New UN report finds almost no industry profitable if environmental costs were included

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If you haven't been paying attention, I don't blame you for at first not believing this. After all, companies go to great lengths to greenwash their image and present themselves as progressive and environmentally responsible, even while they turn your land to deserts and your oceans into dead zones. Unfortunately, as Mark Twain once famously said: "It's *easier to fool* people than to convince them that they have been fooled."

The truth is that our current system allows pretty much every corporation to externalize both environmental and social costs. In this article, we won't even be touching on social costs. If you don't know what cost externalization is, you can imagine it as making someone else pay part or all of your costs. For example, BP externalized the environmental costs of the Deepwater Horizon disaster by consuming all of the profits but making the government pay for anything beyond the most shoddy and superficial attempts at stopping the crisis.

A new report by Trucost on behalf of The Economics of Ecosystems and Biodiversity (TEEB) program sponsored by United Nations Environmental Program, examined the money earned by the biggest industries on this planet, and then contrasted them with 100 different types of environmental costs. To make this easier, they turned these 100 categories into 6: water use, land use, greenhouse gas emissions, waste pollution, land pollution, and water pollution.

The report found that when you took the externalized costs into effect, essentially NONE of the industries was actually making a profit. The huge profit margins being made by the world's most profitable industries (oil, meat, tobacco, mining, electronics) is being paid for against the future: we are trading long term sustainability for the benefit of shareholders. Sometimes the environmental costs vastly outweighed revenue, meaning that these industries would be constantly losing money had they actually been paying for the ecological damage and strain they were causing.

TABLE 2: RANKING OF THE 5 REGION-SECTORS WITH THE GREATEST OVERALL NATURAL CAPITAL IMPACT

RANK	SECTOR	REGION	NATURAL CAPITAL COST, $BN	REVENUE, $BN	IMPACT RATIO
1	COAL POWER GENERATION	EASTERN ASIA	452.8	443.1	1.0
2	CATTLE RANCHING AND FARMING	SOUTH AMERICA	353.8	16.6	18.8
3	COAL POWER GENERATION	NORTHERN AMERICA	316.8	246.7	1.3
4	WHEAT FARMING	SOUTHERN ASIA	266.6	31.8	8.4
5	RICE FARMING	SOUTHERN ASIA	235.6	65.8	3.6

In terms of land and water use: almost no companies are actually paying a price remotely comparable for what they are actually taking away from the ecosystems. Consider that fact that Nestle pumps water out of drought-ridden California without limits for an unannounced but extremely low price, and turns around and sells this exact same water back to those affected by the resulting droughts for approximate $4 billion profit per year (based on 2012 data).

The even scarier fact in all this is that the indirect costs "downstream" from the industries are actually even greater. Here are the top 5 sectors passing along insane costs:

TABLE 3: TOP 5 SECTORS WITH THE GREATEST OVERALL IMPACT AND AT LEAST 50% OF IMPACTS IN THEIR SUPPLY-CHAIN

RANK	SECTOR	TOTAL DIRECT AND INDIRECT COSTS PER US$ MN OUTPUT (US$MN)	INDIRECT IMPACT AS A MULTIPLE OF DIRECT IMPACT
1	SOYBEAN AND OTHER OILSEED PROCESSING	1.52	154
2	ANIMAL (EXCEPT POULTRY) SLAUGHTERING, RENDERING, AND PROCESSING	1.48	108
3	POULTRY PROCESSING	1.45	98
4	WET CORN MILLING	1.32	80
5	BEET SUGAR MANUFACTURING	1.29	86

If you didn't notice yet: meat and coal are probably the largest offenders. If you look at table 2 again, you can see that cattle ranching in South America carries 18 times a higher environmental cost than all the revenue it brings in. Once you think about this, it is probably less surprising that 91% of Amazon rainforest destruction is fueled by increased animal agriculture.

How much money would these companies be losing if they were actually covering the environmental costs or paying to reduce their environmental impact? Well, the report also covers this:

TABLE 4: TOTAL DIRECT ENVIRONMENTAL DAMAGE AS A PERCENTAGE OF REVENUE FOR AN ILLUSTRATIVE SELECTION OF PRIMARY, MANUFACTURING AND TERTIARY SECTORS USING GLOBAL AVERAGES

SECTOR	TOTAL DIRECT IMPACT RATIO (NATURAL CAPITAL COST AS % OF REVENUE)
CATTLE RANCHING AND FARMING	710
WHEAT FARMING	400
CEMENT MANUFACTURING	120
COAL POWER GENERATION	110
IRON AND STEEL MILLS	60
IRON ORE MINING	14
PLASTICS MATERIAL AND RESIN MANUFACTURING	5
SNACK FOOD MANUFACTURING	2
APPAREL KNITTING MILLS	1

So, now that it has become abundantly clear that our current regulatory system is corrupt/deficient, what do we do about it? Well, firstly we need to stop allowing companies to pretend that they are “environmentally responsible” when they are worse behaved than any child you have ever met. If someone came in and destroyed your kitchen to make you a piece of bread with butter, demanded money for it, and then bragged about being a “responsible cook,” it wouldn’t be any less ridiculous.

After we have stopped tolerating the bullshit, we need to seek and support actual solutions. We have to be willing to boycott and campaign against “cheap” products that are actually environmentally costly, as well as putting pressure onto governments to amend their regulations. Why should we expect companies to change if neither consumers or governments are forcing them?

To finish up, I will include what the Trucost report suggests for industries, investors, and governments. Please join in helping inform people about this situation, about these costs, and helping create more pressure to remove these “externalities.”

RECOMMENDATIONS FOR COMPANIES

1. Focus on gathering primary impact data, and conducting primary environmental valuation studies, on likely hot spots in direct operations and in supply chains.
2. Identify existing mechanisms that could internalize natural capital costs and the probability and financial impact of these costs being internalized in the future.
3. Consider using valuations for EKPIs to apply “shadow” pricing in procurement decision-making and financial analyzes.
4. Explore opportunities for adaptation and to improve resource efficiency, both internally and within the supply chain.
5. Evaluate options to change suppliers, sourcing location or materials, where existing suppliers are not willing to change.

RECOMMENDATIONS FOR INVESTORS

1. Identify which assets are most exposed to natural capital risk, and which companies and governments are able and willing to adapt.
2. Identify the probability and impact of natural capital costs being internalized.
3. Build natural capital risks, adjusted for the likelihood of internalization, into asset appraisal and portfolio risk models.

RECOMMENDATIONS FOR GOVERNMENTS

1. Identify the distribution of natural capital risk across the economy, and look for hot spots of low natural capital productivity.
2. Understand how business sectors’ global competitive position may change in the future as a result of natural capital costs.
3. Develop policies that efficiently and effectively internalize these costs, avoiding sudden shocks in the future, and helping businesses to position themselves for a natural capital constrained world.

https://www.exposingtruth.com/new-un-report-finds-almost-no-industry-profitable-if-environmental-costs-were-included/
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