on Valuation of Unregistered Land—A Practice Manual – Global Land Tool Network (gltn.net) and are developing their understanding of the increasing importance of natural capital in understanding land value.

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