

TRUE PRICE COLLOQUIUM

Dr. Reinier de Adelhart Toorop, Pietro Galgani,
True Price

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Agenda

Part 1

- Introduction to true pricing + Example 16.00
- Time for discussion 16.15

Part 2

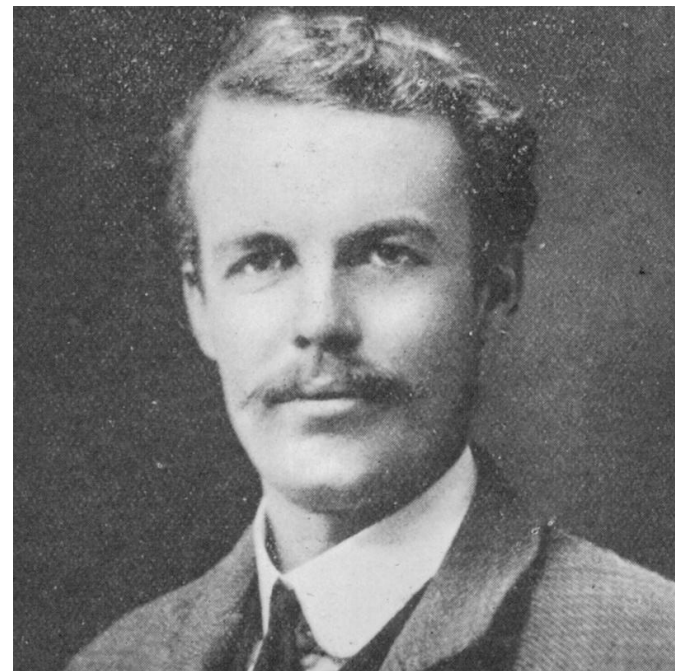
- True price framework 16.30
- Time for discussion 16.45

Introduction to true pricing

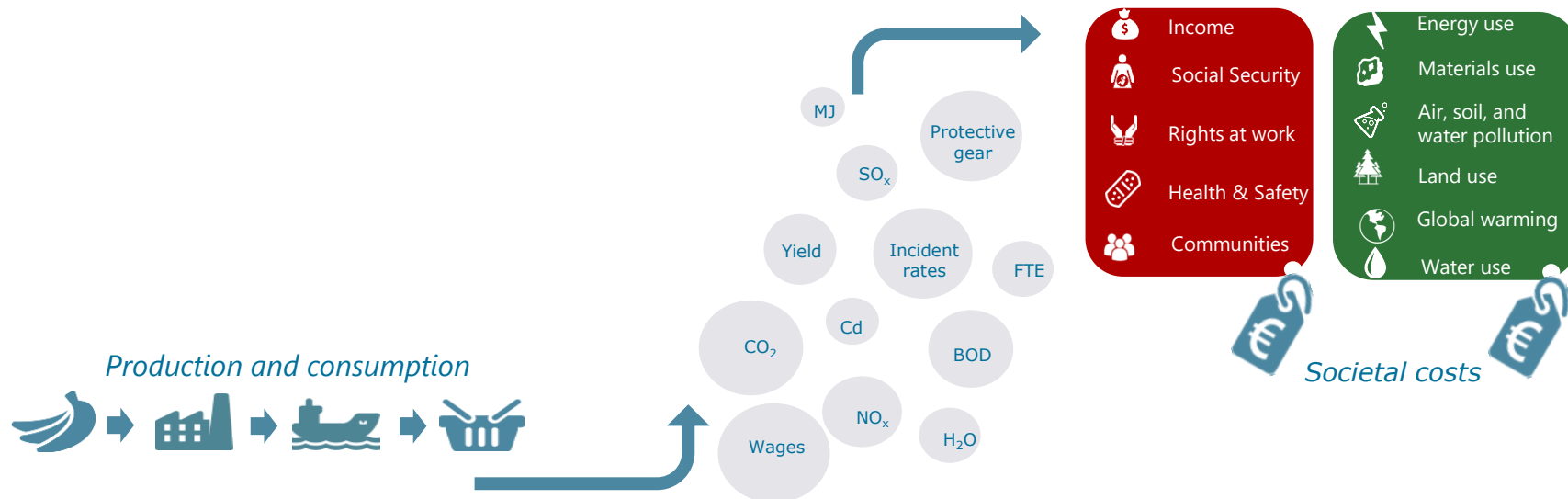


Societal costs of products are often not included in the (market) price

- First 'formal' description of externalities generally credited to Arthur Pigou exactly a century ago (1920)



As of 2020



About our organization True Price

*Founded in 2012,
specifically to stimulate
true pricing*

*First method worldwide
that measures social and
environmental costs at
product level*

*Long-time partner of
WEcR; since 2019
working together in
Public-Private
Partnership*

Our tools:



Training &
workshop



Software



Strategy



Data



Excel tools



Protocols

Selection of clients:





Three approaches (in the future)

Transparency

Customers (and procurement managers) can see the true price

Remediation

Customers and companies can decide to remediate external costs voluntarily

Level playing field

Governments can tax based on remediation and/or can make remediation compulsory

Applications of true pricing for...

- Consumers
- Sustainability pioneers
- Policy makers
- Large corporation
- Small and medium enterprise
- Sector associations

Example: the true price of local bread



Published true prices (2015-2019)



Van Vesseem is a local bakery

- Aims for sustainable production with local and organic ingredients, and green energy
- Recently in stock: 'Haarlemmer Meer Brood'

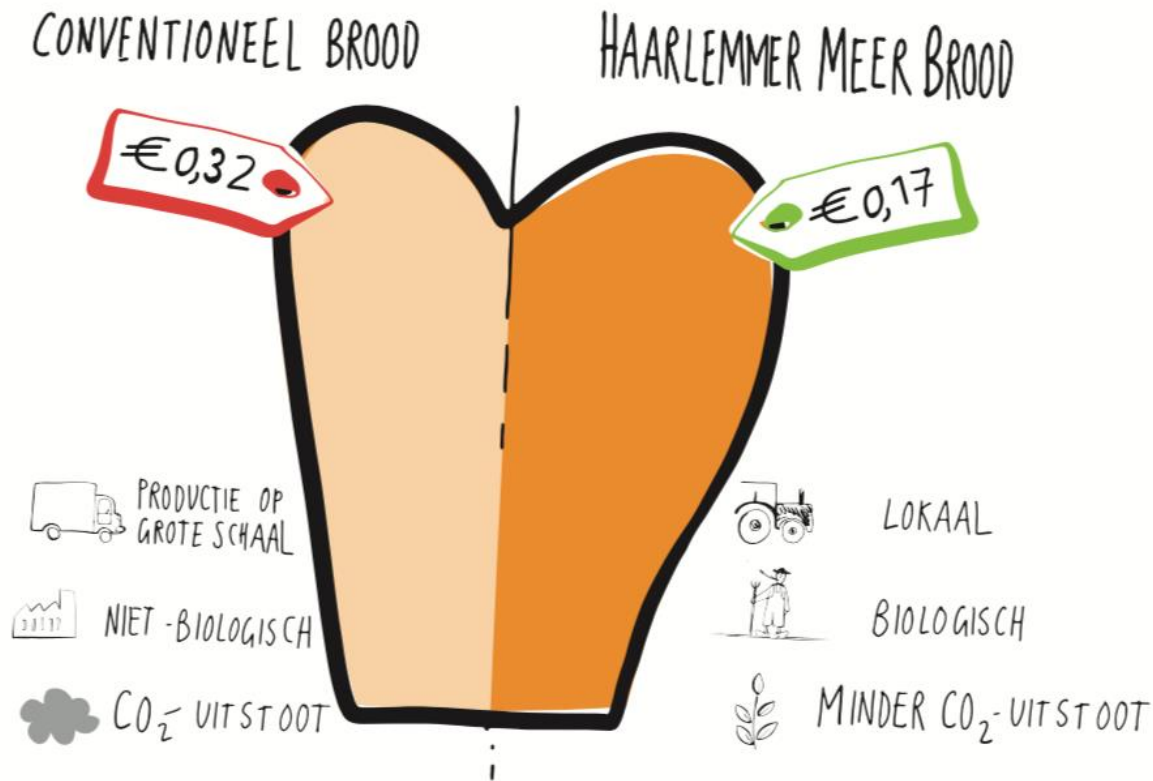
ONS GRAAN
JOUW BROOD



GRÖEN



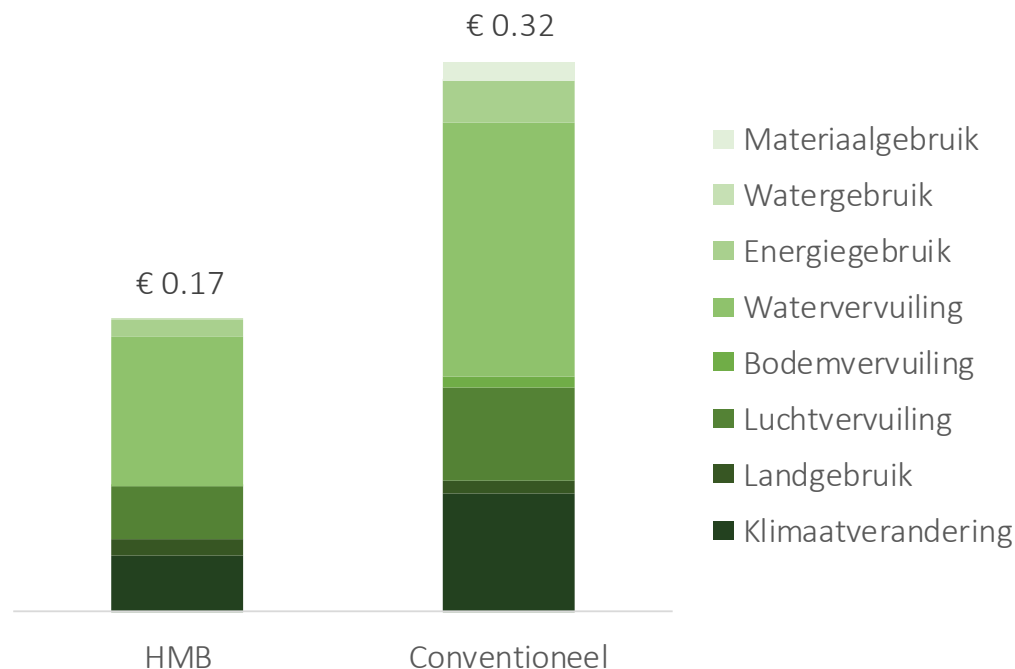
A lower true price gap



A lower true price gap

- Main impacts; water pollution, contribution to climate change and air pollution
- Underlying drivers: fuel (for transport), electricity use, and manure use

Echte kosten van brood (eur/brood)



Zoom-in: energy use in the bakery

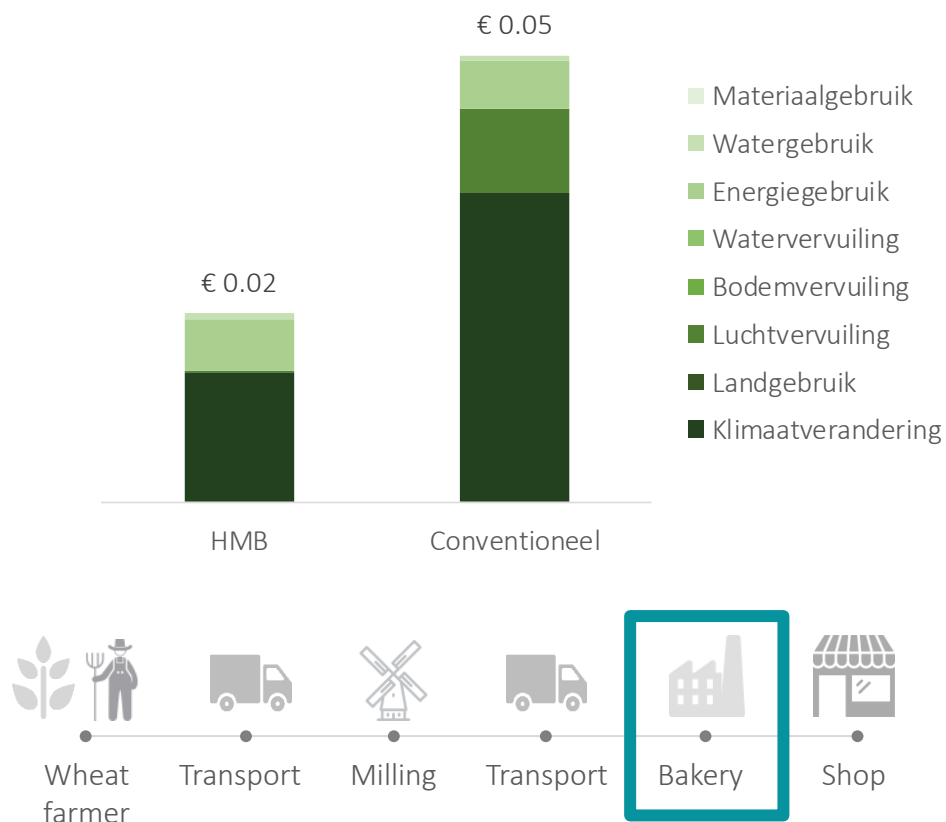
Echte kosten bij de bakkerij (EUR/kg brood)

Electricity

- Lower impact at Van Vessem due to 100% green energy

Natural gas

- Less economies of scale for Van Vessem ...
- ... but: circular processes where heat from the ovens is captured and re-used



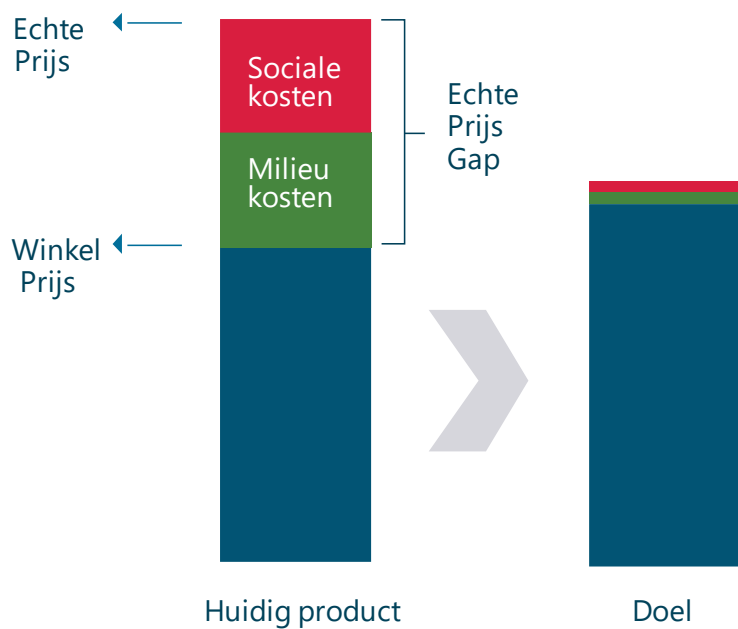
Q&A

Part 2

True price framework



What is the true price?

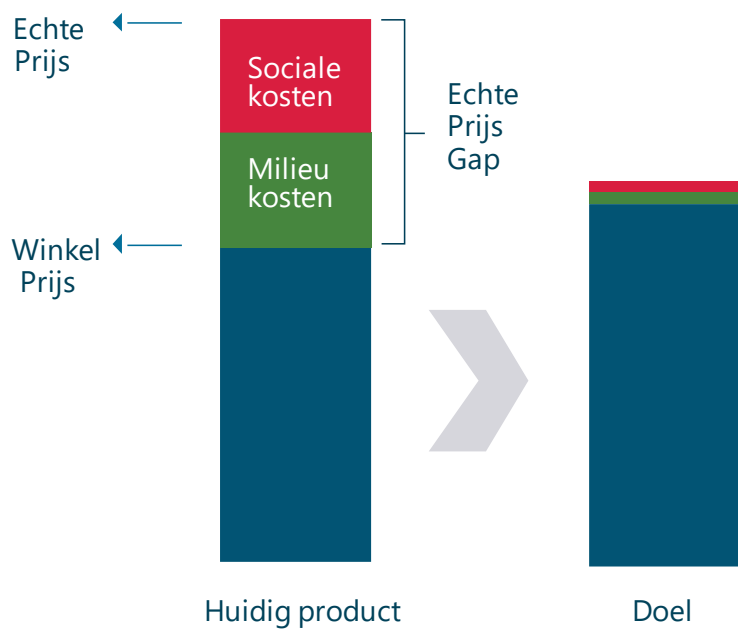


- Sum of the market price and the true price gap of a product.

What is in a true price method

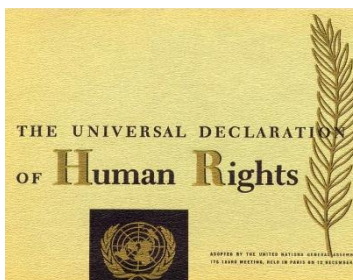
- What is the true price?
- What starting point?
- What societal impacts to include?
- How to value societal impacts?
- How do we calculate the true price of a product?

What is the true price?



- Price a buyer would have to pay for a product if the cost of *remediating its unsustainable impacts* would be added on top of its market price.

What starting point?



International Labour Organisation

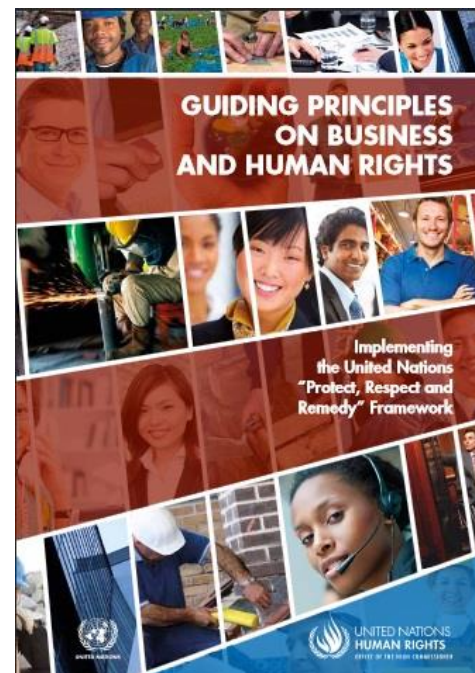


United Nations Framework Convention on Climate Change

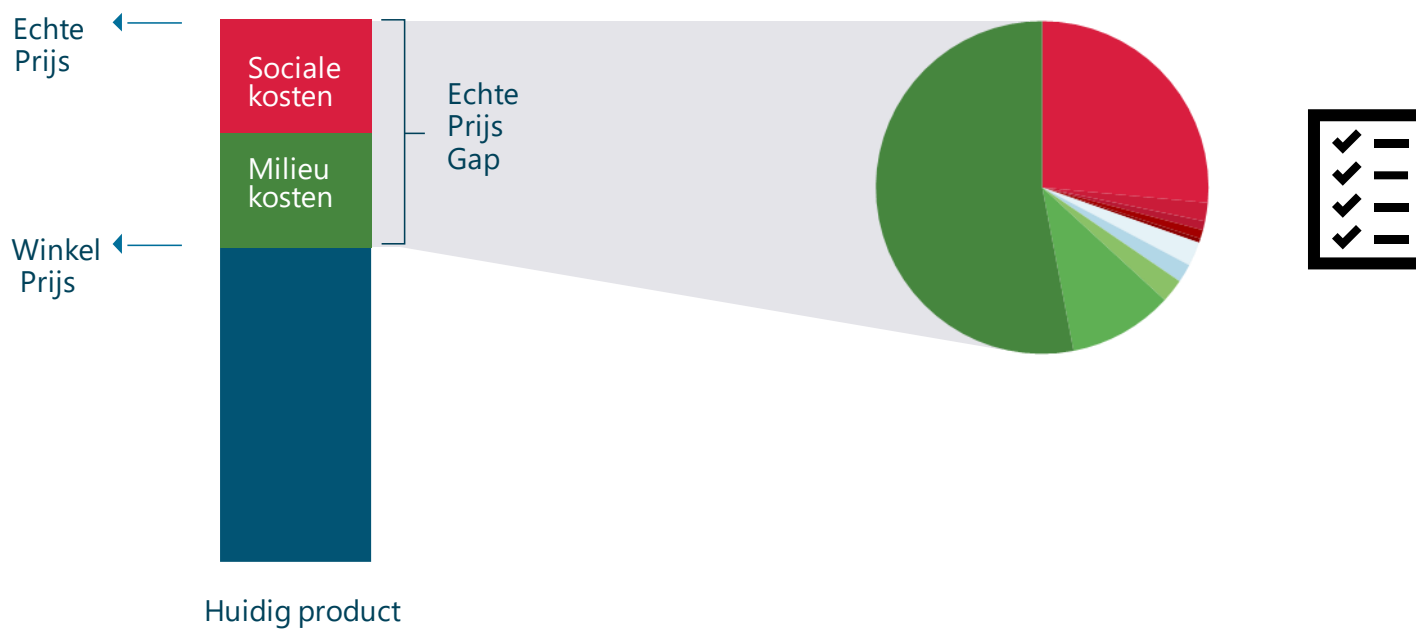
- Rights based
 - Human Rights
 - Labour rights
 - Environmental rights
 - Other generally accepted rights
- Internationally defined, generally accepted
- Present and future generations
- Link to sustainable development

What starting point?

- A sustainable product respects rights
- Shared responsibility
 - Governments, business, farmer, trader, retailer, investor, consumers...
 - *UN Guiding principles on business and Human Rights*

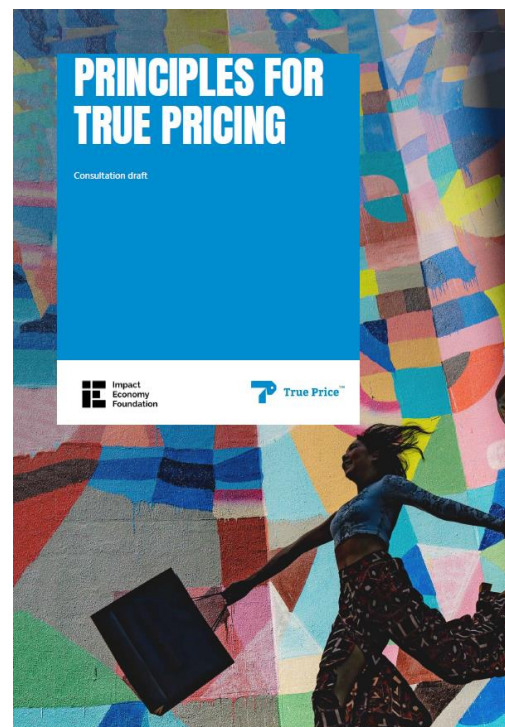


What societal impacts to include?

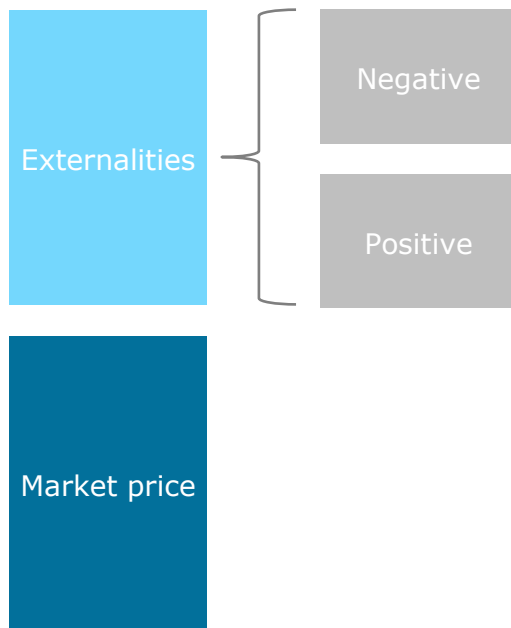


What societal impacts to include?

- Include all negative impacts that infringe on rights or international conventions
 - Linking rights with products
 - Social and environmental LCA
 - Corporate responsibility
- Include positive impacts only in some cases
 - No netting of negative with positive impacts

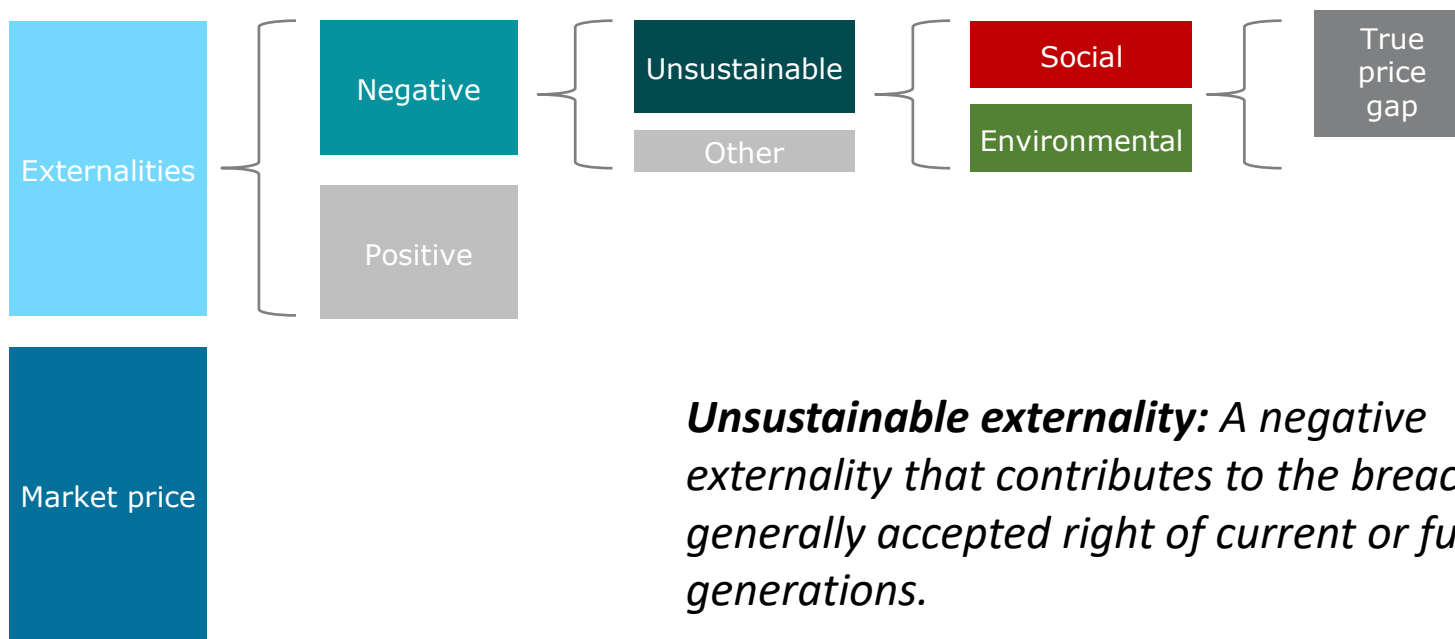


Economic perspective: externalities



Externality: An external effect is a societal cost or benefit that affects a party who did not choose to incur this cost or benefit

The true price gap focuses on *unsustainable externalities*

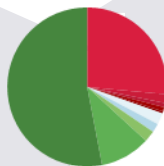


Unsustainable externality: A negative externality that contributes to the breach of a generally accepted right of current or future generations.

What societal impacts to include?

Environmental

- Contribution to climate change
- Fossil fuel depletion
- (Other non-renewable) material depletion
- Scarce water use
- Air pollution
- Water pollution
- Soil pollution
- Soil degradation
- Land occupation
- Land transformation
- (Other) loss of biodiversity
- (Other) loss of ecosystem services



Social & Human

- Child labor in the value chain
- Forced labor in the value chain
- Gender discrimination
- Nationality, ethnicity, ability and other forms of discrimination
- Underpayment in the value chain
- Excessive and underpaid overtime
- Lack of social security
- Insufficient income
- Occurrence of harassment
- Employee health & safety
- Lack of freedom of association
- Breach of indigenous rights
- Breach of land rights
- Occurrence of corruption
- Negative effects on consumer health or safety
- Breaches of privacy
- Deliberate misinformation/lack of transparency
- Health & Safety Community
- Animal welfare below international standards
- Tax evasion

What is the monetary value of an impact?

- Many methods, no general agreement
- True price: *remediation cost* approach
- Rights-based: right to remedy and duty to remediate
- Prevention is better than remediation but not always possible

Decision tree monetization

■ Restoration cost

- restore what can be reasonably restored, especially if the impact is severe

■ Compensation cost

- compensate for what cannot be reasonably restored

■ Prevention cost

- help to prevent most severe, irreversible impacts in the future

■ Retribution cost

- penalty for violation of legal obligations

How do you calculate the true price of a product?

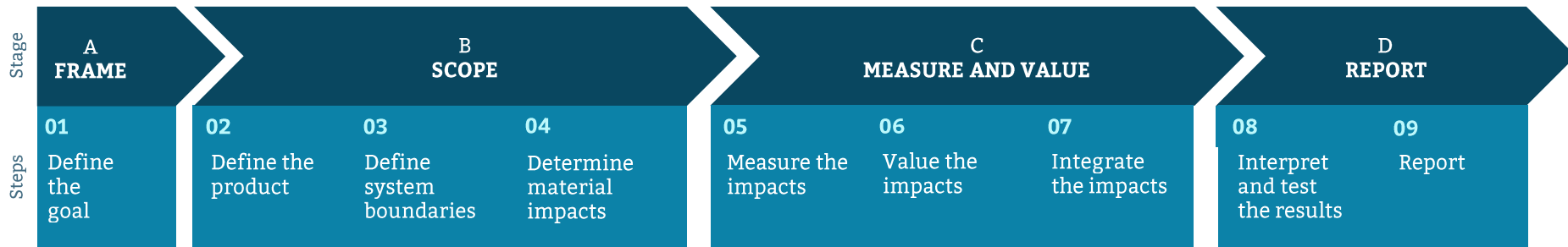
- Lifecycle approach
- Steps and requirements
- Impact specific modules

Lifecycle approach



- ISO standards 14040, 14041, 14042, 14043, 14044
- EU Product Environmental Footprint
- UNEP Handbook on Social LCA

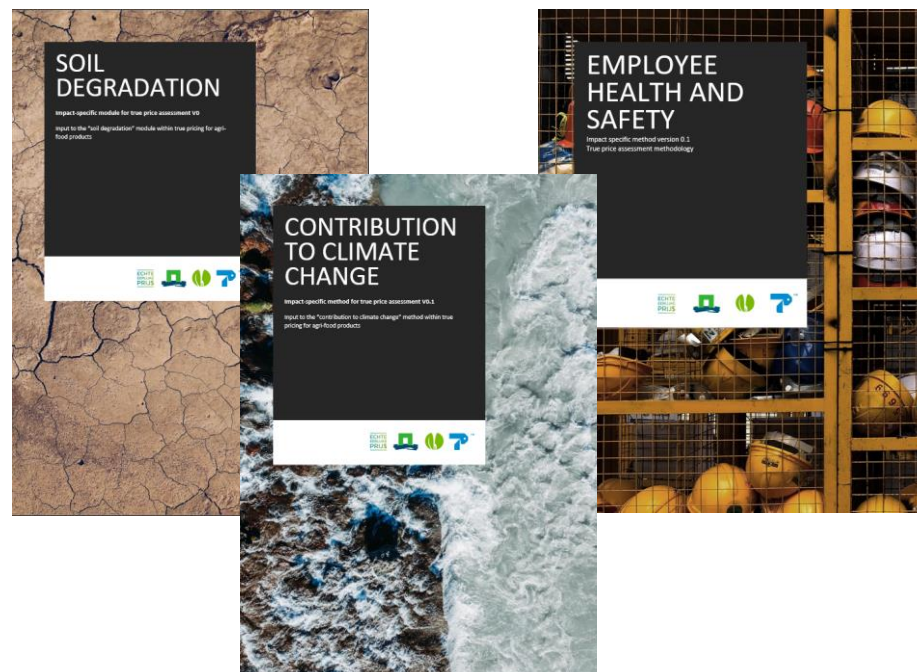
True price assessment method



- Follows Natural, Social, Human Capital protocols
- Aspects of completeness, data quality, allocation, reporting

Impact specific modules

- Set of footprint indicators
- Set of monetization factors
- Definitions
- Guidance



How do you calculate the true price of a product?

	Quick scan	Assessment
■ Versatility	+	++
■ Completeness	+	++
■ Data quality	+	++
■ Reporting	+	++
■ Effort	++	+

Thank you

Reinier de Adelhart Toorop

reinier@trueprice.org

Pietro Galgani

pietro@trueprice.org

www.trueprice.org

