

### THE BUSINESS CASE FOR ECO-INNOVATION





UNITED NATIONS ENVIRONMENT PROGRAMME

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#### UNEP

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### FOREWORD

# UNEP

Business and industry worldwide are recognizing the sustainability imperative to shift production and consumption patterns to a new economic paradigm. Yet the current approach of incremental improvements has proved to be insufficient to deal with environmental and social pressures from challenges such as dwindling resources and climate change.

Unless a company is looking beyond its gates to assess sustainability risks and opportunities throughout its value chain, and in cooperation with the key partners, it will be incapable of unlocking the transformational potential to deal with these growing external pressures.

Leading CEOs have already identified the need to change their business strategies and point to systemic change as the right approach.

Eco-innovation seeks to implement this approach, embedding sustainability into the core decision making of a company and integrating it throughout all business dimensions, enabling the creation of novel solutions to satisfy market needs.

Research shows that eco-innovative companies of all sizes are growing, on average, at a rate of 15 per cent a year, at a time when their respective markets have remained flat. Small and medium-sized enterprises (SMEs) are particularly responsive to eco-innovation due to their adaptability and flexibility, and as contributors of as much as 70 per cent of GDP and two-thirds of formal employment in developing and emerging economies, they are potentially a key driver of a resource efficient economy.

Realising this systemic transformation is difficult but not impossible. This extremely informative publication provides a clear business case for this approach, building on the examples of successful eco-innovative enterprises from around the world.

In South Africa, an SME provides alternative energy to rural communities in partnership with the local government. In just three years it has tripled in size and is now rolling out its micro grid-kit model of energy supply in more areas in neighboring countries.

In Belgium, a small manufacturer of ecological cleaning products achieved an annual revenue growth of 10-25 per cent between 2002 and 2013, while the rest of the market remained flat. This success came as a result of innovating across all dimensions of its business, from product formulas to packaging, including re-fill options.

This publication represents an important milestone in the collaboration between UNEP and the European Commission to disseminate eco-innovative business practices in developing countries and emerging economies. The Eco-innovation Project, and this publication, will help strengthen private sector engagement in promoting the transition to a more resource efficient economy and Sustainable Consumption and Production practices.

#### Achim Steiner

Under-Secretary-General United Nations and UNEP Executive Director

### FOREWORD

# European Commission



Eco-innovation is one of the key enabling instruments identified by the EU for the transition to a more resource efficient economy. It is embedded in the Europe 2020 strategy for a more sustainable growth and the Commission has developed over the years a policy framework and dedicated funding to encourage uptake of eco-innovative solutions by the market.

Eco-innovation is a concept that aims at matching the interests of industry and businesses with those of sustainability. Many challenges have already been successfully solved by frontrunner cities and regions which have been looking at the world around them in a different light and started innovating. A number of public authorities across the world have had the courage to re-think the approach to managing their jurisdiction and re-design the services they were offering to citizens in order to improve their well-being. Many others will hopefully follow.

Eco-innovation is above all an opportunity for businesses. Our planet needs actors that take transformative action towards new ways of production, new ways of consumption that are mindful of planetary boundaries and ultimately reduce the need for natural resources. Eco-innovation supplies the business community with answers in this respect. Eco-innovation aims at stimulating human creativity at its best. In the recent past we have been able to identify solutions to recover precious metals from high-tech devices doomed to scrap. We have found ways to treat waste waters and reuse them in agriculture. We have been able to extend the life of products or design solutions to reduce the use of raw material. Last but not least, as consumers we have started to modify our behavior and started purchasing services rather than products. However, much more must be done and by more people.

What we need to do now is to upscale and mainstream some of these solutions. We need to encourage internationalization efforts and offer SMEs, the real engines of eco-innovation, a highway to find new markets and contribute to global sustainability.

How do we do this? Partnering with UNEP on the "Promoting Resource Efficiency and Eco-innovation in Developing and Transition Economies" Project was an important step. This publication, *The Business Case for Eco-innovation*, will support the diffusion of eco-innovation. It will also support mainstreaming eco-innovation in the activities of the global network for Resource Efficient and Cleaner Production (RECP) and will strengthen its capacity to provide technical assistance to businesses and contribute to the diffusion of innovative solutions for the benefit of global sustainability.

I am sure that readers of the *The Business Case for Eco-innovation* will find inspiration in these pages. I am convinced that it will be an important tool that will help them to adopt and adapt the wealth of innovative ideas to their own realities and thus contribute to our common goal: to live well, within the limits of our planet.

#### Karl Falkenberg

Director General for Environment, European Commission



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## Introduction

This publication sets out to demonstrate the compelling business case for eco-innovation and how it can enable your company to carve out commercially interesting opportunities. You are presented with examples from companies that have integrated eco-innovation at the core of their business strategy. The findings demonstrate considerable business benefits including: increased market access, value creation and business growth (with an average annual growth of 15 % from eco-innovative companies) along with increased operational resilience. As a result of eco-innovation, these companies are developing new solutions and products<sup>1</sup> which can perform above industry standards.

With global resource scarcity and environmental degradation presenting growing challenges for business, along with related market and regulatory pressures, companies are facing a need to think more strategically about the sustainability of their business. Eco-innovation can help transform these challenges into new market opportunities.

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