



WATCH VIDEO

SHARE/E-MAIL

SEARCH FRONTLINE



CARBON WATCH
TRACKING THE NEW CURRENCIES OF GLOBAL WARMING

A JOINT PROJECT
WITH THE



CENTER FOR
INVESTIGATIVE
REPORTING

False Profits

Corporations must account for environmental impact says SEC and prepare to pay says new report

March 12, 2010 BY Sarah Terry-Cobo



Climate Change Headlines
<p><u>U.N. Forecasts Less Than 1 Bln Kyoto Offsets By 2012</u></p> <p>Source: Reuters - A United Nations agency on Wednesday cut its forecast for pre-2012 Kyoto Protocol carbon offsets, estimating for the first time that less than 1 billion tonnes will come to market before the climate pact expires.</p>
<p><u>JA welcomes Spanish donation to Adaptation Fund</u></p> <p>Source: Jamaica Observer - JAMAICA has welcomed news of Spain's euro 45-million contribution to the Adaptation Fund, from which developing countries are to benefit in their efforts to fortify themselves against the ill effects of climate change.</p>
<p><u>Japan, Germany, Denmark ready to cooperate with Belarus under Kyoto Protocol</u></p> <p>Source: BelTA - Japan, Germany and Denmark are ready to cooperate with Belarus within the framework of the Kyoto Protocol, Alexander Grebenkov, national coordinator-expert of the Support to the Kyoto Protocol Implementation project, told reporters.</p>
<p><u>Kenya Turns to Carbon Trade in a Bid to Curb Climate Change</u></p> <p>Source: Newstime Africa - Kenyan Prime Minister Raila Odinga has said the country is keen to partner with investment bankers to promote trading in carbon markets and ensure the rehabilitation of the Mau and other threatened forests in the country.</p>
<p><u>How China and India Sabotaged the UN Climate Summit</u></p> <p>Source: Spiegel - What really went on at the UN climate conference in Copenhagen? Secret recordings obtained by SPIEGEL reveal how China and India prevented an agreement on tackling climate change at the crucial meeting.</p>
<p>RSSbox powered by rssinclude.com</p>

Knowing they will face climate legislation sometime in the future, a number of U.S. corporations have already begun to offset their greenhouse gas emissions. The utility giant American Electric and Power is [buying forest projects in Brazil](#) and the disposal company Waste Management is [recovering methane](#) from landfills to use in its trash trucks in California.

The study looked at 3,000 of the world's top companies, and calculated that their environmental impact amounted to at least \$2.2 trillion in 2008.

But a preliminary report commissioned by the [United Nations](#) has found that the cost of environmental damages could erase at least one third of the profits major corporations make around the world, if they had to pay for these damages. The study looked at 3,000 of the world's top publicly traded companies, and calculated that their environmental impact amounted to at least \$2.2 trillion in 2008. More than half of the damage was caused by greenhouse gas emissions.

The full report, due out this summer and [first reported](#) by the *Guardian* in February, was conducted by the British consultancy firm [Trucost](#), and commissioned by the [United Nations Principles for Responsible Investment](#). Trucost's CEO, Richard Mattison, [told](#) the *Guardian* that industries are facing a completely new paradigm: "Externalities of this scale and nature pose a major risk to the global economy and markets are not fully aware of these risks, nor do they know how to deal with them," he said.

What economists call [externalities](#), are industry byproducts such as air pollution, soil erosion, and water pollution. These costs to the environment (and the surrounding communities) are not included in the price of producing energy, timber or food, for example, but are "paid for" by those who suffer from the effects.

The *Guardian* reported that the \$2.2 trillion figure could be much higher, since the study only included the impact from major corporations, and not the business and consumer practices of governments or the general population.

The authors of the study hope it will be used by growing numbers of institutional investors who want to back companies with a good track record in [environmental, social and corporate governance](#), and drive home to business leaders and policy makers that environmental costs will increasingly be part of a corporation's bottom line.

The Securities and Exchange Commission delivered a similar message in January, when it [released guidelines](#) on what public companies should disclose as potential material risks from climate change.

The four main areas included the economic costs of meeting international emissions treaties and other pending regulations, staying competitive as consumer and business trends shift to adapt to climate change, and mitigating the potential physical challenges of a changing climate, such as water scarcity and soil degradation.

Whether these risks are caused by "increased competition or severe weather," said SEC Chairman Mary Schapiro, companies must disclose to their shareholders "the significant risks they face."

James Salo, the head of research and strategy at Trucost's U.S. office, told Carbon Watch that the guidelines "put the onus on companies to understand those risks in those four key areas and manage them."

In a recent [editorial](#), Pavan Sukhdev, a former Deutsche Bank executive, who is now working with the U.N. to develop new economic models to protect biodiversity, argued that a value has to be placed on nature for businesses to change the way they produce goods and services.

"We cannot manage what we do not measure and we are not measuring either the value of nature's benefits or the costs of their loss," he said.

Here is Sukhdev describing the role "natural capital" can play in the global economy.



Under Sukhdev's leadership, the U.N. is expected to release another influential report later this year that will lay the economic foundations for putting a price on environmental impact and offer a broad set of solutions to reduce it.

Post Your Reaction

First Name

Last Name

City

State (or Country)

E-Mail Address

Your Comments

- You may post this
 Please do not post my name
 Please do not post this
 Sign me up for the FRONTLINE/World newsletter

send your reaction

[HOME](#) • [STORIES](#) • [REACT](#) • [WATCH](#) • [ABOUT](#) • [EDUCATORS](#) • [DISPATCHES](#) • [NEWSLETTER](#) • [CONTACT US](#) • [FRONTLINE](#)

[Privacy Policy](#) • © 2002-2010 WGBH Educational Foundation. All Rights Reserved.