Greening the recovery to make it last

The role of natural capital accounting

Paper prepared for 5th Policy Forum on Natural Capital Accounting for Better Decision Making

15-09-2021 | Paul Lucas and Michael Vardon
Overview of the presentation

› Green recovery

› Natural Capital Accounting

› How NCA supports a Green recovery

› Next steps for NCA and green recovery

› Survey results
Green recovery
Human well-being is critically dependent on natural capital
Natural capital is increasingly under pressure

- World is not on track to achieve globally agreed goals
  - Environmental degradation continues
  - SDG achievement facing increased constraints

- Sustainability transitions required to bend the trend and reduce pressure
  - Valuing and embedding natural capital in decision-making
Current recovery plans ignore the value of natural capital

› Around 17.000 billion of stimulus package announced

› Many stimulus packages reinforce negative environmental trends

› Few investments in natural capital

› Risk of increased social costs and reduced ability to repay debt
Recovery stimulus is unique opportunity to put the world on a sustainable development pathway

A ‘green’ recovery embraces benefits in terms of both

› Short-term jobs and economic growth
› Addressing long-standing human and environmental challenges

To

› Improve the environment, decrease inequality and increase resilience

Co-benefit
• Recovery has synergies with sustainability transitions

Necessary condition
• Recovery should not get in the way of sustainability transitions (do no harm)

Opportunity
• Recovery is used to further sustainability transitions (investments and reform)
Investing in natural capital is part of a green recovery

› Short- and long-term benefits
  - employment and economic growth
  - Social and environmental benefits
  - Improved ecosystem resilience and help to avoid future pandemics

› Need for integrated economic and environmental data and thinking

Source: PBL
Natural capital accounting
The standard for NCA: System of Environmental-Economic Accounting (SEEA)

- Monetary measures
- Asset and production boundaries set by economics
- Production defined as being capable of being sold in markets
- Assets defined as being owned and capable of being used for economic gain

SEEA Central Framework
- Physical quantity measures added to monetary measures
- Asset boundary expanded
- Assets no longer have to be owned or capable of being used for economic gain

SEEA Ecosystem Accounting
- Physical quality (or condition) measures added
- Production boundary extended
- Production from ecosystems recognized and does not need to be sold in markets

March 2021 adopted by the United Nations
Can now move on with certainty
A system of accounts

Stocks and flows
› Stock at a point in time
› Flows between two points in time

Benefits and beneficiaries
› People, industries and sectors

Physical and monetary
› Hectares, litres, gigagrams, etc.
› US$, EU€, CN¥, etc.
Countries are implementing SEEA

- NCA production underway in nearly 100 countries
- Plans, strategies and road maps for putting NCA are in place or being developed

- South Africa’s strategy
- Accounts mandated in EU
What took years, can now takes months

› Increasing NCA knowledge, online tools and growing expertise
› With cooperation and goodwill much can be achieved
› Accounts do not have to be perfect to be useful

How can I estimate and record the emissions from landfill in the greenhouse gas accounts. . .

https://publications.jrc.ec.europa.eu/repository/handle/JRC120383
https://aries.integratedmodelling.org/aries-for-seea-explorer/
How NCA supports green recovery
NCA is already used to support decision-making

The major components of green recovery have already been examined using NCA

- We have the experience

NCA mentioned in some recovery packages or strategies. E.g.

- Rwanda
- Uganda
- African Union

Importance of natural capital more generally recognised

- Dasgupta Review
NCA and the policy cycle

An **information system** that supports the **full policy cycle**

From experimental to main stream

- Moving from the "accounting push" to the "policy pull"
- Made possible by the work of many people, spanning countries, disciplines and agencies and sectors
Most green recovery spending in on climate change

Accounts and modelling

There are co-benefits with biodiversity conservation

- Conservation and restoration of forests stores and sequesters carbon and also provides habitat for species
Examples of NCA and biodiversity conservation

Examples from around the world

› Accounts and modelling

Governments using accounts to assess trade-offs and make decisions

› Payments for ecosystem services

› Sector planning
Reform incentives: reveal how policies, taxes and subsidies are influencing the economy and the environment

Mobilise finance: provide insights in costs, as well as economic, social and environmental benefits of investments and policies

Integrate and mainstream policies: assess synergies and trade-off of investments and policies across issues, time, sectors and space

Ensure equity and inclusiveness: Assess implication of investments and policies on ecosystem services and different groups that depend on them

Provide for policy adaptation: Monitor progress and assess the effectiveness and efficiency of investments and policies in terms of costs and benefits for the economy, environment and society
Next steps for NCA and Green Recovery
From the general to the specific

Living principles of NCA that is ‘fit for policy purpose’

Comprehensive
  1. Inclusive, 2. Collaborative, 3. Holistic

Purposeful
  4. Decision-centred, 5. Demand-led

Trustworthy
  6. Transparent and open, 7. Credible

Mainstreamed

We have a base
  › The Policy Forum is consolidating and sharing experience
  › Community is getting bigger
  › We have the “living principles”

How can we use these to mainstream NCA across government

Source: Ruijs et al., 2019
Capitalising on the opportunities

UNFCCC meeting in Glasgow in November 2021
CBD meeting in Kunming in October 2021 and April 2022
SDG “Decade of Action”
Investment in NCA is part of Green Recovery
Others?

How can this community make it happen?
› This is ultimate objective of the 5th Policy Forum
› Session 4 builds to this
Thank you

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› Expert workshop participants
› The 5th Policy Forum Steering Committee

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To the many, many people that have brought the green recovery and natural capital accounting to point where is on the brink of breaking into the mainstream