



Valuing ecosystem services can boost business profits

A new tool allows European businesses to see how, through informed decision-making, conserving the ecosystems they depend on is not only environmentally responsible, but can also increase profits, reduce risk and boost the value of their product or services.

'**Ecosystem services**' describes the wide range of benefits that society gains from natural ecosystems, such as timber, water, crops but also flood protection and recreation. All businesses rely on ecosystem services to some extent and are under increasing pressure to account for their impact on the natural environment.

The new guide provides a practical approach for businesses to economically value the role that ecosystems play in commercial activities. This is the first time ecosystem valuation has been tailored specifically to businesses needs.

Using a suite of common valuation techniques, the framework – called Corporate Ecosystem Valuation (CEV) – can help guide companies to convert all flows into and out of a business with an impact on natural resources into a quantitative, or even, monetary value. The 'flows' include direct impacts, such as the use of timber or crops, and indirect impacts (positive and negative), such as greenhouse gas emissions, improvements in water quality, or pollution. Such impacts, that have a knock-on effect on wider society, often do not have a market value. However, they can still be assessed, and if no quantitative or monetary values are available, or required, qualitative terms can be included in the CEV analysis as well.

With the information from a CEV analysis, businesses can directly compare the relative advantages of alternative land and water usage options, manage the risks associated with dwindling resources or an unforeseen event (e.g. an oil spill), or boost the value of their product with their reputation as an environmentally responsible company.

The report also describes emerging opportunities for businesses to profit through initiatives to offset ecosystem damage (e.g. carbon credits, biodiversity off-sets and eco-friendly certified products), a global market estimated to be worth more than €4 trillion per year.

A five-stage process explains to businesses how to undertake a CEV appropriate to their purposes. The first two steps determine the objectives and assign a budget, time-frame and personnel specifically in the context of a valuation exercise (scoping and planning). In the third stage, the business follows a nine-step process to assign a value or cost to a specific ecosystem service. This stage requires the expertise of an environmental economist to "crunch the numbers" appropriately. The fourth and fifth stages describe how to embed the CEV into the existing business models and decision-making criteria within an enterprise.

The CEV method was piloted by 14 companies in the mining, forestry, energy, water, paper, chemical, manufacturing and oil and gas sectors before being released. One chemicals company tested two alternative scenarios to reduce annual CO₂ emissions from copper-clad laminate (CCL) production and found that they represented a 5% and 7% decrease compared to a business-as-usual scenario. The CEV also demonstrated that the financial result of applying either scenario was very sensitive to potential changes in the market price of carbon.

Businesses can also increase the credibility of their CEV by following 12 key principles, which include: *completeness* - ensuring that all ecosystem services are considered, *transparency* - providing sufficient information for reviewers and stakeholders, and *compliance* - explicitly stating how the CEV results support EU environment policy requirements.

Source: World Business Council for Sustainable Development (WBCSD). (2011). *Guide to Corporate Ecosystem Valuation – a framework for improving corporate decision making*. This report can be downloaded from: www.wbcsd.org/work-program/ecosystems/cev.aspx

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