Accounting for natural capital

Government Dialogue on Natural Capital: Workstream 1

3rd Policy Forum on Natural Capital
Accounting for Better Decision Making

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Workstream 1: Accounting

Purpose:
To explore links between natural capital accounting by governments and the private sector to determine how these approaches can complement and challenge each other, improve the quality and availability of data, and inform improved decision making in both sectors.

Members:
Two different approaches to natural capital

**Natural Capital Protocol:**
- A framework for conducting business natural capital assessments.
- Flexible to business needs.
- Designed to inform internal decision-making.

**System of Environmental-Economic Accounting:**
- Standard terms and definitions for forms of natural capital.
- Designed to integrate with the System of National Accounts.
### How do these approaches compare?

<table>
<thead>
<tr>
<th>AIM</th>
<th>OUTPUTS</th>
<th>LEVEL OF PRESCRIPTION</th>
<th>COMPARABILITY OF OUTCOMES</th>
<th>CONNECTIVITY WITH OTHER ACCOUNTS</th>
<th>MONETARY VALUATION APPROACHES</th>
<th>AGGREGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primarily designed for internal application and management decision making</td>
<td>Designed to be relevant to a broad range of business applications, and can be voluntarily reported externally</td>
<td>Allows approach to be tailored using different measurement and valuation techniques</td>
<td>Used to develop a standard, repeatable approach for use within a specific entity</td>
<td>Not assured</td>
<td>Allows for monetary valuation of non-market good and services, as well as social welfare</td>
<td>Allows for aggregation of fine-scale information on natural capital for application at corporate level</td>
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<tr>
<td>Primarily designed to provide a global standardized accounting framework</td>
<td>Resulting information designed mainly to be reported externally, ensuring global comparability</td>
<td>Promotes the use of standardised statistical approaches and valuations techniques</td>
<td>Produces results which are comparable within and between different entities</td>
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<td>Promotes exchange values for use with National Accounts. Includes a range of valuation techniques for social and environmental welfare.</td>
<td>Allows for aggregation of fine-scale information on natural capital for application in macro decision making</td>
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</tbody>
</table>
Connecting these approaches

Common language between natural capital assessments and accounts through standards
- Increased consistency and comparability between public and private natural capital approaches
- Broadened application of private natural capital information

Standards

Information sharing
- Creating a common resource
  - Private natural capital assessments could draw on public accounts
  - Sectoral policy making informed by insights into natural capital impacts and dependencies

Shared learning
- Minimising costs through shared learning
  - Opportunities for collaboration and innovation.
  - Increases capability to produce both public and private natural capital accounts faster and at a lower cost.

Increased efficiency