

The Impact of Business on Ecosystem Services



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Aim

- To bring together corporate partners to gain a common understanding around environmental externalities – impacts on ecosystems which affect services that those ecosystems provide to communities, business activities and interdependent ecosystems, now and into the future.
- To bridge the current gap between the generic guidance and the detailed data needs to undertake rigorous valuations of environmental externalities.
- To conduct valuations of a number of key externalities to establish a range of figures for these impacts.

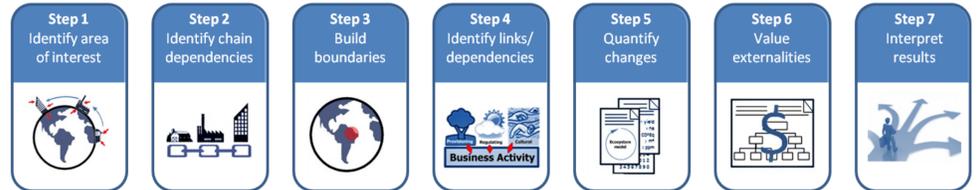
Research

- The Right Value for Externalities Collaboratory brought together a group of leading companies in the food/agriculture and extractive industries to develop an approach that helps inform how business can sustainably manage dependencies and impacts on natural capital.
- A team of 14 researchers from the VNN network, an Advisory Committee and CPSL developed nine individual case studies with business partners. The focus was on cereal production or cases where water was a major resource used in the manufacturing processes.
- The case studies were then synthesised into an overall guidance document which provided an evidence-based, pragmatic evaluation framework for valuing externalities that can be shared across and between different companies.
- The framework is designed to lead companies through an accessible process to undertake an evaluation of externalities. This offers a practical approach for business to manage evaluations and draws on the insights and data that were produced through various methods used by the VNN teams.

Findings

- This Collaboratory developed a guide that can take users through a step by step process to define, quantify and value priority externalities in relation to their business actions.
- Synthesising the Collaboratory case studies, the guide reflects the innovative thinking from researchers to resolve challenges that are likely to emerge in evaluation processes (e.g. lack of direct data from company).
- The guide comments on a variety of assumptions and use of secondary data alongside different models and techniques, and details what business needs to provide at each step.

The evaluation framework:



Step 1 identifies the area of interest for a business by assessing the corporate strategic priorities and the broader economic and social context of the company



Step 2 identifies the set of business activities throughout the value chain that depend on ecosystem services and that have impacts on those, and other, ecosystem services



Step 3 establishes boundaries to define the context for evaluation



Step 4 identifies the links and dependencies upon final ecosystem services, and thereby establishes the baseline and scenarios that will inform the quantification and valuation of externalities



Step 5 quantifies the changes in ecosystem services due to business activities



Step 6 values the externalities



Step 7 outlines the caveats and strategies required to interpret results



Conclusions

- The valuation of externalities is location specific, and the case studies gave a range of figures for impacts taking account of the local factors.
- Businesses need a good understanding of the context, both environmental and social, in which they are operating, and need to collect relevant data on their local operations.
- Comparing alternative scenarios to a baseline can focus attention on the main management options, and their externality impacts, even where data availability is limited.



<http://www.cpsl.cam.ac.uk/Business-Platforms/Natural-Capital-Leaders-Platform/Current-Work.aspx>

This project worked with a Collaboratory developed under the CPSL Natural Capital Leader's Platform. This Platform convenes companies with significant environmental impacts and dependencies who are taking action to review, value, redesign strategies, set targets and report on natural capital use. The goal of the companies is to reflect the external costs incurred in product lifecycles onto their balance sheets and to communicate these to society. The following companies are current members of the Platform:

