

## The Last Enclosure: Natural Asset Companies and the Financialization of Nature

Natural asset companies (NACs) are novel financial instruments that have recently been proposed to address the biodiversity and climate crises, while providing returns to investors. These companies will obtain leases to “ecological performance rights” from landowners, and will aggregate and sell these rights to corporations and institutional investors to offset environmentally harmful activities. These are rights to the financial value of the ecosystem services generated by land. Under an ecological accounting framework proposed to the SEC, NACs would value nature in financial terms: the natural assets owned by the NACs pay a stream of dividends in the form of ecosystem services, and are valued on the basis of these dividends. NACs were in the approval process for trading on the New York Stock Exchange until, earlier this year, a group of state attorneys general wrote a letter to the SEC challenging the proposal’s validity under the major questions doctrine. Though their public issuance is on hold, NACs continue to operate in private markets.

After a critical exposition of core concepts from ecological economics and a study of the business model of NACs in the first two sections, I develop a normative critique of NACs in the third section. I argue that NACs create a new kind of property right. They allow landowners to internalize positive externalities generated naturally by their land when it is left in its undeveloped state. In theory, internalizing externalities puts resources to their best use, but this occurs in practice only if the ecological accounting framework can accurately value ecosystem services.

More importantly, the creation of such a property right would unjustly benefit landowners and unjustly burden those who do not own ecologically productive land. Creating private property rights in ecosystem services would constitute a new enclosure of the ecological commons. Everyone on Earth currently benefits from free access to this commons, by breathing clean air, drinking fresh water, emitting greenhouse gasses, and numerous other activities. No landowner could become entitled to collect payments for the ecosystem services generated by their land, because the *value* of these services is prior to and independent of any person’s productive activity—which, as I shall argue, is the ultimate ground of all economic entitlements. Likewise, I show that no one can be legitimately deprived of free access to ecosystem services unless the revenue derived from such restrictions is used in ways that benefit everyone equally. The NAC model, if successful, will impose small additional costs on everyone who uses ecosystem services and reward immense benefits to those who control natural assets, violating both requirements.

Human over-exploitation has put the ecological commons under unprecedented stress. The solution is not to create a class of landlords who own nature, and a class of dispossessed tenants who must pay them for the use of ecosystem services. I conclude by proposing an alternative system that would both solve the over-exploitation problem and distribute natural resources on an egalitarian basis.