

# THE TIPPING POINT

Sustained stability  
in the next economy



UNEP Finance Initiative  
Innovative financing for sustainability

Wednesday, 19 October 2011

## Sector Session 5

### **Absolute Assets: Accounting for natural capital in lending & investment.**

*Synopsis:* There is mounting evidence that the current loss of natural capital has far exceeded the economic losses of the 2008 financial crisis. This session provided insights into the latest developments in integrating biodiversity and ecosystem services criteria in to a variety of finance and investment products. It also featured a call for financial institutions to endorse and support a “Natural Capital Statement for Financial Institutions.”

*Summary:* This session began with an introduction by **Pavan Sukhdev** - founder and CEO of GIST Advisory - who opened the discussion by introducing the landmark Economics of Ecosystems and Biodiversity report (also known as TEEB). According to Sukhdev, who was closely involved in the development of TEEB, several countries are gradually implementing the recommendations found in the TEEB report. Brazil, in particular, has taken an aggressive approach both at the state and business level, remarked Sukhdev, while India, Germany, Norway, and the Netherland have also taken serious steps.

Sukdhdev argued that there is currently a backlash against free market capitalism and consumerism. Such circumstances have forced the financial community to evaluate its performance at managing risks, said Sukdhdev. And while market risks and credit risks and event-related risks are reasonably well managed, said the speaker, systemic risks related to leverage or regulatory risks remain overlooked. The cost of externalities generated by the world’s 3,000 corporations, for instance, amount to a staggering USD \$2.15 trillion per year – or 3.5% of the global GDP – according to a report by network True Cost, said Sukdhdev. At this rate, concluded Sukdhdev, companies might not actually be generating as much wealth as required to maintain a robust economy.