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Global sustainability Megaforges will affect the future of every business


Over the next 20 years businesses will be exposed to hundreds of environmental and social changes that will bring both risks and opportunities in the search for sustainable growth. For this report dozens of forecasts have been analyzed to identify the changes that will have the greatest effects on business.

The result is a set of ten global sustainability megaforges that we believe will impact every business over the next two decades. They are:

 **Climate Change:** the one global megaforge that directly impacts all others discussed in this report. Predictions of annual output losses from climate change range between 1 percent per year, if strong and early action is taken, to at least 5 percent a year if policymakers fail to act.

 **Energy & Fuel:** Fossil fuel markets are likely to become more volatile and unpredictable because of higher global energy demand; changes in the geographical pattern of consumption; supply and production uncertainties; and increasing regulatory interventions related to climate change.

 **Material Resource Scarcity:** As developing countries industrialize rapidly, global demand for material resources is predicted to increase dramatically. Business is likely to face increasing trade restrictions and intense global competition for a wide range of material resources that become less easily available. Scarcity also creates opportunities to develop substitute materials or to recover materials from waste.

 **Water Scarcity:** It is predicted that by 2030, the global demand for freshwater will exceed supply by 40 per cent.¹ Businesses may be vulnerable to water shortages, declines in water quality, water price volatility, and to reputational challenges. Growth could be compromised and conflicts over water supplies may create a security risk to business operations.



Population Growth: global population is predicted to be 8.4 billion by 2032 in a moderate growth scenario.² This growth will place intense pressures on ecosystems and the supply of natural resources such as food, water, energy and materials.³ Businesses can expect supply challenges and price volatility as a result. This is a threat, but there are also opportunities to grow commerce, create jobs, and to innovate to address the needs of growing populations.



Wealth: The global middle class (defined by the OECD as individuals with disposable income of between US\$10 and US\$100 per capita per day)⁴ is predicted to grow 172 percent between 2010 and 2030.⁵ The challenge for businesses is to serve this new middle class market at a time when resources are likely to be scarcer and more price-volatile. The advantages many companies experienced in the last two decades from “cheap labor” in developing nations are likely to be eroded by the growth and power of the global middle class.



Urbanization: In 2009, for the first time ever, more people lived in cities than in the countryside.⁶ By 2030 all developing regions including Asia and Africa are expected to have the majority of their inhabitants living in urban areas;⁷ virtually all Population Growth over the next 30 years will be in cities. These cities will require extensive improvements in infrastructure including construction, water and sanitation, electricity, waste, transport, health, public safety and internet and cell phone connectivity.



Food Security: In the next two decades the global food production system will come under increasing pressure from megaforges including Population Growth, Water Scarcity and Deforestation. Global food prices are predicted to rise 70–90 percent by 2030.⁸ In water-scarce regions, agricultural producers are likely to have to compete for supplies with other water-intensive industries such as electric utilities and mining, and with consumers.



Ecosystem Decline: Historically, the main business risk of declining biodiversity and ecosystem services has been to corporate reputations. However, as global ecosystems show increasing signs of breakdown and stress, more companies are realizing how dependent their operations are on the critical services these ecosystems provide. The decline in ecosystems is making natural resources scarcer, more expensive and less diverse; increasing the costs of water and escalating the damage caused by invasive species to sectors including agriculture, fishing, food and beverages, pharmaceuticals and tourism.



Deforestation: Forests are big business. Wood products contributed \$100 billion per year to the global economy from 2003–2007 and the value of non-wood forest products (mostly food) was estimated at US\$18.5 billion in 2005. Yet forest areas are predicted to decline by 13 percent from 2005 to 2030, mostly in South Asia and Africa.⁹ The timber industry and downstream sectors such as pulp and paper are vulnerable to potential regulation to slow or reverse deforestation. Companies may also find themselves under increasing pressure from customers to prove that their products are sustainable. Opportunities may arise through market mechanisms and incentives to reduce the rate of deforestation.