



CBD DECISIONS AND THE BUSINESS SECTOR

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SUMMARY

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INTRODUCTION

The Convention on Biological Diversity (CBD) has been in effect since 1993. The CBD is a politically binding treaty between 193 of the countries within the United Nations. The reason for its creation was the acceptance that global action was needed to address the massive increases in extinction and ecosystem destruction that had occurred in recent history. The core logic was, and is, simple: if the global biosphere collapses, the ramifications for humans will be incalculably severe. To briefly illustrate we will apply this logic to one sector: agricultural production. A collapsed biosphere results in the collapse of global agricultural production, and so with it all economies currently depending on healthy human beings in one-way or another.

NEED TO KNOW ABOUT THE CBD

Each topic area is called a “Decision”.

Decisions are documents that guide the entire CBD in that area.

WHAT THE READER CAN EXPECT TO TAKE FROM THIS DOCUMENT

This document aims to provide easy to understand explanations of what the Business Decisions, and related documents, mean to businesses everywhere. In other words, consider this as a “why this may matter to you” document.

The Business Decisions, stemming from the bi-annual Conference of Parties (or COP, for short), represent the ‘global standpoint’ on business and biodiversity as agreed upon by all countries in the CBD. Otherwise put, these documents contain the forward-looking desires for, commitments to, and requirements of businesses across the world as agreed upon by most national governments. As such, these documents provide a lens through which attentive business leaders can track emerging trends, foresee opportunities, and forestall threats. For example: within the realm of climate change, and specific to biodiversity, there is a global trend towards stricter regulation and legislation within and

across national borders. There have also been repeated calls to eliminate 'perverse incentives', which are harmful to biodiversity, and to replace them with positive incentives that encourage sustainability. These are just two of many important details found in CBD documents that will inevitably alter the way business is conducted both within countries and across the globe. The key to continued, and preferably enhanced, profitability will lie in remaining ahead of these curves.

WHO HAS SPONSORED THE CREATION OF THIS DOCUMENT?

The National Confederation of Industries - Brazil, as the Executive Secretariat for the Brazilian National Initiative, a member of the CBD Global Partnership for Business and Biodiversity, has drafted this document with the support of the Brazilian Government through The Brazilian Ministry of the Environment and the German Government through the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), through the *Gesellschaft Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) GmbH within the framework of the Project TEEB Regional – Local.

Brazil has been an active supporter of the CBD and related international agreements, and has implemented many biodiversity-related legislative changes and incentive programs to concurrently champion economic growth and the preservation of biodiversity. In this context, the "Biodiversity Conservation through integration of ecosystem services in public politics and private sectors engagement – TEEB Regional-Local" project was conceived with the objective of contributing to the engagement of public and private key actors in achieving these common goals towards implementing sustainability strategies with relevance to climate and biodiversity protection.



WHAT DOCUMENTS AFFECT THE BUSINESS DECISIONS

The Business Decisions are built upon several strategic international agreements that serve as outcome guides. These are the Strategic Plan and the Aichi Targets, but also of significant note is Nagoya Protocol on Access and Benefit Sharing (ABS).

The Strategic Plan is the overarching framework guiding all countries and stakeholders with respect to the preservation of biodiversity and the enhancement of derived benefits. The Aichi Targets are a list of 5 strategic goals, segmented into a total of 20 sub-targets. They extend the Strategic Plan in so much as the strategic goals outline “what needs to be done” while the associated targets outline “how it must be done”. Access and Benefit Sharing refers to the fair and equitable sharing of benefits arising from the utilization of genetic resources, as well as from the use of traditional knowledge¹.

The ABS agreement provides a transparent legal framework to address the transfer of valuable knowledge and resources across national borders. It is set to become legally-binding 90 days after the fiftieth country ratifies, at which point companies doing business within those countries will be required to abide by the regulations.

EXAMPLE FROM THE AICHI TARGETS²

Strategic Goal A: Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society.

Target 3: By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts, and positive incentives for the conservation and sustainable use of biodiversity are developed and applied.



THE BUSINESS DECISIONS

The most recent Business Decisions from COP10 (X/21 - titled “Business engagement”) and from COP11 (X1/7 - titled “Business and biodiversity”), are broken down into sections. The first section lists what previous documents, agreements, understandings, or recognitions form the logical foundation of the current Business Decision. The following sections, comprised of many sub-paragraphs, start with headings such as “Invites parties to”, “Encourages businesses and the private sector to”, “Requests”, and “Calls upon businesses to”. Each sub-paragraph details a section of what all countries in the CBD have agreed to with regard to that topic. The different section headers denote the level of responsibility of the parties.

The following segments of this paper will take specific examples of text from the various subsections and explain a) what they mean, and b) what opportunities or risks they present to businesses everywhere. Additionally, a segment further elaborating ABS and the associated benefits, risks, opportunities, and challenges it presents can be found at the end of the paper. The ultimate goal is to demonstrate how the global business is changing, and will change, as a function of the CBD and what motives businesses have for being proactive instead of reactive.



WHAT THE BUSINESS DECISIONS MEAN TO BUSINESSES EVERYWHERE

As previously mentioned, the COP decisions are structured in sections and these sections represent the level of compliance expected from the countries that signed the Convention on Biological Diversity. The following four sections are ordered from most voluntary to most binding. The examples outlined below will be taken from the Business Decisions of COP 10 and COP 11 (2010 and 2012).

INVITES PARTIES:

This section can be seen as all countries that signed the Convention agreeing that “the following governmental policy and operational changes should take place in order to be compliant with the goals of the CBD”.

Although not strictly legally binding, ensuring the stability of global biodiversity is something that all countries in the CBD have agreed is of critical importance. Therefore, the recommendations in this section form the global ideal in terms of what all countries should support and enforce. As a result, progressive changes are occurring across all of the countries to ensure that the goals of the CBD are met. As such, the opportunities for businesses with regard to this section lie in the realm of first mover advantages, growth markets, positioning, and not being blindsided by legislative changes.

Businesses that proactively seek to inform themselves of oncoming shifts in national and international policy are often far better at developing and positioning products or

EXAMPLES FROM COP 10 BUSINESS DECISION³

Invites Parties:

To adopt, as appropriate, sustainability criteria for government purchases of products of biological resources;

To promote a public-policy environment that enables private-sector engagement and the mainstreaming of biodiversity into corporate strategies and decision-making in a manner that contributes to the achievement of the three objectives of the Convention.

services to meet the emergent demand. The breadth and financial impact of these oncoming shifts can be exemplified by the adoption of green public procurement policies by a growing number of regional and national governments^{5,6}, by the imminent ratification of the Nagoya Protocol⁷, and by pro-biodiversity changes to national incentive and subsidy structures⁸. But how large is the pie, really? The annual amount spent on green public procurement in 2011 for OECD member countries, for example, was valued at 12% of GDP with some countries exceeding 15%⁹ – so billions of dollars. Now, imagine what happens when a country decides to implement green procurement laws that suddenly require specific criteria, standards, and / or certifications to be present for a bid to be considered. The companies that proactively positioned themselves accordingly will be able to operate in the new market in which the competition could potentially be few and far between (if non-existent). Conversely, the reactive companies will have to scramble to meet requirements before entering the market and will suffer significant losses as a result.

Secondly, the ratification of the Nagoya Protocol will result in an almost immediate shift in how major industries, such as the pharmaceutical and cosmetics industries, will be allowed to operate globally. Currently, there is no global framework which governs the way companies or individuals transfer genetic resources or traditional knowledge across national borders and this has resulted in the misappropriation of intellectual property. This is about to change. It is estimated that by 2014 (at the earliest) the Protocol will be in force, it will be legally binding for all countries that ratified it, and its conditions will govern access to those domestic resources regardless of whether or not the accessing party has jurisdiction or not. This means that it will be enforceable on any legal entity seeking to transfer genetic resources or traditional knowledge out of a ratified country, even if that entity is from another country.

Certain companies have already begun to establish themselves as 'go to' players in preparation for this shift. One such company is Bionomos, a boutique consulting firm specialized in Biodiversity law. Having consulted for numerous countries who have signed, or are preparing to sign, the Nagoya Protocol, Bionomos has proactively positioned itself as one of the foremost interpreters of a) how private sector players can profitably adhere to the Protocol, and b) how governments can implement / enforce it.

Finally, with regard to the elimination of perverse incentives and subsidies affecting biodiversity, we need only look to the forestry for examples (although many examples exist of countries reducing or eliminating incentives and subsidies that were originally implemented to stimulate growth in extractive industries). The tipping point tends to occur when countries accept that the resource in question is not in unlimited supply, and / or the extraction is having a greater overall negative financial effect than the revenue it generates. This was the case in Cambodia, where in 2000 the government drastically modified the financial and managerial criteria required to operate in the country¹⁰. These changes were very positive for the country and its people, but were undoubtedly unwelcomed by the companies affected.

The take-home message here is that companies relying significantly on external factors (subsidies, tax

EXAMPLE FROM COP 11 BUSINESS DECISION⁴

Invites Parties:

Ratify and implement the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization in order to establish legal certainty and transparency for providers and users of genetic resources;

Consider, according to priorities and national circumstances, policies and legislation that halt biodiversity loss and reduce incentives, including subsidies, that are harmful to biodiversity or have biodiversity impacts.

breaks, below-market conditions, special access to resources, legislative gaps, etc) to operate at a profit are unlikely to survive in the medium to long term as these conditions are themselves unsustainable. A comparable stream of logic could be that it would be unwise to continue renting from a landlord who may raise the rent or remove access to essential utilities at any moment for tenants who do not keep their spaces clean.

ENCOURAGES BUSINESSES AND THE PRIVATE SECTOR:

This section can be seen as the other side of the “Invites parties” coin, so to speak. While the previous section outlined what the all countries in the CBD have agreed to in terms of governmental actions, this section outlines what those countries agree that the business / private sector should do in response. Another way to look at it would be as follows: the “Invites parties” section outlines how the global playing field should be changed, while the “encourages businesses...” section outlines how the players should modify their operational strategies in response.

This section is perhaps the most important for a savvy business owner / manager to take note of, as this is the “cheat sheet” of what actions national governments are looking to support. This opens up many possibilities for organizations looking to profitably position themselves for emerging markets, changes in government subsidies, incentives, and reporting requirements. Additionally, this provides companies with an opportunity to showcase their environmental consciousness to clients and the public at large. This is important in today’s global economy as being perceived to be environmentally conscious has many correlated financial and brand image implications^{11,12}.

The recommendations in this section speak directly to shifts in national and international policy, and in some cases represent forewarning of legislative changes to come. This is also apparent when comparing the language and content of the recommendations from COP 10 to that of COP 11. In the COP 11 text the recommendations are more precise, alluding to the course that national or international policy may take. For example, the recommendation to consider corporate reporting mechanisms for effects on biodiversity is similar to the past recommendations for mining companies to perform environmental impact assessment. What was once voluntary is now mandatory, and the trend will

EXAMPLES FROM COP 10 BUSINESS DECISION³

Encourages businesses and the private sector:

To participate in voluntary certification schemes that promote the three objectives of the Convention;

To survey available best practice within relevant industries, and to consider how specific skills, expertise and influence can be mobilized and shared in order to minimize and avoid negative impacts on biodiversity.

EXAMPLE FROM COP 11 BUSINESS DECISION⁴

Encourages businesses and the private sector:

Analyze the impacts, dependencies, opportunities and risks of individual sectors as they relate to biodiversity and ecosystem services, in accordance with nationally defined priorities and national conditions, taking into account the findings and recommendations of the TEEB for Business Report;

Consider covering, in their annual reports and on their corporate information platforms, the effects of their business operations on biodiversity and their reliance on ecosystem services, in accordance with nationally defined.

continue as environmental legislation will only get more stringent.

Examples of this are becoming widespread, such as Finland's 2011 decision to adopt the once voluntary FSC certification as a national standard¹³. Other recommendations speak to the sound financial logic of analyzing dependencies on nature, both direct and indirect, so to enhance the mitigation of risk, lower operational costs, and ensure the stability and predictability of resource supply. This is good advice irrespective of any legislative requirements, but it does forecast a future where businesses may be required by law to have a biodiversity impact assessment section of their annual reports. When this occurs, the consultants or recent graduates qualified to perform them will suddenly be in high demand, and their rates will undoubtedly reflect it. As such, it is economically sound to be proactive in this regard, even when disregarding the operational cost reductions and public image benefits that will result.

A good example of this is can be seen with PUMA, who voluntarily disclose their entire environmental impact, across their entire supply chain, and have seen defined benefits as a result¹⁴. Another recommendation found within this section is for businesses and their leaders to engage in dialogue with governments and relevant organizations to help clarify the needs of the business sector with regard to biodiversity. This is a perfect opportunity for the private sector to help guide the CBD in developing these recommendations, so that when they come into force they are more in line with what proactive businesses feel to be important.

REQUESTS FROM THE EXECUTIVE SECRETARY:

This section outlines what areas the countries in the CBD would like the United Nations CBD employees to do. In essence, these are the areas where resources are to be allotted and progress is to be made before the next COP meeting (every 2 years).

The importance of this section for the business community is two-fold. Firstly, it provides insight into what information and progress will impact the next Business Decision at COP 12. Secondly, it details how the CBD plans to make this transition easier for the private sector.

Forward-thinking businesses need to take informed action while minimizing risks. One of the best ways to do that is to adhere to best practices and learn from relevant cases studies. By using the best information available it becomes easier to select the most appropriate tools and mechanisms, approaches, or strategic initiatives for a given business. Interestingly, the problem is not a lack of available information but rather an over-abundance of it.

With hundreds of certification schemes and as many standards to choose from, how does a company make the right choice without dedicating a lot of time and money to research / analysis? The CBD has addressed this by creating a global database of tools and mechanisms, certifications, standards, and case studies, and by continually updating it. Another initiative called for by the countries in the CBD was the creation and development the Global Partnership for Business and Biodiversity.

This Global Partnership is composed of National Initiatives, which serve as the contact points within each member country. The role of these initiatives is to provide businesses operating within their country advice and guidance regarding the process of addressing their impact on biodiversity. This provides companies, especially small and medium-sized enterprises, with another way to filter out information that may be valid but may not address their needs from a local biodiversity point of view. Additionally, the National Initiatives act as a two-way conduit of knowledge. On the one hand they pool

best practices and such from the other member initiatives of the Global Partnership as well as from the CBD, and on the other they provide feedback to them on from the businesses that they help.

CALLS UPON BUSINESSES:

This final section, which was not found in the COP 10 Business Decision but which was added as a new section to the COP 11 document, is a direct call to businesses. This can be considered as a warning that these areas are the most likely to become mandatory and so it is recommended that action be taken immediately.

The importance of this section for businesses is quite straightforward: these recommendations are likely to affect most businesses in the future, and so proactively investigating how they impact yours will give you a competitive advantage while possibly saving money.

The inclusion of this section highlights the evolutionary path of these Business Decisions. The trend of recommendations becoming less nebulous and more defined is apparent here. These two recommendation, which are essentially to “get ready for ABS to become law” and to “get ready for financial reporting requirements to change”, are calls for the business community to prepare itself for more to come. Implicit in these calls is the suggestion that a proactive approach to shifting current business methodologies might be advisable. Additionally included in these recommendations, as well as in the other sections, is a call for businesses to liaise with all stakeholders such that future Business Decisions reflect private sector inputs and perspectives. This provides proactive private sector players the opportunity to be a part of the process, in turn making them less likely to see unexpected or unwelcomed changes to the Business Decisions.

In the following section the TEEB report will be elaborated in more detail as, together with the ABS initiative, it reflects a very important influencer of the Business Decisions.

EXAMPLE FROM COP 11 BUSINESS DECISION⁴

Calls upon businesses:

To continue liaising with national governments, civil society organizations, academia and other stakeholders to formulate relevant actions for biodiversity conservation and for the sustainable use of its components and ecosystem services and for the fair and equitable sharing of benefits arising from the utilization of genetic resources that are aligned with the Strategic Plan for Biodiversity 2011-2020 and the Aichi Biodiversity Targets, in accordance with nationally defined priorities and national conditions;

To consider the revised 2012 International Finance Corporation Performance Standards.



THE ECONOMICS OF ECOSYSTEMS AND BIODIVERSITY (TEEB)

The TEEB report is one of the most respected and eye-opening documents supporting the global push towards understanding the effect of business on biodiversity, and vice versa. The reason why it has had such an impact is quite simple: it clearly demonstrates the direct and indirect dependencies that businesses have on “ecosystem services” – also known as natural resources and processes. These ecosystem services, such as water purification from root systems, crop yields from insect pollination, genetic diversity for the discovery of medical and cosmetic advances, and many more, are invaluable to all societies. Until recently, however, these externalities have been ignored by most businesses as they often have no monetary value associated with their use. This document clearly demonstrates, however, that there would be massive economic consequences should the availability or quality of these ecosystem services change due to losses in biodiversity. For example, it was calculated that the economic value of pollination by insects on the agriculture industry is worth ~190 billion USD per year¹⁵. This means that although insect pollination costs nothing, if the pollinating insects were to stop providing this service 190 billion USD of artificial pollination would be required to maintain current global production levels. And this is just one of many, many such examples. The executive summary of the report is 20 pages long and concisely outlines the economic logic for being conscious of what ecosystem services are relied on by a business and its supply chain. It is definitely worth a read.

MOVING FORWARD

So what now? How can an organization take the information in this report and move forward in a productive, profitable, and forward-thinking manner? This report attempts to synthesize the COP-related Business Decisions of the CBD, the agreements of its member countries, and the projected path of global changes related to business and biodiversity. With a clearer understanding of what actions most countries have agreed to undertake, it is easier to predict market trends, emerging niches, and ever-evolving legislative changes. This in turn allows for the development of products, services, or strategies that will be properly positioned to maximally benefit from the resulting shifts in demand.

This should lead to increased profitability, as well as a host of other positive internal and brand-related outcomes usually enjoyed by organizations that address sustainability. All in all, not a bad way to outmaneuver the competition while ensuring your own financial sustainability is it?



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