



MAKING THE ECONOMIC CASE FOR BETTER ENVIRONMENTAL MANAGEMENT

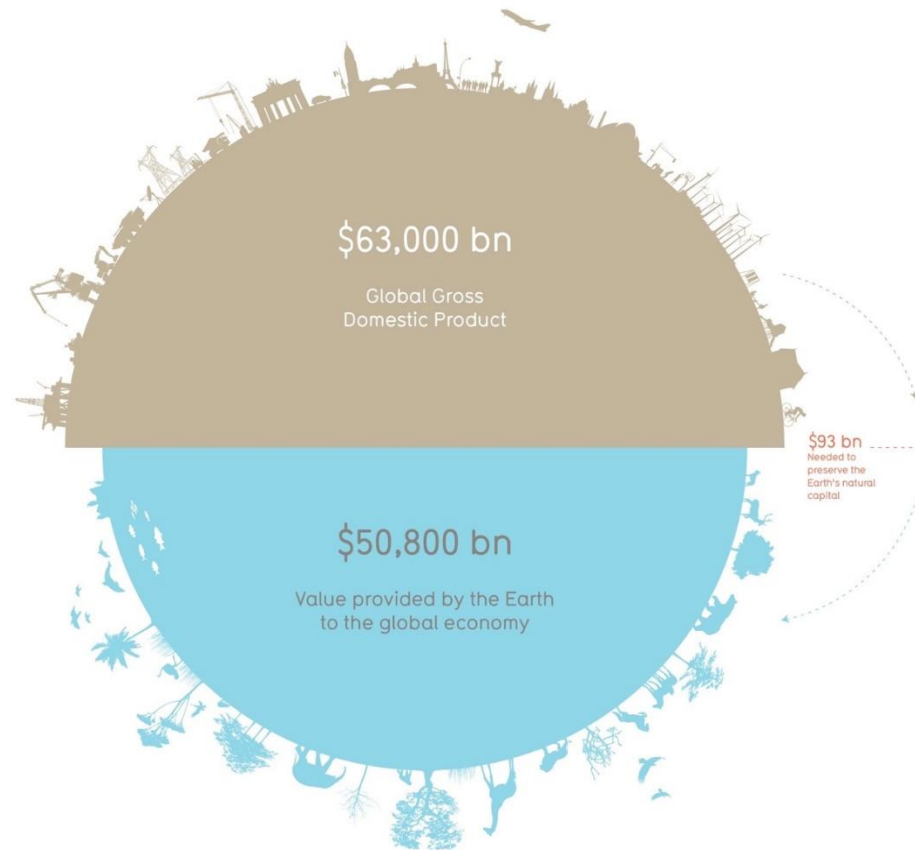
Helsinki, Business & Biodiversity Forum, 11-12 Nov 2015

Tom Barnett, Trucost

NATURAL & FINANCIAL CAPITAL



Natural Capital underpins economic activity with companies dependent on resources such as water and raw materials



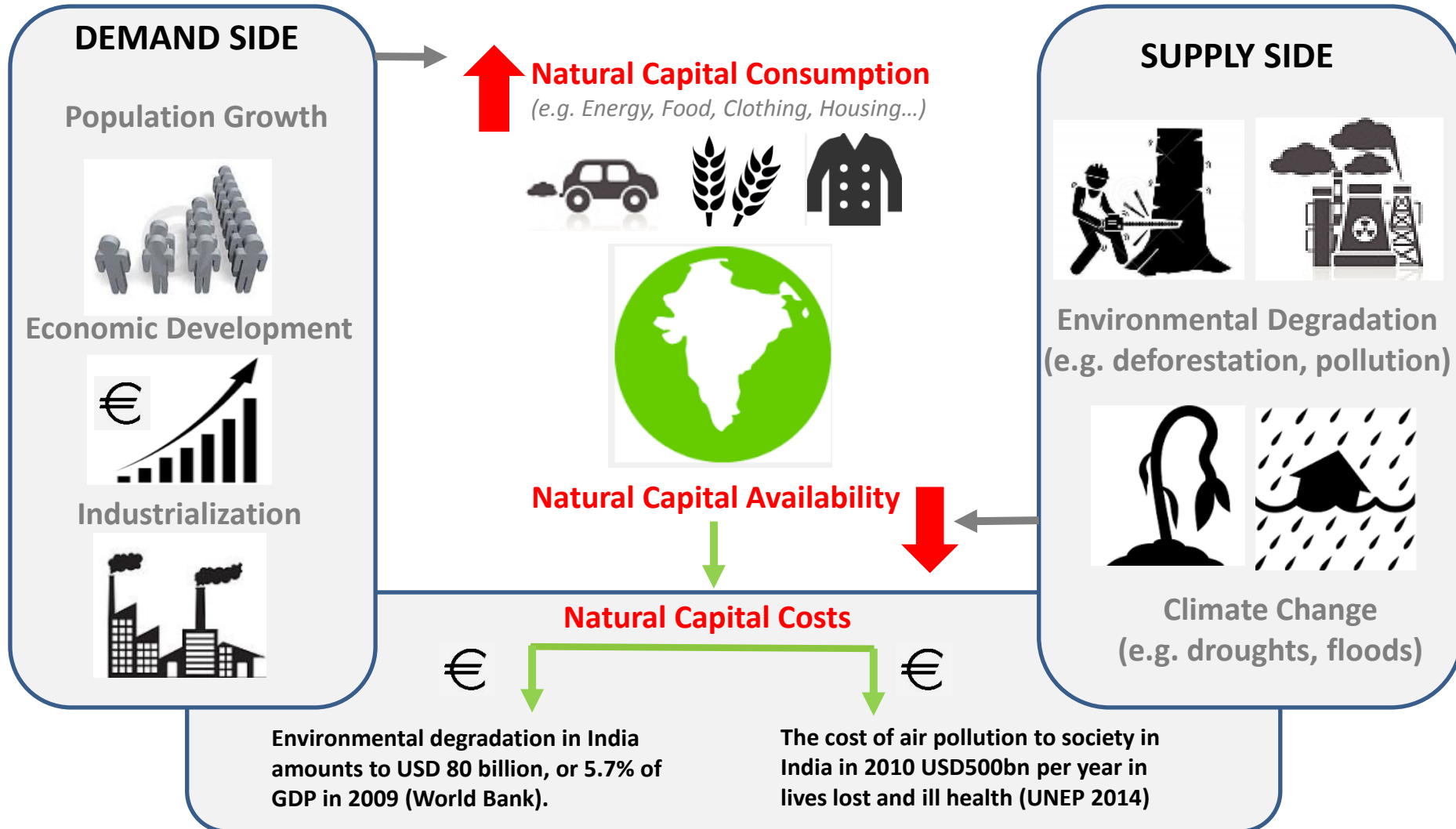
All figures are 2010.
Sources: Costanza et al, World Bank, Earth Policy Institute. There is debate regarding the total economic value of ecosystem services.
The figure \$50,800 is derived from the average estimated in the work by Costanza et al, published in Nature (1997), inflated for today's prices.

NATURAL CAPITAL

DEMAND & SUPPLY SIDE PRESSURES

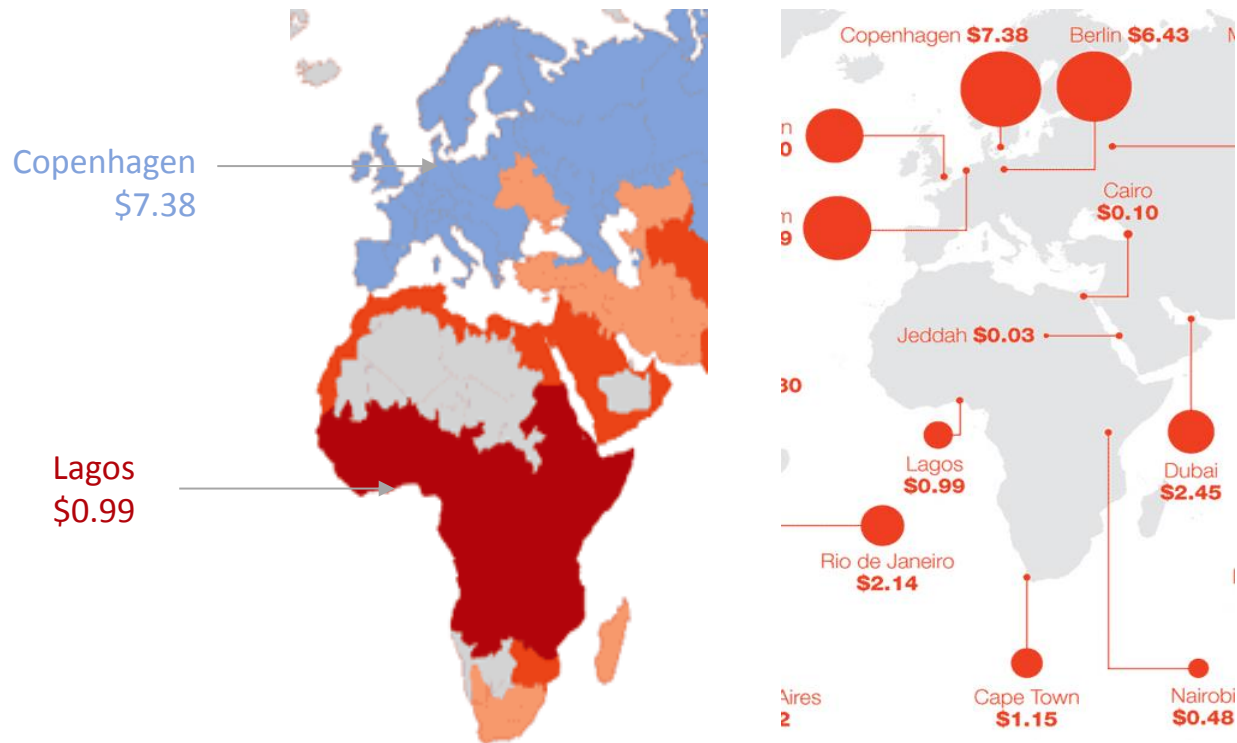


“No Development Process can afford to neglect the environmental consequences of economic activity or allow unsustainable depletion and deterioration of natural resources” (India Planning Commission 2013)



NATURAL CAPITAL & MARKET FAILURE

Natural capital is rarely priced appropriately

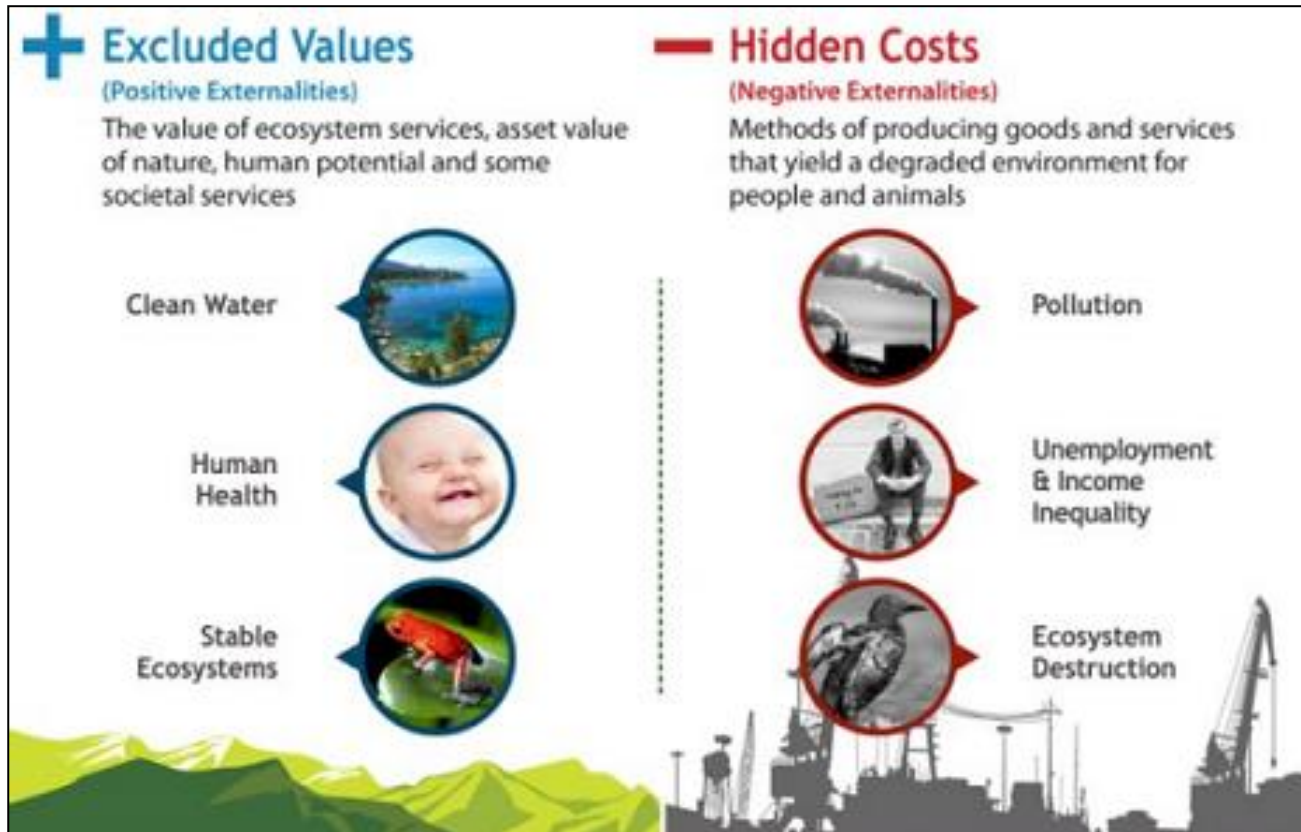


There is a *negative* correlation between the price of water and water scarcity

(Global Water Tariff Survey, 2008)

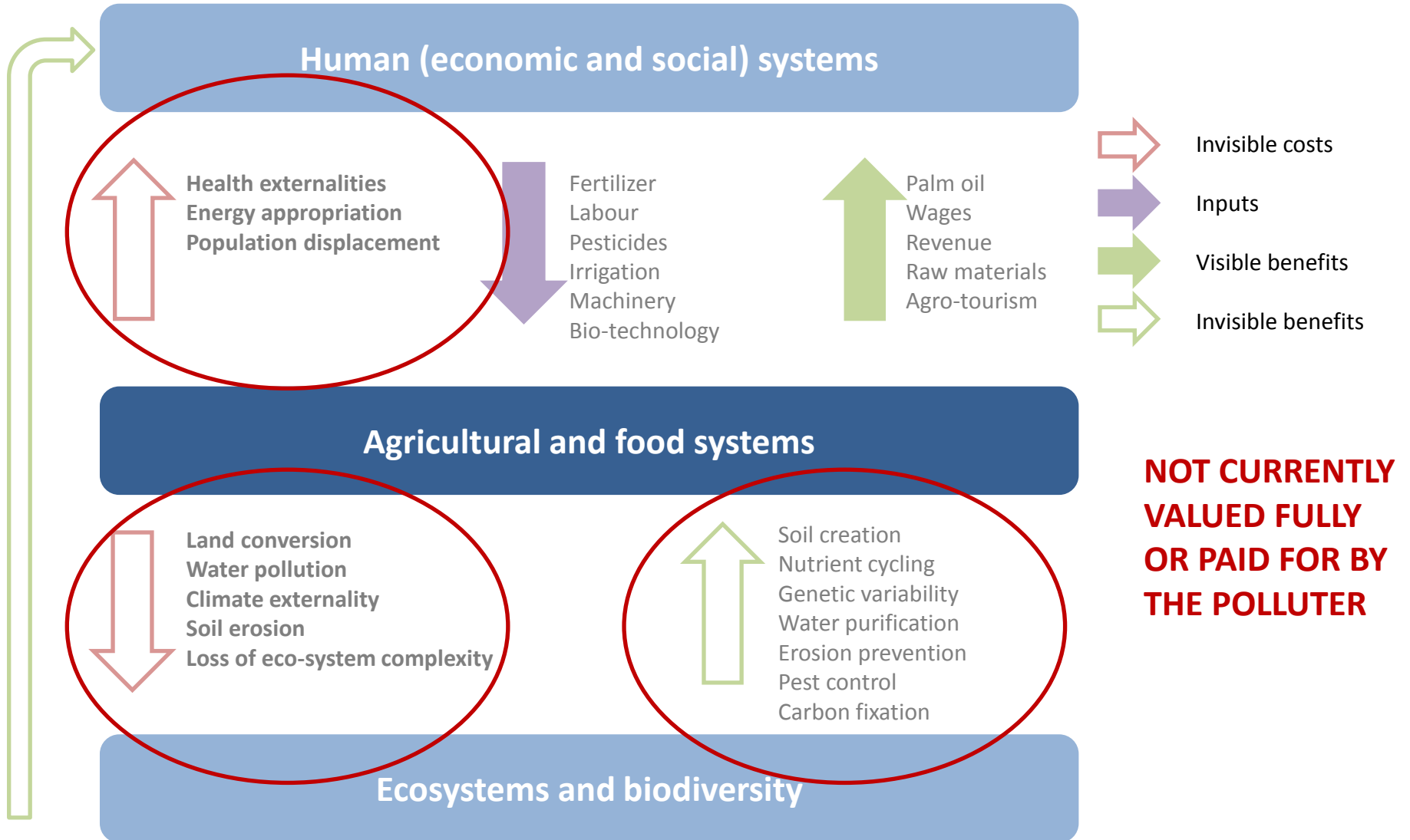
NATURAL CAPITAL & MARKET FAILURE

Incomplete information



Externalities refer to situations when the effect of production imposes costs or benefits on others, which are not reflected in the prices charged for the goods and services being provided.

FROM SILO THINKING TO SYSTEMS THINKING



EXTERNALITIES & BUSINESS RISK



State of Green Business 2013 report:

If companies had to pay full costs of natural capital, it would consume **50% of profits...**



TEEB for Business Coalition Top 100 Externalities report:

Top 100 business externalities cost **\$4.7tr annually (GDP of China in 2011)**

3. Coal power generation, Northern America, US\$317bn, 1.3x revenue



1. Coal power generation, Eastern Asia, US\$453bn, 1.0x revenue



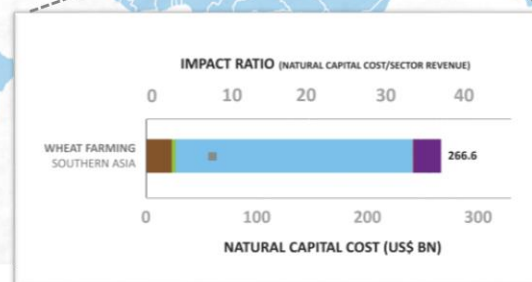
4. Wheat farming, Southern Asia, US\$267bn, 8.4x revenue



2. Cattle ranching, Southern America, US\$354bn, 19x revenue



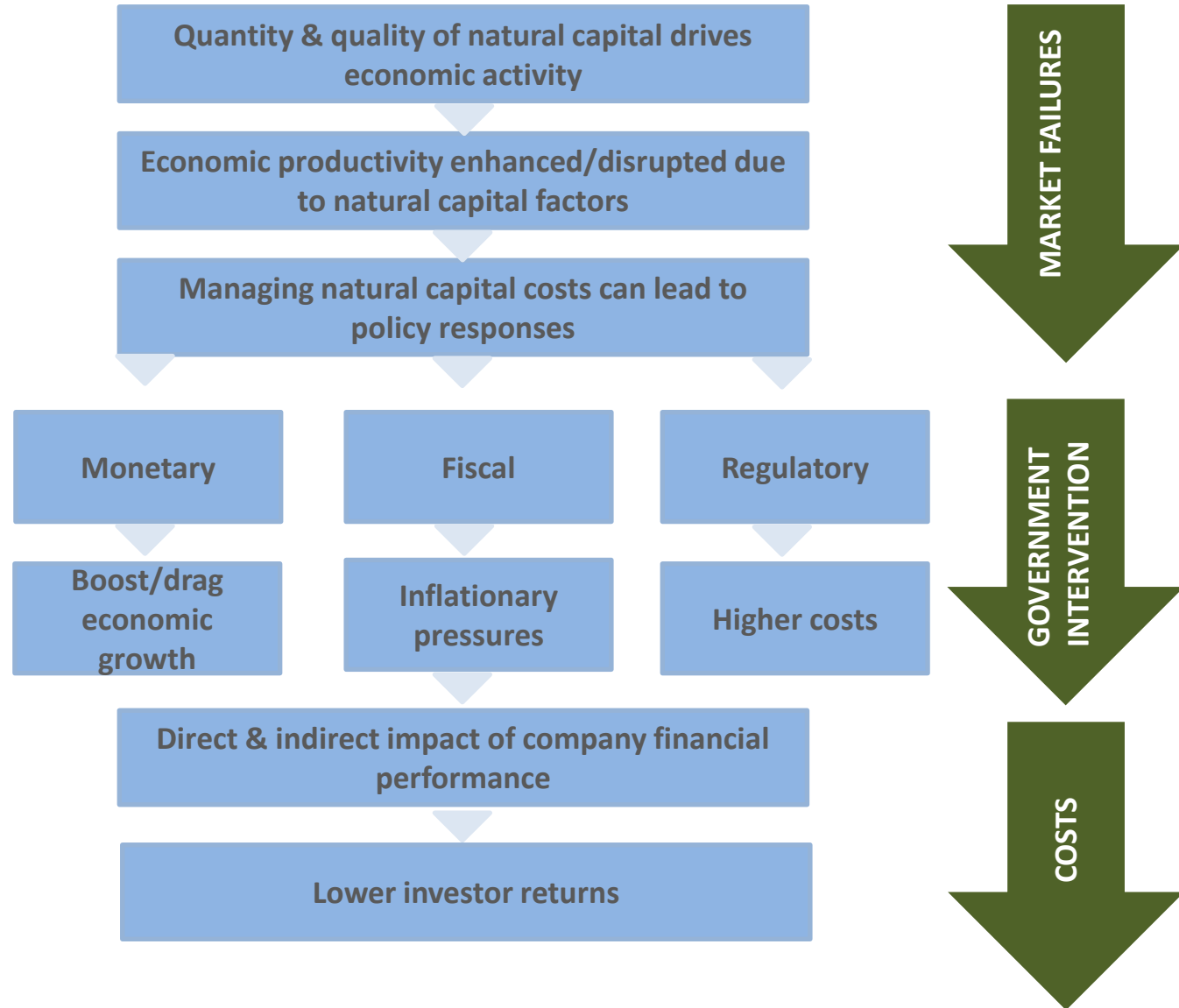
5. Rice farming, Southern Asia, US\$236bn, 3.6x revenue



VERY REAL FINANCIAL RISKS

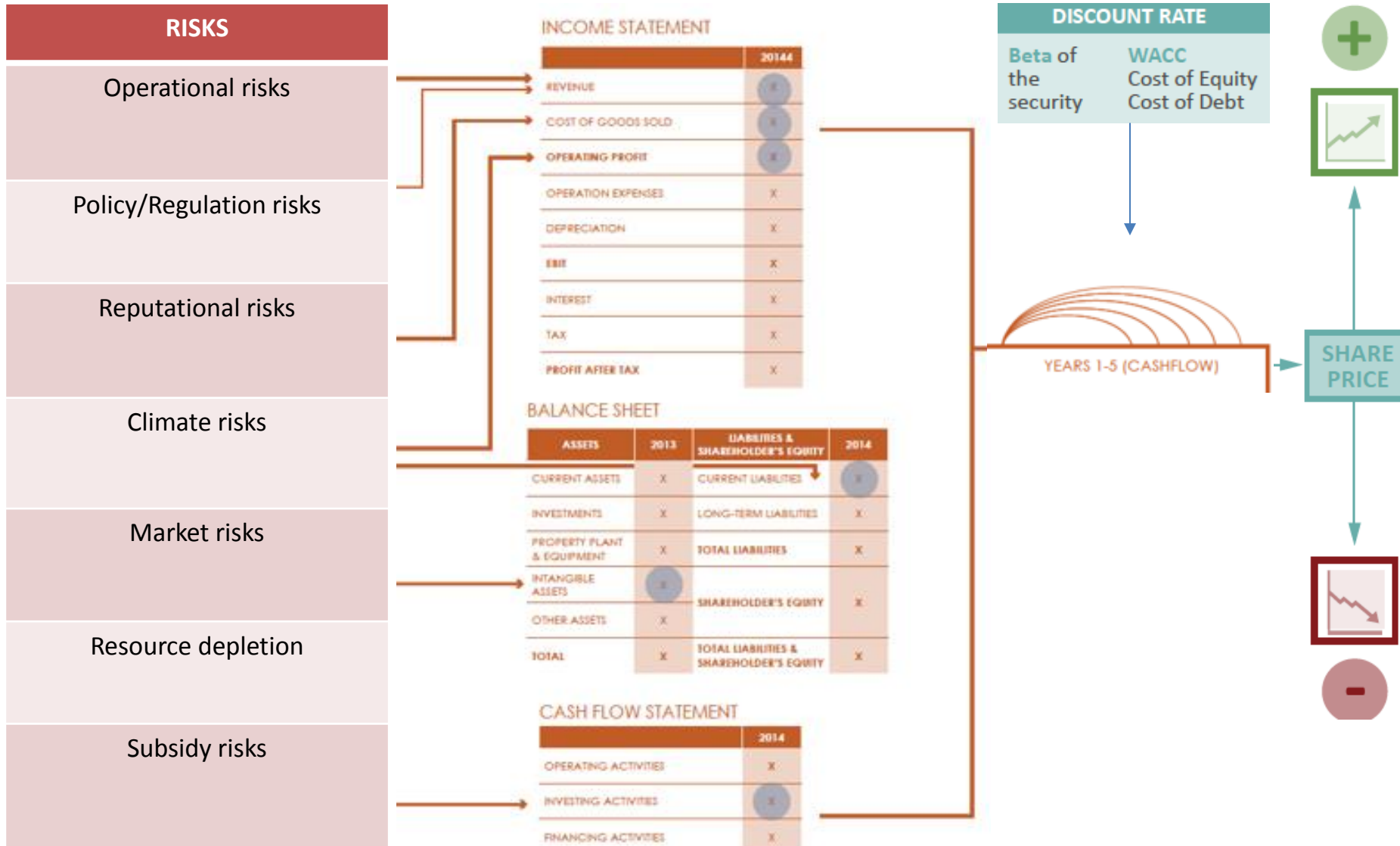


“The internalisation of externalities is **inevitable** by virtue of **stakeholder actions** or by **nature**. Costs & benefits to society become costs and benefits to companies”



HOW CAN BUSINESS INTEGRATE NATURAL CAPITAL?

RISK INTEGRATION FRAMEWORK



MITIGATING RISK & EXPLOITING OPPORTUNITY

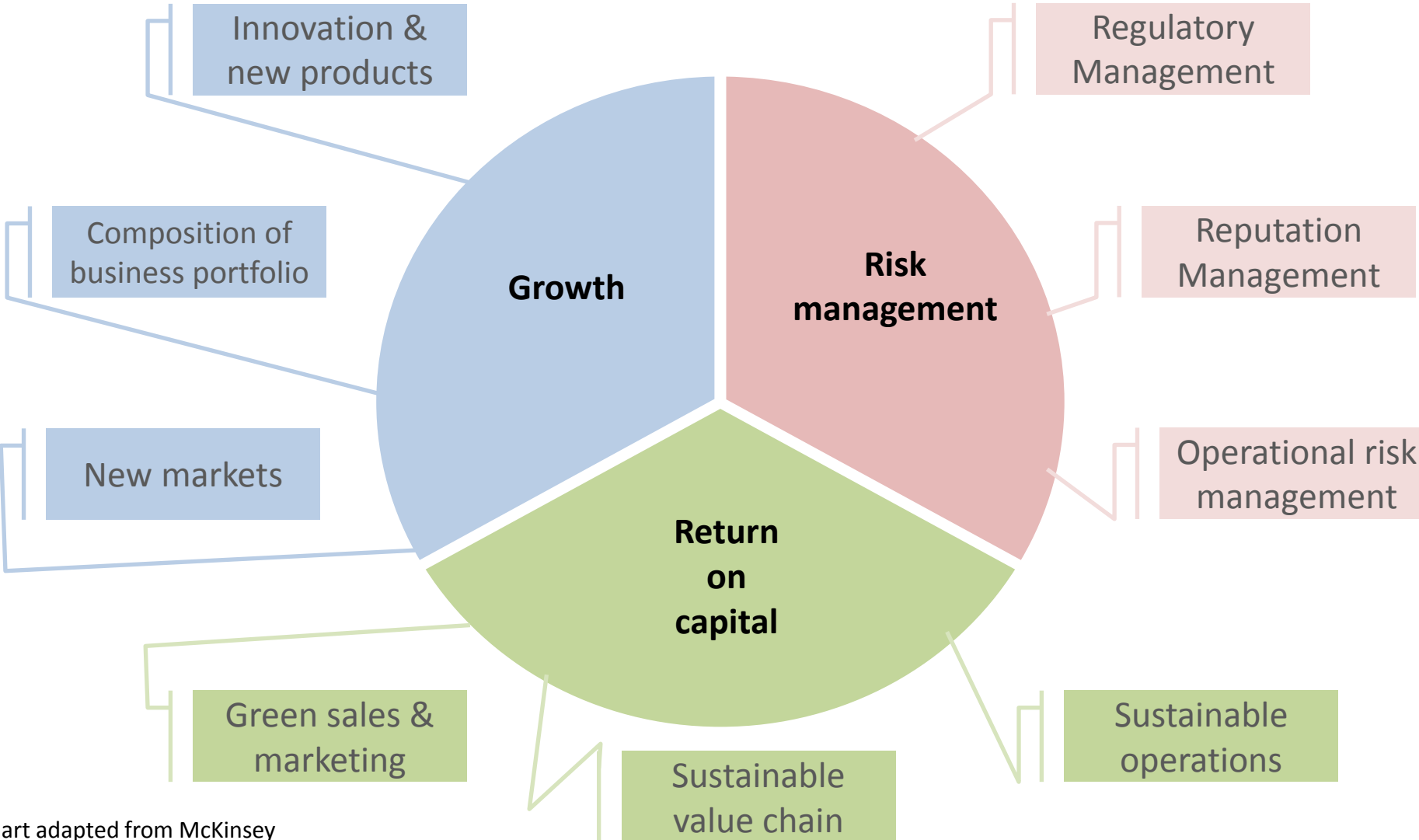


Chart adapted from McKinsey

Questions?



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