FAQ on ISO 14007 Environmental management: Determining environmental costs and benefits

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What is the scope of the standard?
This International Standard offers organizations guidance on determining, and communicating, the environmental costs and benefits associated with their environmental aspects, impacts and dependencies on natural resources and ecosystem services. This is based on decisions organizations make with regard to:

- the boundaries of their environmental costs and benefits to be considered;
- selecting the data to use.

The standard is designed to be used in a range of applications that inform environmental management.

Who can use the standard?
This International Standard is applicable to any organization regardless of size, type and nature, and applies to the environmental aspects, impacts and dependencies of its activities, products and services that the organization determines are to be included among its environmental costs and benefits.

Can the standard be used for conformity assessment?
This International Standard cannot be used for conformity assessment.

Why determine environmental costs and benefits?
Organizations already measure their environmental aspects and impacts (including emissions). This process produces “non-financial” information that facilitates determination of the most significant issues to prioritize in an organization’s environmental management. With rising resource scarcity and failing ecosystem services, there is also a growing business case for assessing the dependencies an organization has on this “natural capital”, as well as the implications for affected stakeholders. With over 60% of this capital in decline globally, including freshwater, forests and biodiversity, measuring and managing this capital will mitigate risk, secure resource supply, establish resilience, maintain a license to operate, generate profit, enhance reputation and ensure long-term value creation.

The environmental impacts of an organization and its dependencies on natural resources and ecosystem services have associated costs and benefits. Some of these are reflected in market prices, such as the cost of energy or water use. However, many are externalities not reflected at all in market pricing or not reflecting the true costs or benefits. However, they affect the organization and its wider stakeholders.
How can ISO 14007 help organisations?
Translating information on an organization’s aspects, impacts and dependencies into financial values facilitates engagement with the organization’s finance function and particularly with the Chief Financial Officer. It can enable the “material” (in financial accounting language) environmental issues and their implications for the organization to be understood in commercial terms. This can prioritize action on environmental management by key decision makers, in particular at board level. Overall, measuring both “non-financial” and “financial” information will better inform an organization’s decision-making on sustainability. This is consistent with the recent revisions to ISO 14001 where involvement of the senior leadership team is a key focus.

Example:
UK business Marks & Spencer have shown their ‘Plan A’ sustainability programme has delivered savings of £465m ($701m) plus wider benefits including staff motivation, brand enhancement and supply chain resiliency over the seven years it has been operating. It is a good example of how measuring the costs and benefits of sustainability in business demonstrates the financial business case.

Is monetary valuation just another way of commoditizing nature?
The intention of valuation is not to commoditize or privatize nature. The purpose of assigning an economic value is not to change the fundamental value of nature – which is arguably priceless. The importance of translating an organization’s environmental impacts and dependencies into economic information is that it allows more informed decision-making, especially on trade-offs. Financial value is just one of many criteria organizations can use to inform decision-making. Ethical and other considerations should also be taken into account.

What are externalities?
Externalities are where the actions of one organization, say a business, have consequences for others who have no say in the matter. Examples of negative environmental externalities include damage from climate change from GHG emitting industries, damage to the health of local communities from a factory’s air pollution, or depletion of fish stocks in the ocean due to overfishing. The true costs of these externalities are not included in the decision-making of that business.

To what level of detail will the standard go?
The standard is not intended as a handbook or manual. Thus, it cannot be used as a step-by-step guide for those wishing to do a valuation or a “black-box” into which one can add numbers and get a calculation. It can, however, be used as a framework for those wishing to do guides in the field. That would be beneficial as the guides would then be more coherent with each other.