Investing in protection of ecosystem services: a business opportunity for Vittel (Nestlé Waters), France

Danièle Perrot-Maître

Titisee, Germany

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The context

- Since early 80s, increasing non point source pollution esp nitrates leading to irreversible pollution in the years ahead in Vittel catchment.
- In the 70's, intensification of agriculture and, mechanization
- Introduce BP in agriculture that will reduce pollution risks over the next 30-40 years
- Develop incentives to change to less polluting agricultural practices (nitrate level<10mg/l).

The tactics

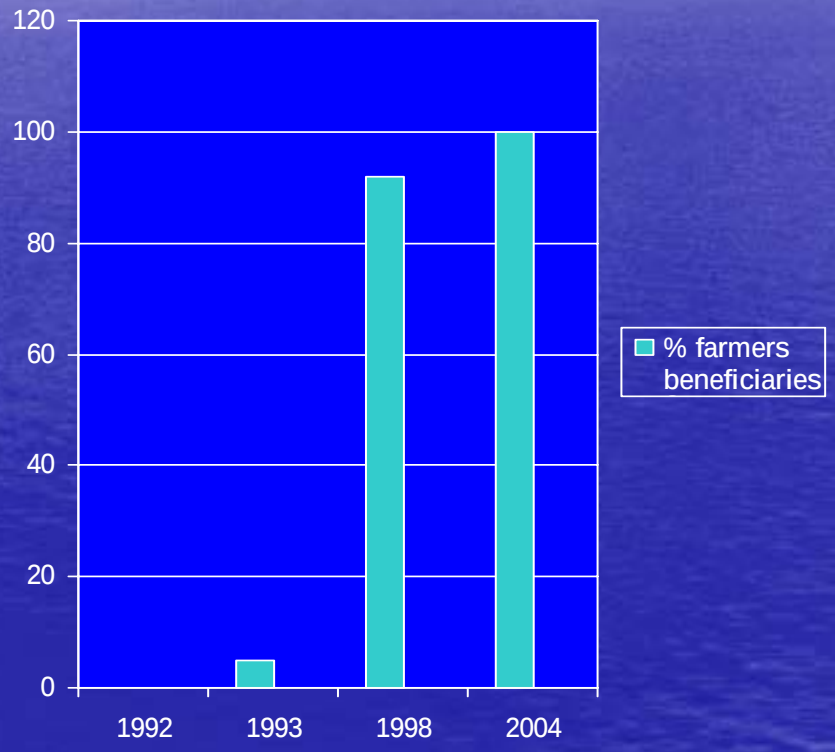
- Setting priority: cattle ranchers/farmers and nitrate issue
- Getting the natural science right:
- Getting the social science right. Agriculture as a system and a way of life.
- Building incentives on the basis of this understanding.
- Building trust and establishing long term partnerships with farm family

Instruments

- Creation of Agrivair
- 30 year contracts in compensation for risk and reduced profitability
- Land purchase: 1450 ha, given in usufruct to farmers
- Subsidy: USD 230/ha/year for 7 years (up to 75% of farms disposable income)
- Cover cost of new farm equipment and buildings and modernization (up to Euros 150,000 per farm)
- Service: addressing the labor bottleneck
- Total cost (first 7 years): about $24.5 million

What has been achieved?

- All farmers in sub-basin adopted Best Practices
- 92% of sub basin protected (5100 ha) and nitrate pollution reduced
- 200 ha of golf course land managed by Agrivair
- Thermic weeding over 50km railroad track

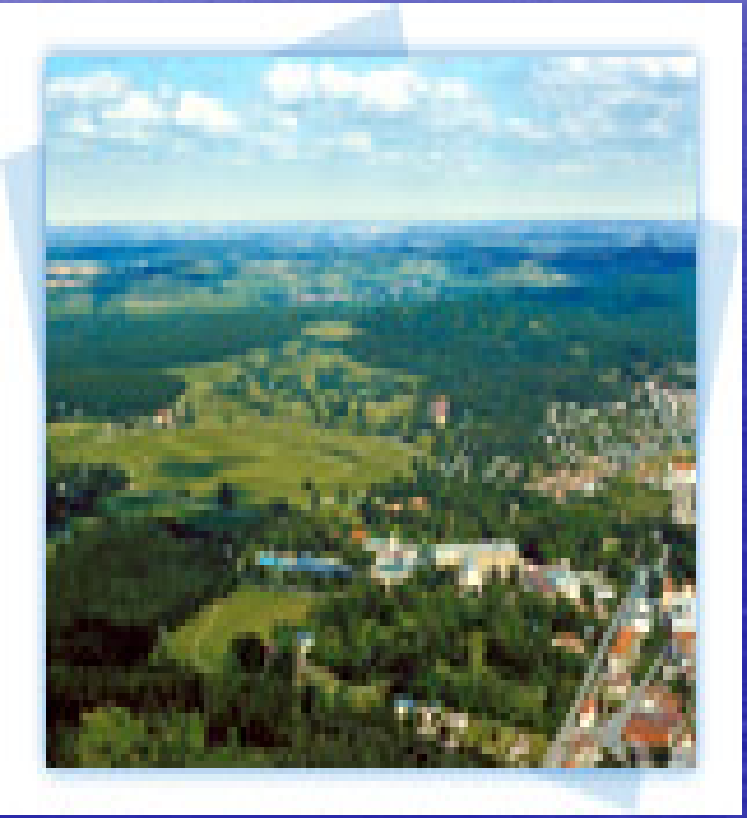


Other issues

- Monitoring and compliance
- Role of public sector
- Role of legal system
- Cost of scheme and cost effectiveness compared to Agences de bassin

Challenges

- Sustainability through commercialization of organic milk
- Non point source pollution outside agriculture
- Agricultural non point source pollution



Is it a PES?

- Voluntary
- Service well defined and measured
- One buyer directly linked to several heterogenous sellers
- Clear additionality

Business case for pursuing water sustainability (GEMI)

4 strategic water signals indicate growing water crisis

- Total water costs increasing in unexpected ways
- Water-related business disruption risks growing and current water allocations not assured into the future
- Customers and shareholders expectations related to water use and impacts evolving
- Business license to operate and ability to expand increasingly tied to water-related performance

Investing inside or outside the fence line?

Business community recognizes importance of ecosystem health to business operations but this is not clearly reflected in strategies and actions (« Tomorrow's markets »)

WBCSD case studies: Hidden PES?

- Chesapeake Bay, USA: Du Pont Chesapeake Farms Project
- Upper Wimmera River Catchment, Australia: Rio Tinto project Platypus
- Missisipi River, USA: Gulf Business Council-Gulf of Mexico
- South Africa: Nestle investment in Working for Water Program and Highlands Water Catchment Program

Dankeschön!