The cost of carbon: there is money to be made in the railways

Representatives from the worlds leading railway companies were present at the 13th UIC Sustainability conference in Vienna in the beginning of October. Housed in the prestigious Hofburg palace, the conference aimed at shedding light on future steps towards sustainable railway techniques and the contribution the sector can make in achieving the 2030 development goals. The GRI G4 workshop, designed to share practice information from leading railway organizations, did exactly that.

Lorenzo Radice from Ferrovie dello Stato Italiane (FSI), Dutch Nationale Spoorwegen (NS) Corporate Sustainability Officer Carola Wijdoogen and Via Rail Canada's Bruno Riendeau took the stage to inform the audience about their best practices on sustainability in the railway sector. Robert Rubenstein, Director of the Triple Bottom Line Group (TBLI), thereafter gave a keynote on how GRI reporting and sustainability can be seen from a financial perspective.

"Ask yourselves while listening", moderator Dr. Glenn Frommer from ESG Matters says, "would you be willing to buy or sell the products our speakers?" First up is Bruno Riendeau. As of 2016, VIA no longer just includes sustainability in their Annual Report, but they have developed a stand-alone sustainability report, aligned with the GRI. According to Riendeau, sustainability within VIA Rail got a separate report because "we want to make sustainable mobility real".

Value based carbon dioxide

This remark is the trend in all the keynotes to come. Next up is Carola Wijdoogen from the Dutch railways. She discusses the topic of a 'Value Creation Model' within the NS. With this she points at "creating value in a social and environmental way". How to express the value of sustainable procedures in any business has been hard to measure for a long time. Wijdoogen aims at changing this. "The value is not expressed in money, which is exactly the problem." So this is what Wijdoogen did.

Based on people who could have taken the car but instead took the train, Wijdoogen calculated that the NS saved 200 million euros in air pollution. For this measurement, she used a carbon dioxide price of 100 euro per ton. According to the Netherlands Environmental Assessment Agency the price of a metric ton of carbon dioxide was 4 euros in 2013 and is predicted to be between 8 and 11 euros in 2020. "This is only the economic value. Other values that we have also taken into account are externalities and hidden costs, such as rising health insurances, the costs of climate refuges and dike embankments." These so-called 'social costs of carbon' are harder to measure, but might even be as high as 200 euros per ton, according to Standford University scientists.

There is money to be made

This use of environmental value expressed in money is the future, according to Wijdoogen. "If you look at the difference between a car and a train, the impact of a car is 27 times higher than that of a train." Added to this economic value in carbon dioxide emissions, Lorenzo Radice of FSI wants to also incorporate societal and environmental scopes. They also incorporate their stakeholders' engagement in their yearly review, based on all these scopes. FSI is now moving towards integrated reporting, according to Radice.

The trend seems to be set. When Robert Rubinstein of TBLI Group takes the stage, he nevertheless opens with a critical note: "I'm not a fan of GRI reporting. Most of the corporates don't use is." In this is exactly the point he wants to make: there is money to be made in being such a sustainable company, like many railway companies are, but in another way: monetizing carbon emissions and profiling your company as a low-carbon one. "All the investors in companies at one point in the future will have to de-carbonize their portfolio's. This means they will want to invest in companies that are low in carbon." In Rubenstein's point of view, institutional investors want what railways have.

Rubinstein communicates an important message. According to him, this will have to change to help the world forward. The financial investment world is not properly connected to the sustainable one, which, according to Rubenstein, will be very beneficial when it does happen. For now, he makes a powerful statement that the railway companies have to keep focusing on making money using their sustainable practices. "We are in a world of negative interest now", but he believes this will only change for the better.

GRI G4 explained
GRI (Global Reporting Initiative) is an international independent organization, founded in Boston in 1997. G4 is the fourth generation of the Sustainability Reporting Guidelines. The GRI Sustainability Reporting Guidelines offer Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location. The Guidelines also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. They are often used as a road map to transparent documenting in companies.

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