Greening growth and the bottom line

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Investing in nature conservation makes economic and business sense. New models of conservation can create and expand markets, sustain profitable enterprise, boost business reputations and build company pride. One way for business to demonstrate its commitment to nature is to engage directly with the conservation community. At the recent 3rd IUCN World Conservation Congress in Bangkok, Thailand, business demonstrated its readiness to take action to shape the future of the environment and development.

"The battle for sustainable development cannot be won with classical tactics. It requires moving beyond the comfortable confines of the green community and influencing new circles". Thus Anand Panyarachun, former Prime Minister of Thailand and Chairman of the Thailand Business Council for Sustainable Development, opened discussions at the 3rd IUCN World Conservation Congress, held in the Thai capital Bangkok from 17-25 November 2004. His statement neatly summarises the challenge facing conservation, and the urgent need to engage with business and markets.

The Congress was the largest ever gathering of the global conservation movement, convened by The World Conservation Union (IUCN), and attracted unprecedented interest from the business community. Participants included representatives from large multinational companies as well as small-scale entrepreneurs and economic policy-makers, sharing their experiences and knowledge and helping to develop strategies to bridge the worlds of conservation, development and business.

The challenge of conservation is simply too big to be left to governments and civil society alone. This simple truth implies major changes in how conservation is achieved, against a backdrop of limited public funding for the environment. At the same time, the market (properly guided by public policy) remains the best mechanism we have for managing scarce resources and improving livelihoods. Which concrete steps can be taken to make business and markets better work for biodiversity?

New tools in the conservation arsenal include certification, socially and environmentally responsible investment, and partnerships with business and markets for ecosystem services. There is also much to be gained by engaging directly in international economic policy negotiations, particularly around development assistance and international trade.

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Certification for sustainability

Certification of eco-friendly means of producing goods and services is booming. From forestry to fishing, farming and tourism, more and more businesses find that independent third party certification of social and environmental performance is essential to retain and expand market share. Today even NGOs are under pressure to become certified, as a measure of their commitment to transparency and high standards.

While certification is no panacea, it can help ensure that good business practice is codified and encouraged. Many recent initiatives, from certified timber to eco-tourism labels, have found it difficult to enlist companies or consumers or sometimes both. Nevertheless, the approach continues to expand and grow, with new applications in markets for "green" products and services, the "greening" of main-stream markets, and targeting of market players other than final consumers.

Ultimately, for certification to work, both businesses and NGOs need to understand each other's needs and expectations. Key opportunities in taking certification-for-sustainability to the next level include:

- Adapting certification to developing countries and regions – for example, finding ways to reduce the costs of certification to make it more accessible;

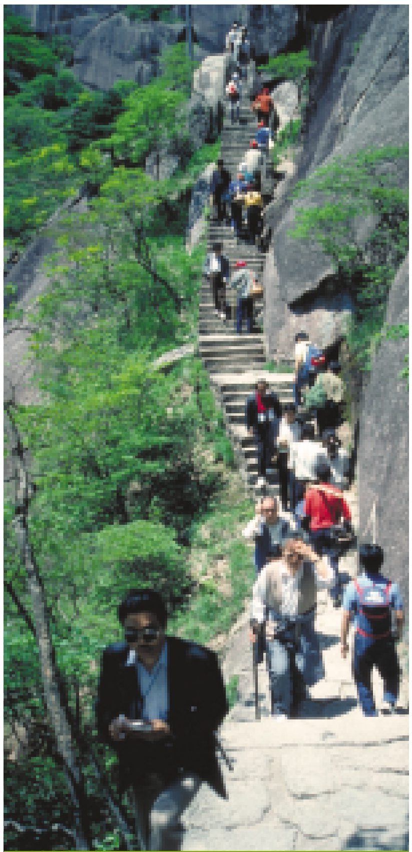

Figure 1. People and biodiversity need to exist in balance.

- Improving understanding of the relation between voluntary standards and mandatory requirements;
- Strengthening monitoring and enforcement – whether of regulations or voluntary certification;
- Innovative use of certification to achieve sustainability objectives – for example, certifying protected areas; and
- Promoting wider participation of stakeholders in certification mechanisms.

Sustainable investment

The financial services industry has enormous leverage in the global economy. There are huge opportunities to reorient investment decisions for sustainability. One encouraging sign is that more and more retail banks, asset

Figure 2. Biodiversity protection may require certifying protected areas.

managers, pension funds, insurance and re-insurance companies are beginning to look at biodiversity as part of the risk screening of their investments, and partnering with client companies to improve corporate biodiversity performance.

In the UK, for example, the fund management industry – directing assets worth some $4,750bn – is in a unique position to influence individual companies. Small and Medium Enterprises (SMEs) are following suit as their social and environmental performance makes them more attractive for investors and increasing attention is paid to the sustainability of supply chains.

How can conservationists help? Promoting responsible businesses, in particular SMEs, and helping to identify ‘bankable’ investment opportunities are two immediate calls for action. Long-term, strategic engagement with the world of high finance is equally essential if conservationists hope to have any lasting impact on the sustainability of future investment decisions.

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For a genuine partnership

Biodiversity partnerships between business and conservationists are working. The 3rd IUCN World Conservation Congress provided a platform for mature and constructive debate. The main message? Share your experiences and the lessons learned.

One pre-requisite for effective engagement between business and conservationists is clarity about principles, targets and indicators. Addressing corporate policies and actions requires building NGO capacities, while the importance of consumer pressure on the private sector cannot be overstated. Guidelines need to be developed on how best to accept private sector funds without compromising integrity or independence of civil society groups. Corporate best practices on environmental issues need to be encouraged but also developed into industry-wide codes of conduct.

Markets for ecosystem services

Modern economies enjoy a huge subsidy from nature, in the form of essential ecosystem services provided free-of-charge. For instance, many large cities depend on freshwater filtration provided by natural watersheds. Farmers everywhere rely on birds, bats and insects to pollinate and protect their crops. All of us benefit from carbon sequestered in forests and soils, which moderate global climate change. And yet, as any economist will tell you, there is “no free lunch”.

Increasingly, policy-makers and enlightened companies recognise the need to reinvest in ecosystems in order to maintain nature’s services. Well designed incentive schemes reward landowners and local communities for their environmental efforts. For example, Mexico paid $19 million to landowners in Queretaro to cease farming on land deemed valuable for watershed protection. The alternative? Soaring costs for water treatment and increasingly scarce groundwater supplies. Climate change is another rapidly emerging market, with growing trade in CO_2 emissions credits under the Kyoto Protocol.

Far-sighted companies are learning to thrive in a world where ecosystem services must be paid for. BP, for example, saved $650 million through its efforts to reduce CO_2 emissions by 10 per cent from 1990 levels, on a purely voluntary basis.

Markets for ecosystem services are still a relatively new concept. The immediate priority is to pilot incentive schemes and share experience, while continuously monitoring their environmental, economic and social impacts. Conservationists can play a key role in clarifying how alternative

IUCN’s vision and strategy

Vision: A sustainable global economy in which the private sector and the conservation community are committed and effective partners in achieving *a just world that values and conserves nature*.

IUCN’s strategy is to mobilise the private sector and the environmental community to work together. The aim is to:

- **Mainstream conservation in business**
  Companies can reduce their ecological footprint and conserve biodiversity by improving their management practices. IUCN works with the private sector to integrate biodiversity considerations into business policies, plans and actions. It does so by providing policy support; by developing standards, guidelines and tools; and by assisting in their implementation.
- **Bridge the communication gap**
  Good communication is an essential tool for bridging the gaps in our approaches to development and conservation. Companies can improve their performance and gain public recognition by engaging in dialogue with governments and civil society. IUCN acts as a convener and facilitator of such dialogues.
- **Improve knowledge of how market forces affect biodiversity**
  Markets can be enabled to support biodiversity conservation through economic policy reforms, green business promotion, consumer and investor information campaigns, and such other innovations. In IUCN, help is available for the private sector to expand and mobilise these mechanisms through IUCN’s global networks.
- **Reinforce work by governments and civil society**
  IUCN supports work by governments and civil society to improve businesses’ social and environmental performance. It presses for and facilitates reforms in public policy and law to safeguard living resources in an evolving globalised economy. It encourages and assists the private sector to participate in these processes.

Where action counts

IUCN's Regional Office for MesoAmerica is offering the Ministry of Environment in Costa Rica its guidance and information for the development and implementation of a Bandera Ecológica (Ecological Flag) certification scheme for businesses.

IUCN's Forest Conservation Programme is working with Unilever and other partners to develop guidelines for sustainable harvesting of seeds from a native tree species (Allanblackia) as a possible alternative to palm oil. This commodity has significant impacts on biodiversity. A market for oil produced from sustainably harvested seeds is expected to provide a positive incentive for conservation.

IUCN's Wetlands and Water Resources Programme is working with companies to find options for policies and actions that improve the environmental and social impact of dams in its field projects as well as through the Dams and Development Project.

IUCN's Business and Biodiversity Programme is working with a range of extractive companies and industry groups such as Shell and ICMM (the International Council of Mining and Metals) to improve biodiversity management. It is developing guidance documents and decision-making tools as well as organising independent reviews of biodiversity aspects of operations.

resource management practices affect the quality and quantity of ecosystem services. Proper valuation of these services is another essential ingredient for rational decision-making about natural resources.

Figure 3. Making biodiversity and markets mutually inclusive.

Greening global trade

Sound environmental policies can all too easily be swamped by the expansion of trade and the spread of globalisation. In some cases, governments appear to undermine their own efforts to protect the environment, through their adoption of trade liberalisation under the World Trade Organisation (WTO) or other trade agreements. Some argue that policies to promote economic growth through trade take unnecessary precedence over environmental concerns.

Clearly, trade is here to stay. The question is how to reduce conflicts between trade and biodiversity. Three contentious issues with clear links to both trade rules and biodiversity are agricultural and fisheries subsidies, invasive alien species, and access and benefit sharing for genetic resources (including intellectual property rights).

There is a pressing need for greater coherence and interaction between trade and environment regimes.

On-going international negotiations provide a window of opportunity for conservationists. The conservation community needs to articulate more clearly the links between trade and biodiversity. IUCN can play an important role, building on its extensive network of governments, civil society groups, academia – and, increasingly, businesses – as a neutral convener and credible knowledge-provider to resolve deadlocks in the debate.

ABOUT THE AUTHOR

Joshua Bishop, IUCN Senior Advisor, Economics and Environment, is a natural resource and environmental economist whose work focuses on the interface of conservation and development. In his current position at IUCN, Dr Bishop seeks to promote market-based approaches to nature conservation, while also presenting the case for conservation in economic terms.

ABOUT THE ORGANISATION

Created in 1948, The World Conservation Union (IUCN) brings together 82 States, 111 government agencies, 800 plus NGOs, and some 10,000 scientists and experts from 181 countries in a unique worldwide partnership. IUCN's mission is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable. IUCN is the world's largest environmental knowledge network and has helped over 75 countries to prepare and implement national conservation and biodiversity strategies. IUCN is a multicultural, multilingual organisation with 1,000 staff located in 62 countries. Its headquarters are in Gland, Switzerland.

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