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Biodiversity concerns rise up the corporate agenda

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Climate change is no longer a concern just for environmentalists, but for business and governments. Biodiversity is following a similar trajectory.

Its importance as a strategic issue for business will be outlined in a report to be published tomorrow by the United Nations Environment Programme's TEEB (The Economics of Ecosystems and Biodiversity) initiative.

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The report analyses "the global economic benefit of biological diversity, the costs of the loss of biodiversity and the failure to take protective measures versus the costs of effective conservation". It could do for biodiversity what the Stern report did for climate change.

Another pointer to biodiversity's rise up the agenda is the recent agreement by governments to establish the Intergovernmental Platform on Biodiversity and Ecosystem Services.

While its counterpart, the Intergovernmental Panel on Climate Change, has been much maligned recently, Abyd Karmali, global head of carbon markets at Bank of America Merrill Lynch, says it played an important part in bringing climate change to centre stage, creating international structures that made efforts to tackle the issue more coherent, comprehensive and consensus-driven.

Biodiversity loss is speeding up. Ahmed Djoghlaf, executive secretary of the Convention on Biological Diversity, says extinction rates may be up to 1,000 times higher than the historical background rate.

This matters because biodiversity provides crucial services. "The ecological infrastructure of the planet is generating services to humanity worth by some estimates over \$70,000bn [£46,000bn, €55,000bn] a year, perhaps substantially more," says Achim Steiner, UNEP executive director.

PwC, the professional services group, says business is already being affected by risks related to declining biodiversity and loss of ecosystem services.

While extractives industries, such as forestry, farming and fishing, are affected most broadly, all sectors of the economy are affected in some way – and impacts are being felt now.

Soil erosion in Europe is estimated to cost €53 per hectare every year, while the annual economic losses caused by introduced agricultural pests in the US, UK, Australia, South Africa, India and Brazil exceed \$100bn.

The loss of ecosystems and biodiversity can lead to reduced productivity, scarcity or increased cost of resources. Litigation and changing consumer and purchaser requirements in sectors as diverse as utilities, textiles, food and drink, healthcare, financial services and technology companies can also result.

Other risks include disruption of operations and reputation and financing risks, as BP's problems in the Gulf of Mexico illustrate. "The BP situation is a perfect example of how we fail to value natural services," says Susan Burns, chief executive of the Global Footprint Network. "We just took these beaches, wetlands and fisheries for granted – if we had valued them properly, we would not have had such lax regulations."

Businesses need to start thinking about ecosystems as an extension of their asset base, part of their plant and machinery, says Jon Williams, a partner at PwC. And ecosystem protection, or the impact of ecosystem loss, needs to be factored into investment appraisal and capital allocation decision-making.

"We are eating into the planet's capital rather than living off its interest," says Mr Williams.

And yet, according to PwC, only two of the world's largest 100 companies identified biodiversity and ecosystem loss as a strategic issue in a recent survey, while only a quarter of 1,100 global chief executives think biodiversity loss is a threat to their business growth.

"Mainstream investors can no longer ignore trends such as loss of biodiversity and the overuse of ecosystem services such as clean air, fresh water and fertile soil," says James Gifford, executive director of the UN's Principles for Responsible Investment.



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"Resource constraints and pollution are increasingly becoming important factors in corporate profitability, and investors need to consider the implications of how companies manage these issues, and encourage them to improve."

However, biodiversity and ecosystems are even more complex to deal with than climate change, where there is at least one global unit of measurement – the tonne of CO2 emitted – around which action can coalesce. There is no equivalent for biodiversity.

The key focus at the moment is to gather information on what impacts businesses and consumers have on ecosystems.

"Investors do not yet have the tools to assess the financial impacts of this issue on companies. Putting in place [the IPBES] should increase the velocity of information flows on this really important subject," says Mr Karmali.

A number of other initiatives have also emerged recently, including the Forestry Footprint Disclosure Project and the Water Disclosure Project, both modelled on the Carbon Disclosure Project.

"The business case for protecting biodiversity is still being made," he adds.

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