Natural Capital Accounts & Policy Utility

Summary

Commitments to Natural Capital Accounting have been increasing in recent years – as reflected by recent international, European and national initiatives and legislation.

The Strategic Plan for Biological Diversity 2011-2020 includes the commitment to integrate biodiversity into national accounting (Aichi Target 2). Commitments to accounting are also included in the EU Biodiversity strategy and various National Biodiversity Strategy and Action Plans.

However, the tool is still mainly in the experimentation phase, with only a small number of applications that feed into policy decisions. It has the potential to be an instrument adding value to different steps in the policy cycle and in a range of policy areas. There remain a range of development needs and care is needed in how to interpret and use the results.

The policy issue / question

Natural Capital Accounting (NCA) provides a systematised approach to measure the stock of natural resources and the flows of resources and ecosystem services that underpin the functioning of the economy, and take the form of a range of different account types (see figure overleaf).

In general, **NCA applications tend to focus on resource stocks** (e.g. timber, agricultural land, water, minerals and in some cases fish) **and flows** (e.g. timber fellings, mineral extraction, fish landings, water extraction), using a mix of biophysical and monetary values. Only flows of certain goods exchanged in markets (timber, crops, fish) are reflected in the System of National Accounts (SNA) that underpin GDP, based on their market price. More recently, the potential of using accounts to support biodiversity policy has been discussed.

The ambition by the statistical and policy communities is that accounting tools are developed that can reflect both the stocks and flows, including the changes of stocks (i.e. depreciation of capital stock), of a much wider set of natural resources. This will improve the evidence base available to policy makers.

The debate is on what types of natural capital stocks and flows can usefully be accounted for in biophysical terms and in monetary terms, what utility the account output indicators can have to policy makers, for what issues, where in the policy cycle, and what more needs to be done to ensure that the results are **fit for purpose**.

Required knowledge

To identify **where NCA can help policy makers** requires an understanding of the match between information needs for policy and NCA outputs – i.e. type of indicator, geographic scale, meaning and robustness.

The added value of accounts also depends on what other **competing information sources** exist (e.g. mapping, indicator sets, models) and what commitments there already are for these.

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Source: ten Brink et al. 2015

The practical policy utility and interest will also reflect windows of opportunity for using the outputs. For example to help in implementation of existing policy commitments to meet particular targets, to address pressing items on the policy agenda where input from others tools is insufficient, and with policy /programme reviews.

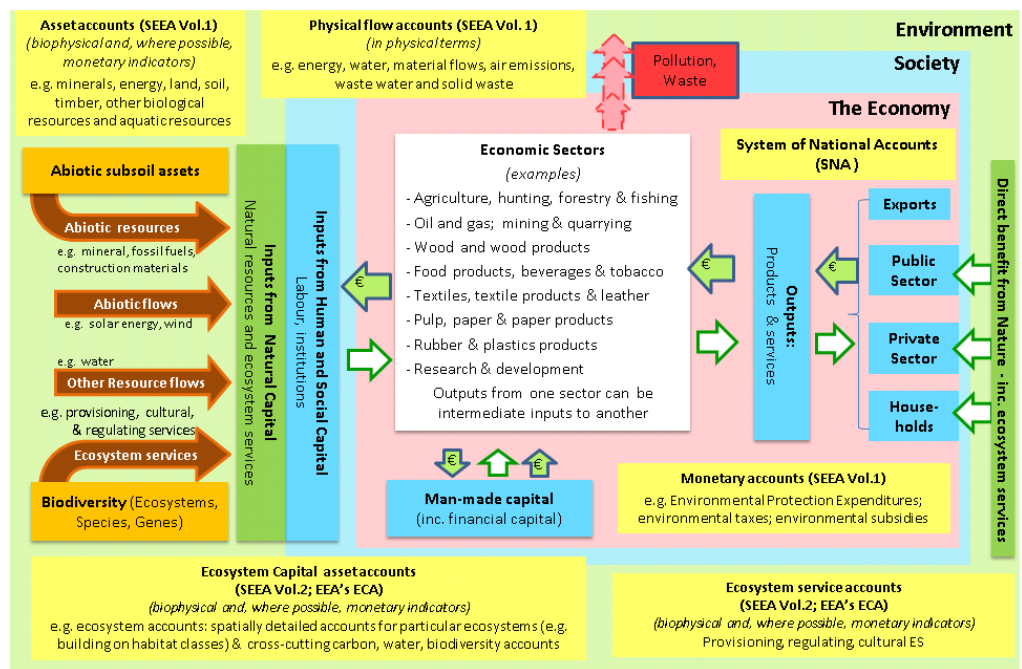This is a **dynamic process,** as accounts are developing through experimentation.

OPERAs activities

Clarify what accounts are and what they can offer for different policy areas at which steps in the policy cycle. We are looking in particular at **biodiversity, climate, water, fisheries and Cohesion Policy**. This builds on the **SEEA accounts**, literature review, a questionnaire to Member States who apply accounts, and engagement in science-policy dialogues.

Identify development needs for NCA to reach its potential – including both biophysical and monetary issues.

Clarify what can and cannot be said with accounts and therefore how and where they can usefully be used – now and after the developments.

Identify **promising areas** for developing NCAs.

Planned results

A **report** and **articles** covering:

1. **Developments** of NCA
2. Accounting and **biophysical indicators**
3. The use of **monetary valuation**
4. **Integrating Social Values**
5. The **policy utility** of ecosystem accounting

Engagement and contribution to **expert meetings** to explore ways forward.

Anticipated challenges

This field is still developing and there is an evolving picture of which indicators can be produced, at what geographic scale and with what level of confidence. Matching it with policy needs therefore raises challenges.

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