

Our work today falls largely under the umbrella of natural capitalism, a business model that harnesses environmental performance as an engine of competitive advantage.

## NATURAL CAPITALISM

Natural capital refers to the earth's natural resources and services, which are of immense economic value—some are literally priceless—since they have no known substitutes. Yet current business practices typically fail to take into account the value of these assets—which is rising with their scarcity. As a result, natural capital is being degraded and liquidated by the very wasteful use of resources such as energy, materials, water, fiber, and topsoil.

Natural Capitalism, therefore, refers to a new form of doing business; one that properly values its natural origins.

### The Four Basic Tenets of Natural Capitalism:

#### *Radical resource productivity*

This is a simple but powerful notion that using natural resources far more efficiently is both profitable and better for the environment.

#### *Biomimicry*

Nature offers extraordinary design solutions honed by 3.8 billion years of rigorous testing. Whatever didn't work got recalled by the Manufacturer. Using nature as mentor, model, and measure yields superior design solutions that profitably eliminate waste, loss, and harm.

#### *Service and flow economy*

The notion of providing appropriate services in place of direct product consumption. This decreases costs, hassles, and material waste. This is the concept behind car sharing, for instance. Users need mobility, not ownership of a car. This will entail a new perception of value, a shift from the acquisition of goods as a measure of affluence to an economy where the continuous receipt of quality, utility, and performance promotes well-being.

#### *Reinvestment in natural capital*

This concept works toward reversing world-wide planetary destruction through reinvestments in sustaining, restoring, and expanding stocks of natural capital, so that the biosphere can produce more abundant ecosystem services and natural resources.

In addition to Natural Capitalism, Rocky Mountain Institute's perspective on resource issues is guided by the following core principles:

## WHOLE-SYSTEM THINKING

Defining problems too narrowly, without identifying their deeper causes or connections, often simply shifts or multiplies them. Whole-system thinking, however, typically reveals lasting, elegantly frugal solutions.

## MARKET-ORIENTED SOLUTIONS

We work with markets, not against them. We harness competitive forces to encourage sustainable actions, and correct market failures that pit commercial interests against the public good.

## END-USE/LEAST-COST

Find the best and cheapest way to do each desired task. Don't simply expand supply without regard to the right amount, quality, and scale for the job. Apply this approach to a wide range of resource issues.

## THE PURSUIT OF INTERCONNECTIONS

The search for interconnectivity between issues normally viewed as unrelated. At RMI, understanding the hidden connections between energy, climate, water, agriculture, transportation, security, commerce, and economic and social development, can often create a solution to one problem (such as energy) that will also form solutions to many other problems at no extra cost. Crafting solutions so that they multiply is RMI's credo and the basis of its success.

## TUNNELING THROUGH THE COST BARRIER

Many efficiency measures are made cost-effective by "tunneling through the cost barrier," a process in which multiple benefits are achieved with a single expenditure. Typical economic teachings follow the law of diminishing returns in which each unit of additional savings has a higher marginal cost for the improvement. For example, the benefits seen from each additional unit of insulation would rise to the point at which it is no longer cost-effective relative to the marginal energy savings. However, this analysis ignores the rest of the system (specifically other parts of the building that can be downsized or eliminated as a result of the additional insulation). Tunneling through the cost barrier accounts for these additional benefits, and therefore transforms diminishing returns into even bigger and less expensive resource savings.