Webinar Notes: Optimizing the Circular Economy through Natural Capital Accounting
July 20, 2016

In this webinar, attendees explored the role of natural capital and renewable resources as a key enabler of achieving a circular economy. This document provides a high level summary of the key takeaways. The recording and slides are available here.

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Panelists:

- Elizabeth Comere, Director, Environment & Government Affairs, Tetra Pak, Inc.
- Jennifer Gerholdt, Senior Director, Environment Program, U.S. Chamber of Commerce Foundation Corporate Citizenship Center
- Michelle Lapinski, President, SustainBiz LLC
- Joe Rozza, Global Manager, Water Sustainability and Natural Capital, The Coca-Cola Company

Key Points:

- Natural capital is the world's stock of natural resources or assets. It is from this stock of natural capital that businesses and society derive a wide variety of ecosystem services, such as the water we drink, the food we eat, climate regulation and carbon storage, flood protection.

- The circular economy is a restorative or regenerative economic model in which products, components, and materials are kept at their highest value at all times.

- The circular economy rests on a number of principles, one of which is preserving and enhancing natural capital by enhancing the nutrient flows within a system and creating conditions of regeneration.

- Companies are embracing the circular economy as an alternative model to the “take-make-dispose” linear model that decouples economic growth from resource constraints.

- This concept of eradicating waste, which underpins the circular economy, is not new, but is being revitalized by global megatrends including rapid population growth, resource constraints, climate change and price volatility.

- The business case for the circular economy is clear, and compelling. The U.S. Chamber of Commerce Foundation and Trucost report Trash to Treasure: Changing Waste Streams to Profit.
Streams found that if the 5,589 largest publicly traded companies reduced their paper waste by just 1%, they would collectively save nearly $1 billion only in resource costs.

- On October 20-21 CCC is organizing its 2nd annual business delegation tour to inspire new ideas and actions for how companies can eliminate waste by design and intention and achieve a circular economy. Contact Jennifer Gerholdt for more information: jgerholdt@uschamber.com

- The use of renewable materials is a critical component of achieving the circular economy. Natural resource extraction is projected to increase from 85 to 186 billion tons over the next 35 years. However if there are effective resource efficiencies the extraction can be reduced 28%. This can reduce GHGs by 74% by 2050 and increase GDP by 1%.

- Responsible sourcing of raw materials and renewable materials such as for packaging are essential to capturing those gains. Recycling alone cannot alone product a truly restorative, regenerative economy. Primary materials are essential to a circular economy.

- Tetra Pak’s Moving to the Front campaign—address knowledge gap within the industry around resource scarcity and importance of using renewable materials from sustainable sources. Held a series of Learning Labs to explore perception and barriers to natural capital and renewable sources.

- Tetra Pak’s newest report, Embracing Value from Natural Capital, explores the factors around increased adoption of renewables in packaging. The report identified 4 factors that impact the increased adoption of renewable materials:
  - Communication gaps and misunderstandings around definitions and vocabulary;
  - Complexity around required transformations of manufacturing infrastructure and supply chain systems;
  - Cost concerns that hamper C-level endorsement of investments in changes or new practices and/or technologies; and
  - Consumer demand that is dependent on more education and information.

- To address these challenges and help accelerate the circular economy transition, the report offers four recommendations for industry:
  - Work toward common understanding of what renewables are. Understanding their true meaning is the first step in recognizing the benefits they provide.
  - Focus on here and now technologies. Concerns around the complexity of using renewable materials in packaging can be addressed via more awareness of and recognition for the economically and commercially viable options that exist today, like paperboard-based and/or bio-based plastic packaging.
- **Enhance alignment and increase knowledge sharing among all actors.** The more voices that join in, the better our collective ability to refine and promote the business case for adoption as well as educate consumers.
- **Educate consumers.** With consumers, a little knowledge goes a long way, especially as awareness around resource scarcity grows. When educated and provided with information around specific actions they can take, consumers are responsive and agreeable to doing their part, including adapting their purchasing behaviors.

- Coca-Cola uses a business value model focused on sustainability performance, risk management, quality management, and productivity, and has identified the overlaps and risks and opportunities in each. For example: Strategic Sustainability (at the nexus of sustainability performance and risk management) risks include supply chain availability, climate resiliency, reputation, green taxes/compliance, and opportunities include brand value, community connection, license to operate. Also how to mitigate natural capital risk and contribute to the sustainable development goals.

- Start with the business value model. Then pick out which ecosystem service framework to use, then map the ecosystem services to the dependences that the business value would have on the reliability of that ecosystem service. Then list out your value chain, and look at impacts and dependencies that your value chain has on the various ecosystem services. Which programs does your company have that needs to be upgraded that is sensitive to this? (e.g. water, carbon, etc.) Then look at the business value of program upgrades.

- Coca-Cola’s Replenish program – return to nature volume of water equal to global sales volume. Water is an ecosystem service deeply connected to women, resilient cities, climate, energy, climate, health, recreation, and agriculture.

- Two project examples: Mexico – reforest 50,000 hectares. Reduce runoff and increase recharge and provide carbon sequestration and storage benefits. Australia – work with farmers to reduce sentiment loads impacting the Great Barrier Reef.

- Natural capital approaches help to understand risk and opportunities to business, such as assessing return on investment, new asset acquisitions, internalize costs that may not show up on a P&L statement or balance sheets. This could mean the basic provision of water, as outlined in the Coca-Cola examples.

- There is an increase in the number of companies applying natural capital approaches; for example, General Mills assessed full value chain across all their core products to identify issues that may impact raw material cost & supply, quantify risk and develop adaptable management strategies.
• Natural Capital Coalition – multi-stakeholder collaboration focused on harmonized approaches to natural capital. [http://naturalcapitalcoalition.org/](http://naturalcapitalcoalition.org/)

• The Coalition surveyed 80+ businesses from 15 sectors to understand what the needed from a natural capital framework for strategic planning and decision making, supply chain risk assessment, capital allocation, investment decision making, operational decision making, and external reporting.

• Natural Capital Protocol Framework – 4 stages – Framing (why are we doing this?), Scoping (what are we looking at?) Measure and Value, and Apply (how do we get this into decision making?). Sector specific guides available that looks at different impacts and dependencies, and many other resources that are available at [www.naturalcapitalprotocol.org](http://www.naturalcapitalprotocol.org)