




# The Planet GAAP

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The future of green initiatives  
and green accounting!

# Millennium Ecosystem assessment (MA)

- “The bottom line of the MA findings is that human actions are depleting Earth’s natural capital, putting such strain on the environment that the ability of the planet’s ecosystems to sustain future generations can no longer be taken for granted...The degradation of ecosystem services could grow significantly worse during the first half of this century.”
  - UN MILLENNIUM ECOSYSTEM ASSESSMENT, 2005



# Can we value the earth's ecological resources?

- We get a lot of important things free from nature.
- So we are not careful in using them / we misuse them
- We let a lot of CO<sub>2</sub> into the atmosphere, pollute our rivers etc
- Can a value be put on them?
- The water, the air, the forests etc etc

# The true value of natural resources

- One estimate of the price these free goods and services would command in a competitive global market is **\$44 Trillion**
- In comparison,
  - U.S. GDP for 2010 was \$14.5 trillion
  - India's GDP 2010 was \$1.73 trillion!



# Food industry- an example

- 70% of the planet's annual fresh water consumption goes to agriculture.
- Even the best, environment conscious food company looks at water use in its own production process only which comprises **around 1%** of its total water use throughout its supply chain
- There is no accountability for the rest!

So what do we need?

- Environmental profit and loss account and a GAAP for the planet!



# Environmental cost

- PUMA's environmental P&L account:
  - What is possibly the first Environmental P&L a/c in the world
  - The Company's footprint on the planet is valued at Euros 145 Million!
  - This includes Euros 51 m for land use, air pollution and waste along entire supply chain and balance for GHG (greenhouse gas) emissions and water usage.
  - How did they do it!?



# Social cost of emissions

- For carbon emissions of Puma's Raw materials, an economic input-output model based on Government industry data was used.
- The social cost was arrived at SP 57 for every tonne of CO2 equivalent.

# Social cost of water

- For water they relied on UN Food and Agriculture Organisation (FAO) studies on water scarcity.
- Social cost of water was arrived at as 0.69 SP per CM of water.




# Cost of land use

- Negative impacts on bio diversity and ecosystem services as a result of land use for agriculture and buildings valued at Euro 37M or 26% of total EPL.
  - Leather (for footwear) accounts for Euro 34M of overall land use impact.

# Air pollution and waste

- Air pollutants:
  - Environmental damage caused by air pollution amounts to Euro 11M.
- Waste:
  - Environmental impact caused by waste generation (landfill and incineration) valued at Euro 3M





So what? Why EPL?

- This provides a lever to get company, industry and key suppliers to take steps to reduce the carbon footprint.

# Measuring environmental and social performance

- Tools and indices for measuring environmental and social performance of industry including its supply chains being developed.
- The first of these is Apparel Index and is ready for testing at [www.apparelcoalition.org](http://www.apparelcoalition.org)



# New GAAP for the planet!- a glimpse

- Costing and GAAP in the future:
  - T shirt A costs \$3; But its planet cost: \$10;
  - T shirt B costs \$4; But its Planet cost: \$6
- Business decisions and even taxation will be differently oriented once this is in place
  - Jib Ellison founder of Blu Skye

# Mangrove V Shrimp farm

- If you take private profits alone the profit from Mangrove V Shrimp farm per ha is \$584 V \$9612 (including around \$8000 subsidies)
- If you build in all the costs of nature, the public profit dramatically changes to \$12000 V loss of \$11000!
- It is time we understood the real cost of doing business to the public!



# The future is in SRI –socially responsible investing

- **Socially Responsible Investing is a broad-based approach to investing that encompasses an estimated \$3.07 trillion out of \$25.2 trillion in the U.S. investment marketplace today.**
  - **Source USSIF**
  - In 20 years Domini index (an SRI index) has given better return than S&P 500!

# It is nice to know...

The man behind the “Recognize Natural capital’ movement! -Pavan Sukhdev

- See the website:  
<http://www.teebweb.org/>
- The website for Economics of ecosystems and bio diversity
- ICA UK is doing a project on green accounting
- ICAI also should take this up!



# Sources

- <http://safe.puma.com/us/en/2011/05/puma-announces-results-of-unprecedented-environmental-profit-loss/>
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- Domini social investments –domini.com
- When Nature Gets Valued- TomMiller and JibEllison -BLU SKYE SUSTAINABILITY CONSULTING
- <http://www.bluskye.com/thinking/v1-of-the-apparel-index-ready-for-testing/>