Committee: Ecology & Environment
Topic: The Question of Environmental Damage Due to Expansion Multinational Corporations
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Summary

Environmental issues being caused by Multinational Corporations

- 100 top companies have been the source of more than 70% of the world's greenhouse gas emissions since 1988.
- Of the 100 top companies, more than 50% of all greenhouse gas emissions can be traced to the top 25 entities.
- Air pollution is one of the major consequences of poor production techniques while water pollution is a result of poor water management. Water pollution deprives soil of nourishing elements, kills off fish, and is extremely harmful to human health.
- ExxonMobil, Shell, BP and Chevron are identified as among the highest emitting investor-owned companies since 1988.
- The Carbon Majors report claims we are on course for a 4°C rise in average temperatures by the end of this century – increasingly caused by industrial pollution.
- The world's 3,000 largest corporations cause over 2.2 trillion dollars in environmental damage annually

The issue of Multinational Corporations in relation to the Environment

The first MNCs were publicly listed corporations in search of new raw materials and new markets. Their access to international capital markets allowed them to fund significant investments in exploration for resources and the research and development required to maintain and to strengthen their positions in the energy and technology industries, which in turn, fuelled the growth of other industries.

As technological change accelerated, research and development costs increased. As a result, companies have been forced to seek additional markets abroad in a bid to gain the extra profits and to amortise their investments in order to compete with the competitors when the next technological advance comes. MNCs influence the industrial policies of their home nations and ones of host countries, where they establish production facilities, indigenously. However, there is a significant difference between the rules of the home countries in which most of the MNCs are headquartered and ones of host countries where a number of MNCs are engaged in pollution-intensive industries.

Generally, the rules of developed countries are much stricter than those of developing countries. It has been persistently alleged that MNCs conduct their operations in developing host countries in accordance with much lower environmental standards than those adopted in their home countries. Also, legal disputes about which nations' laws apply further complicate the regulation of environmental practises of MNCs and their subsidiaries. This problem of extraterritoriality is inherent in the structure of all TNCs , which in turn, causes TNCs' operations to become illicit.

Thus, transparency in MNCs can serve as an effective risk management tool to diminish the opportunities for corruption as well as to improve a company's image. Also, it improves a country's management of resources by providing relevant information to government entities, parliaments and civil society, and contributes to a more stable investment environment of good governance and rule of law that benefits for both the country and the company

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Definition of Key Terms

Multinational Corporation (MNC) - A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. A multinational company generally has offices and/or factories in different countries and a centralised head office where they coordinate global management.

Environmental damage - Environmental damage or degradation is the deterioration of the environment through depletion of resources such as air, water and soil; the destruction of ecosystems and the extinction of wildlife. It is defined as any change or disturbance to the environment perceived to be deleterious or undesirable

UNCTAD - The United Nations Conference on Trade and Development was established in 1964 as an intergovernmental organisation intended to promote the interests of developing states in world trade. UNCTAD is the part of the United Nations Secretariat dealing with trade, investment, and development issues.

SDG - The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

UNEP - The United Nations Environment Programme is responsible for coordinating responses to environmental issues within the United Nations system.

EMS - An Environmental Management System (EMS) is a comprehensive, systematic, cyclic, planned and documented set of processes that provides an organisation information on and ability to manage its environmental performance

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Background information

The top 10 publicly traded MNCs in the 2019 Fortune Global 500 list employ more than 4.7 million people and generate more than $3.1 trillion in revenue annually. MNCs have a significant global impact on sustainable development, which is why they were invited to contribute to the design of the SDGs. However, their role in the application of the SDGs remains unfulfilled, which is unfortunate given that sustainable development depends on how MNCs behave in their global practises. MNCs must be part of the solution for a collective achievement across the five SDG principles: people, prosperity, planet, peace and partnerships.

The involvement of MNCs needs to evolve into a workable model of strategic multi-stakeholder partnerships integrating SDG targets within their core business so it is advantageous to both the MNCs and the world. Responsible business practises are not just a question of doing good for the planet, but of corporate survival, as investors and consumers are making decisions in favour of sustainability-focused companies.

Some MNCs have already taken on this challenge, forming global partnerships across sectors. Engie is an example of a multinational utility company whose 10-year project with support from Engie Foundation, Energy Assistance France and Friendship has brought the first solar village in Bangladesh. Through long-term multi-stakeholder partnerships, Engie has achieved its mission of bringing sustainable solar energy to the villagers (SDG7). Interestingly, they found their model had an extended positive impact on student school performance (SDG4). With even greater outreach to other partners, Engie is primed to extend even further and contribute to employment access (SDG8) and poverty reduction (SDG1).

Timeline of Events

1970s

Internationally focussed corporations could wield significant influence across the world, and that sometimes this was achieved via dubious means.

1972

The United Nations Economic and Social Council (ECOSOC) adopted resolution 1721 requesting that the Secretary General appoint a Group of Eminent Persons to examine the role of MNCs in the international economy, their impact on development, and the implications for international regulation

2008

UNEP started their mission to becoming climate neutral

2010

UNEP achieved 3% year-on-year GHG emissions reduction as of 2010. Climate neutrality was a first and important step towards reducing the environmental impact of their operation

2015

In August 2015, UNEP signed the organisation's Environmental Policy and developed an EMS for its operations. UNEP committed to monitor, measure and manage its environmental performance year-on-year, to seek continuous improvement, and be able to take timely corrective actions. The first EMS cycle (2015-2019) focused on greenhouse gases emissions; energy use and management; waste generation and management; fresh water use and management; and, staff awareness

2020

The EMS was updated for a second cycle of 4 years (2020-2024)

Previous / Ongoing Attempts to Solve the Issue

Most multinational corporations are already using the UN's 17 Sustainable Development Goals (SDGs) in their sustainability strategies. When looking at publicly traded MNCs on the Fortune Global 500 list from 2019 (399 of 500), 65% (260) refer to SDGs in their sustainability reporting. This suggests a trend towards assuring that MNC practises align more closely with SDG targets.

Possible Solutions

MNCs can create new goods and services

Climate change poses an opportunity for MNCs to create new climate-resilient goods and services. Some individuals, households, and businesses will demand products that protect assets against climate change. MNCs, with their financial, technical, and human resources, are in a good position to respond to this demand. Some examples include:

- WSP Group has developed sustainable infrastructure and flood defences for urban areas.
- Ignita AB offers weather-monitoring services for West Africa.
- Maplecroft produces the Climate Change and Environmental Risk Atlas that informs organisations of areas that are very exposed to climate change.
- BASF produces drought-tolerant corn varieties.

MNCs can redesign current products

MNCs can redesign current products to be more climate-resilient. Products that use a large amount of electricity, water, timber, or other natural resources can be made more efficient, as these resources may become scarcer or more degraded in the future.

Taxation on MNCs who cause environmental damage

Increased regulation with regards to environmental damage and GHG emissions in developing countries

Financial incentives for MNCs to use renewable energy resources and limit the environmental damage they create

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Advantages of Multinational Corporations on the Environment

Technological progress is an important factor in protecting the natural environment. If increased technology can contribute to improved environmental management capacity, then it might be true that Multinal Corporations are the key to achieving sustainable development, because they are the main transmission mechanisms of technology to developing countries. In 1995, over 80% of global royalty payments and licence fees were paid by Multinational Corporation subsidiaries to their parent companies.

Multinational Corporations are not only the major technology innovators, but they also possess skills in the safe handling, transport, storage, use and disposal of toxic materials, and in the development of pollution abatement technologies . Moreover, multinational enterprises can positively contribute to sustainable development through the transfer of environmental managerial skills that are not available to host developing countries

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Disadvantages of Multinational Corporations on the Environment

Multinational Corporations usually have a negative effect on the environment when they produce in a host country due to their greater technological capacity and more ecologically damaging. The damaging environmental effects have increased as the market penetration and share of Multinational Corporations rise. For example, they involve in a large part of increased forest logging and deforestation in Asia-Pacific

Multinational Corporations apply inferior environmental technology, management practises and standards in their developing countries' subsidiaries in order to reduce the costs . A large proportion of equipment transferred to developing countries has been argued either too sophisticated to be accustomed or too obsolete to increase efficiency. Also, Multinational Corporations often put more emphasis on technological dependence than sustainable development as they supply technology with high prices.

Due to the high environmental standards in developed countries, Multinational Corporations systematically shift their environmentally noxious operations to developing countries. However, in a comprehensive study, UNCTAD finds that while the number of industrial accidents appears to have risen over the last fifteen years, available evidence indicates that many accidents have occurred in purely national firms or in state-owned enterprises.

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