

# Economic valuation of Environmental and Social Impact

– on the agenda of the Swedish Life Cycle Center's Network Conference

*2015-02-05, Gothenburg*



The Network Conference, arranged by the Technical Secretariat of the Swedish Life Cycle Center, took place at Ekocentrum in Gothenburg on February 5. More than 50 people participated, from a variety of organizations. The Swedish Life Cycle Center organizes two network conferences each year with the purpose of sharing results and knowledge about the life cycle perspective and to be a meeting place for life cycle experts and practitioners from the Center's partners.

The conference opened with some updates about the Center from the Director Sara Palander together with Elisabet Olofsson, Chair of the Board and Anna Wikström project manager.

The first presentation was held by Axel Edh, senior Strategic Advisor Environment at Volvo Car Group, which is the Center's newest partner. Axel presented Volvo Car Group's view on the life cycle perspective and their ambition to revitalize historic positions in the field. This presentation was followed by Jutta Hildenbrand from Chalmers who presented the results from the research project "Integration of the Environment" about environmental implications from a production development perspective by presenting findings from case studies.

The theme for the Network Conference was Economic Valuation of Environmental and Social Impact. Economic valuation of environmental impact was one of the starting points within the Center in 1996, when CPM was formed, but already in 1989 in collaboration between Volvo and IVL Swedish Environmental Research Institute on the issue of economic valuation was started. The same year the first version of the EPS tool (Environmental Priority Strategies) was developed for designers. The goal for EPS was to give an environmental compass for designers and product developers, to give support in decision-making and trade-offs between different materials.

Today the area of economic valuation has gained momentum and companies and public policy makers are getting more interested within this area. Companies, researchers and consultancies have developed lots of tools and methods during the last years. The lack of transparency makes it hard to understand what is behind the numbers and a growing need and wish for a framework standard to build up a common language.

The Swedish Life Cycle Center has during 2014 started up a process to build up an international working group with the ambition to harmonize this area within ISO, International Organization for Standardizations. International workshops have been organized and one during the annual ISO meeting in Panama. A New Work Item Proposal (NWIP) has now been sent into ISO.

During the conference the participants had the opportunity to listen to some of the experts within the area. First, two presentations were held to present results from the Center research projects *Integration of environment and economy* and *Development of method and application for monetarization*. The first presenter, Stefan Åström Environmental Economist at IVL Swedish Environmental Research Institute, gave an introduction in why it is of interest for companies to monetarize environmental impacts. The next presenter, Lina Isacs Environmental Economist at KTH Royal Institute of Technology, gave the audience an insight in monetary valuation of CO<sub>2</sub> and abiotic resources: implications of theory and practice based in economics.

Mark Goedkoop, CEO at PRé Sustainability, was invited to report from a business led conversation on Natural Capital and discussed around the typical results from studies. Mark emphasized the importance of going behind the numbers and to really understand what the questions are when putting a price on nature.

The presentations were followed by a panel discussion. The panel consisted of six practitioners and researchers from different organizations with different background within the topic economic valuation of social and environmental impact. Invited to be part of the panel were **Lisbeth Dahllöf** (Sustainability Analysis Specialist, Volvo Group Trucks Technology), **Mark Goedkoop** (CEO, PRé Sustainability), **Lina Isacs** (Environmental Economist, KTH), **Linnea Petersson** (Principal Scientist, ABB), **Emelie Aurell**, (Environmental Economist, Swedish EPA) and **Stefan Åström** (Environmental Economist, IVL).

The panel started with giving the audience a short introduction on their own experience in and their organization's background within the area of economic valuation.

The panel discussion showed that there is a need for take into account not only present generation in economic valuation, also future generations need to be included. There is also essential to include ethical aspects, but it is difficult to find a good way to take these into account. The panel agreed on involving more people in this learning and valuation process.

The panel also expressed their interest in valuing positive externalities, to balance the negative. Positive externalities will raise the awareness of also the social impact, where the positive reward could be viewed without any green wash.

On the question "What do you think is the most important lessons learned for organizations working with economic valuation?" the panel agreed on the learning process as the most

valuable outcome. The monetary term could be useful in internal communication and raise the sustainability topic on organizations' agenda. It could be one input into investments or could be useful when companies are preparing for upcoming legislation. But just the number, the amount of money, will not give any insight in the area – it is the language and the learning that is of highest value, which also was presented in the presentation by Mark Goedkoop from PRé Sustainability before the panel discussion.

- I see that economic valuation of environmental and social impact could be used to motivate companies to make other and more long term investments, expressed Linnea Petersson during the panel discussion.

The panel's reflection on the different variations of estimates was not a problem as such. Monetization increases the uncertainty and the treatment of uncertainty is unavoidable. Economists and decision makers manage uncertainties all the time. This could be a way of treating risks or a guide/compass to decision makers. But transparency is important, which is a problem among consultancies today, you need to understand the background and the fundamentals in numbers and methods.

The panel think that the economic valuation will have a strong impact for the sustainable development, it is easier when decision makers talk the same language. Everything has a cost and this cost needs to be taken into account in calculations and in decision-making. The area crosses many political areas and is on top of some managers' agenda, but the gap is still there, we need to bridge the gap through speaking the same language. It is still a long way to go, from economic valuation to sustainable valuation. Positive incentives is also something that needs to be there to see more things happen.

– I believe that the initiative on an ISO standard is a good way to go to push the issue forward, said Mark Goedkoop during the panel discussion.

In the end, the audience highlighted some important issues;

- Is willingness to pay a fair way to come up with estimates?
- You have seen money, but never one kg of CO<sub>2</sub>!
- To quantify an issue, could be a good way to start a discussion!
- How could a company value their own risk?
- What are the incentives of doing this? Is this just a way of getting away from the ethical discussion of this issue, which no one dares to talk about?
- Could give a good direction, but it could also be dangerous!
- How to include local issues?

The conference ended with an after work at Ekocentrum. We would like to thank everyone who participated and contributed with expertise, questions, presentations etc. in order to make this a successful conference! We are looking forward to see you all in future activities. If you would like to get in contact with us to give tips on guest presentations, topics for upcoming conferences etc. don't hesitate to contact the Technical Secretariat.

All presentations and participation list from the conference is available at our internal webpage. (Only for Partners in the Swedish Life Cycle Center)

See you in upcoming activities! Check our calendar for more information.

Save the date for next SLC Network Conference - Stockholm on September 8 2015!

