



# A PEACE TREATY WITH NATURE

Prepared Comments  
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Dubai International Financial Center  
Sustaining our Oasis of Prosperity in a Turbulent World  
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**PrizeCapital**<sup>®</sup>



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NATURE



# NATURAL CAPITAL

In the capital world, Dubai is an example of magnificent human achievement. Its leaders had a vision for transforming miles of arid, previously uninhabitable land into something spectacular – an exciting city, a prime tourist destination and an economic hub for the Middle East. Dubai is a model for having the courage and determination to set the course, harness the resources and talent from around the world, and create immense value where none existed before. The same approach can be applied to transforming different parts of the world while preserving our most precious resources and creating a new currency built on **Natural Capital**.

**Natural Capital is the stock of natural ecosystems that yields a flow of goods or services into the future.**

For example, a stock of fish provides a flow of new fish, a flow which can be sustained indefinitely. While Traditional Capital relies on technology for profit, **Natural Capital** relies on the ecosystems' own natural sustainability that becomes profitable when applied to proven sustainable endeavors. The most prominent of these endeavors include: carbon offsets, profit through protection, and ecotourism. By investing in these forms of Natural Capital, world leaders and pioneers invest in profitable sustainability while simultaneously benefiting life on Earth now and long into the future – an admirable return on investment.

Some experts believe that we are currently experiencing the greatest rate of extinction since the dawn of man. We have inherited economic systems and infrastructures in which sustainability was never a consideration. Nature was never a concern. Now, population growth, combined with new prosperity in China and India are driving demand for resources around the world. This global competition is contributing to more aggressive harvesting of forests and mines worldwide and the continued decline in plant and animal life, destroying nature. Human needs for energy, growth and a rising standard of living are colliding with nature. It is time for a fundamental change. **It is time to create peace with nature.** And it is time to develop a new operating system for the world.

We need to start thinking not only in terms of return on investment, but in terms of sustainability. Is it

possible that some day fishermen will drop a fishing line in the ocean and there will be no fish? We accept that oceans around the world have dead zones. What about future dead zones on land? We have 6 billion people on this planet - soon to reach 9 billion – and they are all demanding resources.

Where will nature go? Is there a tipping point? We must have areas where fish and animals can survive and thrive. If we have a greater vision, as they did in Dubai, can we find new places around the world where we can create special nature reserves? Can we find ways to tie those reserves to commercial ventures that make sense for both nature and the economy? Will it be possible for people around the world to invest in nature, and then reap the benefits of their investment both monetarily and in interacting with nature, through eco-tourism and global education programs?

The people gathered here – The leaders of cities, countries, and global companies – can help set into motion a vision for the future in achieving our dreams with nature and natural capital.

Since time began, humans have extracted resources from the environment and built great machines, advanced technology and created magnificent cities. But in getting where we are today, we have relied on an infrastructure that goes back a century. Inefficiency and wastefulness are built into this infrastructure. We need to take a new approach and take into account how the world is advancing technologically and economically. We need to be at peace with nature and not take it for granted. If trends continue as they are today, we will be destroying that which sustains us.

This is our time to act. The people in this room today have the talent, the vision, the power, and the capital to take us beyond the old ways – the old infrastructure, the unnecessary harvesting of resources, and operating without sustainability.



# NATURAL CAPITAL

To create peace with nature, humankind - as the aggressor and occupying force - must formalize its intention by creating a **Peace Treaty with Nature**. This treaty would create a state called "The State of Nature", one with legal jurisdiction where the courts and zoning are designed to enhance the laws of **Natural Capital**. Think in terms of green development zones; places where man can live, work and prosper, but only if he exists in harmony with nature. This, of course, begs the question: can such a place exist? And can such a place generate profits for investors, doing well by doing good?

The answers are YES and YES.

We should begin by protecting what has already been given to us. **The Peace Treaty with Nature** should start in places that are still pure, biologically intense, and where nature and humans still live in harmony. We have found one example of **Natural Capital** at work -- the Osa Peninsula in Costa Rica.

This is a place where the success of sustainable business can already be seen with such endeavors as the Lapa Rios Ecodge, an ecodge that is one of only two hotels that appears on both the Condé Nast's Gold list and Green list and has received the highest possible distinction from Costa Rica's national Sustainable Tourism Certifier. It is a place that Price-WaterhouseCoopers defined as the best example of sustainable development in the world.



Conde Nast Gold List 2008, Reader's Choice Award Winner 2007, Readers Choice Award 2005, Conde Nast Green List 2005, Conde Nast Gold List 2004, 2003 Conde Nast Top 10 Hotel in Latin America, Travel & Leisure Jan 08: Lapa Rios among the world's Best 500 Hotels, World's Best Awards 2007, Andrew Harper World's Best Hotels, Resorts & Hideaways 2005, Andrew Harper's Hideaway of the Year, Rainforest Alliance 2007 Sustainable Standard-Setter, US State Department Award for Corporate Excellence 2005.

Local governments are at work on agreements to protect the Osa Peninsula -- a rare gem of land and marine territory whose value will increase significantly, if the balance of nature is maintained. Its value would be lost with the destruction of species, unrelenting development, increasing population growth and the consequences of climate change. In years to come, people will be attracted to visit natural wonders such as these all over the world. We need to be proactive in investing in the State of Nature. All of us can become curators with nature and generate a long-term return on investment -- financially, psychologically and spiritually.

It is time to generate a global movement for creating a new operating system with **Natural Capital** as the driving force -- where value is created where none existed, but all the while protecting natural resources. Developments in this new operating system will be renewable and sustainable. They will be financed by governments, institutions and the world's largest companies, all operating under the first Peace Treaty with Nature. Traditional approaches to developing infrastructures and major developments will be replaced by those with Natural Capital in mind. The visionaries and leaders in this room can set a new standard. Think about the Nobel Peace Prize in the year 2020 being awarded collectively to everyone in this room for being the catalysts and financial engines for creating a new operating system.

It is time to create a peace treaty with nature and the operating system to make it a reality.



# NATURAL CAPITAL

Since we are in Dubai, and this is a financial meeting, lets turn to energy and technologies to be showcased in the **State of Nature**.

Well, simply, humans have designed a system where we take molecules of hydrocarbons, use ships, and sometimes pipelines, to move the molecules long distances to a large centralized plant to convert them to electrons, have some heat loss, capture some heat for reuse, then move the electrons over wires with transmission loss and turn them back to heat. This system pollutes by dumping externalities on nature and on society. This system is inefficient. Nature is not inefficient.

Those living in the United States hear a mantra chanted by certain politicians and their supporters: "Drill, Baby, Drill".

Others chant "NO"....."No drilling in the continental shelf, NO drilling in Anwar, NO oil shale"; "No, No, No".

Both sides debate, actually, argue vehemently, and both are so wrong. They have framed their argument over the supply side, but the debate is silent regarding energy efficiency, technically termed the demand side.

Ask yourself one simple, fundamental, business question: Is it better business to use more energy or to use less energy? There is a concept I would like to introduce: NEGA-WATT. It is two words connected: NEGATIVE & WATTS. NEGA-WATT. Avory Lovins coined the term.

Essentially, it means that we invent and apply technologies so that we can use less energy to have the same or greater quality of life, NEGA-WATT. How much does a WATT cost, and how much does the technology cost to be efficient and not need a watt? Then ask, how many jobs can be created by inventing, manufacturing, and operating energy efficiency.

An operating example occurred in California where there are approximately 3 times the number of refrigerators that were in use in 1990. That is not surprising, but the surprising statistic is that triple the number of

units use approximately 50% of the annual watts that were used in 1990. We did this with technology and efficiency. We need to show that energy efficiency is a form of supply. This will also help nature.

If we look at the cost of energy from a dirty coal plant and look at the fully amortized cost of a highly efficient energy system, we can arbitrage the savings and add to GDP. We can turn energy efficiency into profits.

Our current energy systems were designed to be reliable. They were not designed to be efficient.

Energy efficiency has been antithetical to sales of energy producers. If an automobile, train, bus, or plane doubled its mileage, then the energy company sales, and the sales of the sovereign nations in this room would drop by 50%. Not a very good business practice. But, the future will find us asking, how few watts can we use for the same or better quality of life? And using less energy will be good business in the emerging carbon regulatory regimes which are emerging.

Unfortunately, every entity within the energy production and sales chain has an incentive to avoid any discussion of efficiency. This is not new. General Motors, in its heyday, bought the Redline in Los Angeles, a spectacular public transportation system. It shut it down.

However, the system which has emerged is imposing costs to our natural systems. Humans have done this before: the Sumarians, the Maya, Indus Valley, the Mycenaean Greeks, and more. We can no longer talk about energy without talking about nature. They have collided and our economic systems ignore the collision. The 16 October 2008 issue of NewScientist Magazine highlighted this issue recently with the title, "How our economy is killing the Earth" As banks and markets crash, what can science do to reshape economics and make it fit for a finite world? From magazine issue 2678 Labeled: Opinion Special.

We have to include nature in our energy decisions. We have to get efficient. We have to treat efficiency as a form of supply. We have to increase all forms of supply from every vertical, and we have to do so in **Peace With Nature**. Let us stop for a moment and ask who was the person who cut the last tree on Easter Island, and what was he thinking?

I am a capitalist. This is no touchy feely tree hugging discussion. We must enable every vertical of potential supply, and every vertical of demand reduction.

This is not merely a conversation about energy. It is about nature; it is about life. We must incorporate efficiency technologies in places that operate under the laws of Natural Capital and the laws of sustainability. Remember, nature is efficient.

It is time for us to act -- to do a Nobel act -- for the well-being of the world and of our children. It is time to create a **Peace Treaty with Nature** and the operating system to make it a reality.



Invest in Natural Capital!  
It redefines ROI for business,  
people and nature.



# LEE STEIN

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"There will be more invention in the next 14 years than in the past 20 years, so the level of invention will be staggering. And it's really a fabulous gift that we've been given to have the ability to see many of these things as they are coming. The future is so exciting and the opportunities are limitless. At the same time, our future is complicated by the environmental challenges that we have set up for ourselves."

*Lee Stein, interviewed in Rancho Santa Fe Review*

Lee Stein brings many years of extraordinary experience as a business executive and entrepreneur to his current activities as a business-minded environmentalist. Educated as an accountant (B.S., Syracuse) and an attorney (J.D., Villanova), he has served as Chairman of the Board, CEO, and President of First Virtual Holdings, Director and President of Seaport Village on the waterfront in San Diego, Director and Controller of WestAir Airlines (DBA) United Express, and as an officer and/or director in various private entities.

He is credited as a co-inventor of e-mail messaging processes, and in 1994, he co-patented what The Economist magazine described as the world's first Internet-banking (payment) system. The patents issued were subsequently acquired by eBay.

After a career of serial entrepreneurship in the worlds of entertainment finance, Internet commerce, and real estate development, he turned his entrepreneurial and business activities to the environment and what he describes as "its disturbing deterioration." In 2000 he formed Virtual Group, LLC, a private holding company focused on early-stage technologies.

At the time, he recalls, he and his wife, June, thought they were environmentally aware. Then, says Lee, they realized that "Most of the information we relied upon didn't permit us to

have any solid understanding of the facts. We had no way to make a difference."

He was especially troubled by the distrust between environmental organizations and business entities. He had based his operating strategies on the concept of "inclusivity" and wanted to help forward an agenda acknowledging that environmental practices had to be good for business or they were not good environmental practices and, likewise, that business practices had to be good for the environment in order to be good business practices.

In 2001, he was invited to co-found the Southern California chapter of Environmental Entrepreneurs, known as E2. Affiliated with the Natural Resources Defense Council (NRDC), E2 brings together entrepreneurs to influence state and national government policies by serving as the "business voice for the environment."

Most years, Mr. Stein and a delegation of fellow E2 members visit Sacramento multiple times to lobby for environmental legislation. To date, they have advocated to promote smart growth, reduce California's greenhouse gas emissions, fund ocean restoration, advance the market for alternative transportation fuels and cleaner-operating vehicles, and ensure that state-issued bonds embody environmental principles. Mr. Stein and other E2 members recently returned from a trip to Washington, D.C., where they met with members of Congress in the interest of having an impact on the emerging legislative process linked to carbon trading.

In 2005, Mr. Stein was asked to join former U.S. Secretary of State George Schultz and California Energy Commissioner Jim Boyd on the board of the newly formed California Secure Transportation Energy Partnership (CalSTEP). A diverse partnership of industry, automotive, business, academic, policy, and nongovernmental professionals, CalSTEP was formed to develop a comprehensive

pro-business action plan to increase energy efficiency and fuel choice in California. The CalSTEP effort is the first major initiative focused on a single state developing its own transportation-energy security plan. Mr. Stein's work with CalSTEP resulted in an invitation from Shell International Gas Limited to participate in multiple workshops both in the U.S. and the U.K. in which the internationally respected "Shell Scenario" approach was used to examine various policy options and business planning outcomes relating to energy and the environment.

In 2006, Mr. Stein formed Prize Capital to fund global competitions aimed at discovering innovative solutions in the areas of energy and the environment. Within a year, he joined the CEO of the World Bank Global Environment Facility and the senior sustainability executive of the International Finance Corporation, the for-profit arm of the World Bank, at the 2007 United Nations climate change meeting in Bali to announce a new entity called The Earth Fund. Formed to attract investment capital for early-stage innovators, the public-private partnership is based on a model that integrates investment concepts and international prizes, and for which Mr. Stein has filed patent applications.

Most recently, Mr. Stein joined an E2/NRDC delegation that traveled to Costa Rica to meet with President Oscar Arias and members of his cabinet to support Costa Rica in its efforts to become the world's first carbon-neutral country by 2021. Mr. Stein has spoken at technology and investment conferences at the World Bank, the Massachusetts Institute of Technology, Oxford University, The Wharton School, Columbia University, Cornell University, UC San Diego, and on Wall Street. He has been featured in Business Week, Newsweek, The Economist, Investors Business Daily, and other national publications for his role in emerging communications technologies.

His civic work includes serving as Chairman of the San Diego Stadium Authority, Chairman Emeritus of the Scripps Center for Integrative Medicine, and as a board member at Scripps Health Philanthropy Board, both in San Diego. He has been active in Young Presidents Organization (YPO) and its CEO affiliate. He serves as a trustee of the Duke Law School Board of Visitors. He and June live with their three children in San Diego.





## OUR MISSION

**Prize Capital's** mission is to generate profitable enterprises which enable the preservation of rich ecological habitat areas around the world, by investing in environmentally sustainable economic development, biodiversity preservation and enabling innovative technologies.

## OUR STRATEGY

We intend to fulfill our mission by investing directly in threatened habitat areas, starting with one of the world's most pristine and biologically diverse habitats, the tropical rainforest Osa Peninsula of the Republic of Costa Rica, and to thereafter invest in business models and technologies with global applications that can also serve to preserve and enhance the value of the habitat assets owned and/or managed by **Prize Capital**.



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