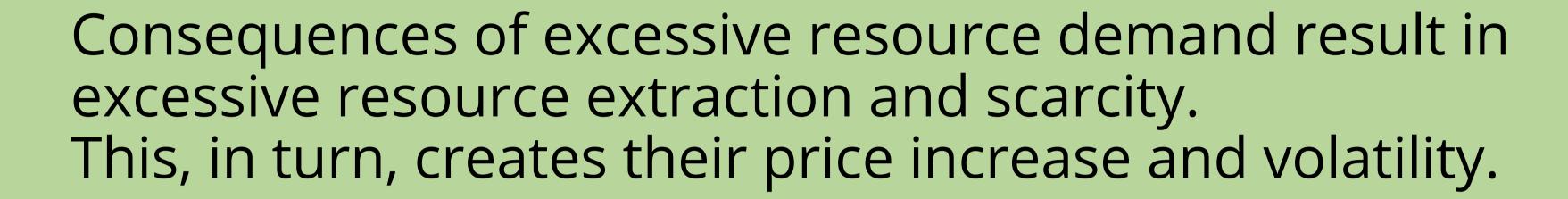


Topic 1.4 Implications: How will this impact our business?



Excessive extraction provokes the loss of biodiversity, land degradation, water and air pollution, and excessive greenhouse gas emissions, all this at levels that far exceed the ability of the nature to regenerate itself, while negative consequences on the human health are severing.



Implications for the world economy and the markets

Under the present **aggregate production function**, the market mechanism – the forces of supply and demand - do not allocate optimally the resources to allow for the balanced regeneration of resources.

- Production capital is overvalued.
- Human capital is undervalued.
- Natural capital is not valued at all.

This creates widening economic, social and natural imbalances.



Implications for businesses

- 1. Increased uncertainty due to:
- Natural disasters and other extreme climate related events
- Geopolitical tensions and wars
- 2. A race for natural resources has been driving geopolitical relations and, consequently, terms of trade.
- 3. Increased pressure on the limited living space causes massive migrations.
- **4. New regulatory framework** has been arising, what represents a possible new weight point for a new "**global order**".

A hypotetical example

	199x	20x0
Revenues	100	
Material Costs		100
Waterial Costs	20	30
Energy		
Services	10	20
SE VICES	20	25
Labour		20
	40	3 5
Cantributian margin	10	
	2	-10
	10%	-10%



Implications for businesses and possible solutions

5. Altering labour market due to:

- Increased supply
- Different perceptions of mobility
- Changed employees preferences
- Need for continuous education and training, and
- Aging

6. Fundamentally changing consumer habits and preferences

7. Cost pressures and shocks due to the raising and volatile cost of materials and energy.

Focus on solutions:

1. Systemic approach

- Multi-level, steered and coordinated transition required by the regulators, globally
- Re-assessement of the relationship between a firm and the state is ongoing (See Mazzucato et al.)

2. Intensive innovation needed to provide solutions for sustainability at various levels

- Intensity of innovation focus and resources as well as the ability of the einnovation uptake will largely decide the race towards the decarbonisation.
- 3. New businesss opportunities on the rise through innovation



Implications for policy-making actions

Considerations for future policy

Each country is different: developed countries may require absolute decoupling (absolute resource use decline), while developing/emerging economies may require relative decoupling (rate of resource use is lower than economic growth rate).



Remove technological and institutional barriers to innovation in resource productivity.



Use taxation or subsidy reduction to move resource prices upwards in line with documented increases in resource productivity.



Create favourable conditions for investment in technology.



Shift revenue-raising onto resource prices through taxation of resources or in relation to product imports, with recycling of revenues back to the economy.



Influence corporate behaviour and public consumption patterns to reduce resource use.

Source: (UNEP (2011) Decoupling natural resource use and environmental impacts from economic growth, A Report of the Working Group on Decoupling to the International Resource Panel. Fischer-Kowalski, M., Swilling, M., von Weizsäcker, E.U., Ren, Y., Moriguchi, Y., Crane, W., Krausmann, F., Eisenmenger, N., Giljum, S., Hennicke, P., Romero Lankao, P., Siriban Manalang, A., Sewerin, S. Copyright © United Nations Environment Programme, 2011