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Thought Leadership Sustainability



A growing number of organizations are realizing sustainability benefits such as cost avoidance, production efficiencies and brand enhancement. However, as more enterprises see green, a sort of eco-myopia is taking hold.

Businesses and governments are meeting their own environmental challenges, but often without the context of a bigger picture. Have we reached a point where we are unable to see the forest for the trees—literally?

Take as an illustration, the practice of paper companies replanting tree clusters. The action itself is highly commendable, but if the trees are the same species, biodiversity disappears and the ecosystem is disrupted. Unfortunately, that's not a fictional example.

Fortunately, the idea of a more holistic environmental approach is gaining popularity. I could share hundreds of examples. But I'll focus on two of the most pressing—monetizing natural resources and rethinking regulations/standards.

Determining Nature's Price Tag

It's hard not to take nature for granted. However, it's harmful to assume that it's free. There is an economic value to our air, forests, lakes and seas. There are also costs associated with their mismanagement. Individuals and groups around the world are now attempting to find out what those numbers are.

The calculations began in the late 1990s, when a study published in the British science journal *Nature* estimated the value of our ecosystem services at an astonishing \$33 trillion per year.¹ Subsequent estimates have put the number as high as \$72 trillion.²

Why monetize natural assets? One reason is that it will help us use our assets wisely. Putting it bluntly, when the ecosystem battles the economic system, the latter usually wins. That's because conservation doesn't appear to offer the financial gains of a commercial endeavor—e.g., an empty beach doesn't generate the revenue of a seaside resort.

That perspective changes when nature sports a price tag. If a business consumes—or preserves—natural resources, its executive team will have a true understanding of the associated costs. In addition, communication and negotiation will become less vague. When carbon offsets are being sold, both parties will recognize a “reasonable” price. When the EPA is reviewing grant requests, environmental contributions will be compared more objectively.

Making the Wrongdoers Pay

Valuing the ecosystem also ensures appropriate retribution for its abuse. Today's environmental penalties are inconsistent and often inadequate. (It's hard to punish someone for destroying something of unknown worth.) Consequently, the cost of doing something right can significantly



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outweigh the penalty for doing it wrong. This prompts companies to take risks they might otherwise fear.

Perhaps that's why the U.N. estimates that our annual mismanagement of natural assets is costing \$6.6 trillion—the equivalent of 11% of global gross domestic product.³ These numbers are more than just interesting statistics. Their real-world manifestation was recently summarized by P.J. Simmons, chair of the Corporate EcoForum executive network, who wrote:

“The costs hit home when ecosystem degradation translates into lost lives or illnesses, when scarcities bring supply chains to a grinding halt, when homes are destroyed or jobs lost, or when preventable damage from natural disasters overwhelms the budgets of insurers and governments.”⁴

Encouraging Government to Take a Bird's-Eye View

The purpose of regulation is to intervene when the market fails. Our abundance of environmental regulations indicates that the market has been unable to drive behaviors on its own. The fact that natural resources have not been valued appropriately doesn't help.

As the movement to monetize nature continues, regulatory bodies will need to assume a broader “system” perspective. That perspective could prove equally invaluable to other areas of sustainability. But it's missing.

Why? Because many regulatory and voluntary environmental frameworks were developed to address a single medium (air, waste) and/or a single product aspect, such as energy consumption. While no one would argue their value, these frameworks are not evolving with an eye toward life-cycle management, which is hindering the innovation that drives societal progress.

Here are just two examples:

The ENERGY STAR[®] program, which is now global, focuses on product energy consumption. Government regulations have been quite effective at getting products to meet ENERGY STAR requirements. However, the program is becoming an impediment to innovations that offer greater energy savings, such as “cradle to cradle” design for remanufacturing. Which makes more sense: investing in incremental reductions during machine operation while tossing out old parts or reusing parts to avoid manufacturing more components?

The European Union Restriction on Hazardous Substances (RoHS) Directive offers a similar example. RoHS requires the elimination of hazardous substances from machine parts. The goal is to keep harmful materials out of the waste stream. But what if the parts already exist and can be safely remanufactured or recycled? Their life-cycle would be extended and their disposal avoided.

These are the types of questions being asked and argued in government offices and boardrooms around the world.

Sharing in the Responsibility

The responsibility for this broader environmental view does not rest solely on the government's shoulders. Businesses must play a key role in establishing new standards and solutions. Some already are.

For example, Dow Chemical recently announced a \$10 million partnership with the Nature Conservancy to help businesses “recognize, value and incorporate nature into global business goals, decisions and strategies.”⁵ Coca-Cola is aiding in the preservation of healthy watersheds.

And Xerox is involved in multiple environmental initiatives, including a long-standing Nature Conservancy partnership focused on developing ways to capture ecosystem value to incent sustainable forestry practices.

If your company's environmental focus is limited to its own challenges, I encourage you to expand your view. Not only for the benefit of the planet, but also for the good of your business. Claim your seat at the table and join the conversation. Help influence the regulations and directions of the future.

To paraphrase JFK, it is time to stop thinking about what the environment can do for us and start focusing on what we can do for the environment. Not as individuals. Not as independent businesses. But as one vast, interconnected world.

I would love to hear your thoughts. If you have questions, suggestions or examples of how the ecosystem might be monetized or environmental regulations might be improved, I encourage you to share them through the [Ask a Thought Leader](#) link.

Sincerely,



Patty Calkins

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1. <http://biosci.usc.edu/courses/2002-spring/documents/bisc102-goldfarb.pdf>
2. <http://www.forbes.com/sites/csr/2011/09/20/the-next-global-debt-crisis/>
3. Ibid
4. Ibid
5. http://www.dow.com/news/multimedia/media_kits/2011_01_24a/pdfs/dow-tnc_joint_press_release.pdf