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# Putting a Price on Global Environmental Damage

- Top 3,000 public companies were responsible for \$ 2.15 trillion worth of environmental damage in 2008
- Environmental harm could affect significantly the value of capital markets and global economic growth
- Global environmental damage estimated to cost \$28 trillion by 2050

(San Francisco, USA) Global environmental damage caused by human activity in 2008 represented a monetary value of \$ 6.6 trillion, equivalent to 11% of global GDP, calculates a study released today by the UN-backed Principles for Responsible Investment (PRI) and UNEP Finance Initiative. Those global costs are 20% larger than the \$ 5.4 trillion decline in the value of pension funds in developed countries caused by the global financial crisis in 2007/8.

The study, an initial effort to quantify in monetary terms the environmental harm caused by business and the possible future consequences for investor portfolios and company earnings, estimates that in 2008 the World's top 3,000 public companies were responsible for a third of all global environmental damage. The study warns that as environmental damage and resource depletion increases, and governments start applying a more vigorous "polluter pays" principle, the value of large portfolios will be affected through higher insurance premiums on companies, taxes, inflated input prices and the price tags for clean-ups.

The most environmentally damaging business sectors are: Utilities; oil and gas producers; and industrial metals and mining. Those three accounted for almost a trillion dollars' worth of environmental harm in 2008. The top 3,000 companies by market capitalisation, which represent a large proportion of global equity markets, were responsible for \$ 2.15 trillion worth of environmental damage in 2008.







Workers and retirees could see lower pension payments from funds invested in companies exposed to environmental costs, says the study, which was conducted by Trucost, the global environmental research company.

The study projects that the monetary value of annual environmental damage from water and air pollution, greenhouse gas emissions, general waste and depleted resources could reach \$28.6 trillion in 2050, or 23% lower if clean and resource-efficient technologies are introduced.

The study recommends investors should exercise their ownership rights, collaborate to encourage companies and policy-makers to reduce these environmental externalities, and request regular monitoring and reporting from investment managers on how they are addressing exposure to environmental risk.

## James Gifford, Executive Director, UN-backed Principles for Responsible Investment, said:

"An increasing number of large investors are recognising that environmental externalities generated by one company are likely to come back and hit their portfolios in another place or time. This report provides an important rationale why investors need to exercise leadership and responsible ownership by acting together to reduce corporate externalities."

#### Paul Clements-Hunt, Executive Director, UNEP Finance Initiative, said:

"This report sends a powerful message that the environment is also the business of business. Polluters must pay. Safeguarding the environment and using our natural assets efficiently entail collective action. Cohesive policy and regulation is required to fully account for externalities and speed up the integration of material environmental issues into investment decisions. The bottom line is that if we are to achieve a sustainable global economy, then we must stop drawing down our natural capital."

## Richard Mattison, Chief Operating Officer, Trucost, said:

"Large companies and investors are exposed to significant environmental costs. These costs are largely linked to greenhouse gas emissions, water use, air pollution and unsustainable resource use that continue to threaten our finite stock of natural capital and prospects for sustainable growth. The report highlights opportunities for investors to encourage companies to use resources more efficiently and pollute less before environmental costs rise further."

#### **READ THE EXECUTIVE SUMMARY**

# Notes to Editor

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## ■ The Principles for Responsible Investment (PRI)

The Principles for Responsible Investment, convened by UNEP FI and the UN Global Compact, was established to help investors achieve better long-term investment returns and sustainable markets through improved analysis of environmental, social and governance issues. The Initiative has over 800 signatories from 45 countries with more than \$ 22 trillion of assets under management.

# United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a strategic public-private partnership between UNEP and the global financial sector. UNEP works with nearly 200 banks, insurers and investment firms to understand the impacts of environmental, social and governance issues on financial performance and sustainable development, and to embed best sustainability practice in financial institution strategies and operations.