

# Introduction to Natural Capital



**eftec**

*Ian Dickie*



**What is Natural Capital?**

**Natural Capital Accounting**

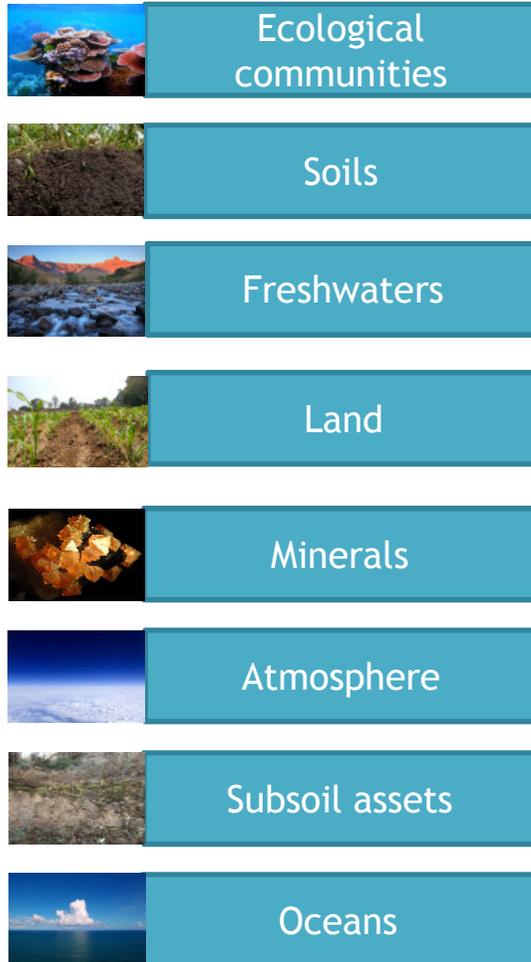
**Contaminated Land**

# What is Natural Capital?



# Natural Capital Concept

## Natural capital stock



Ecosystem  
Service Flows

Inputs from  
other capital

## Natural capital benefits

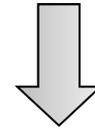


# Natural Capital

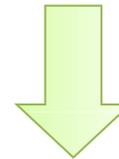


- Use familiar concept/ language of ‘capitals’
- Capture all strategic natural resource issues

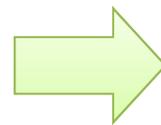
- Analyses show high value of Ecosystem Services (MEA, TEEB)



What capacity is there to keep producing them in the future?

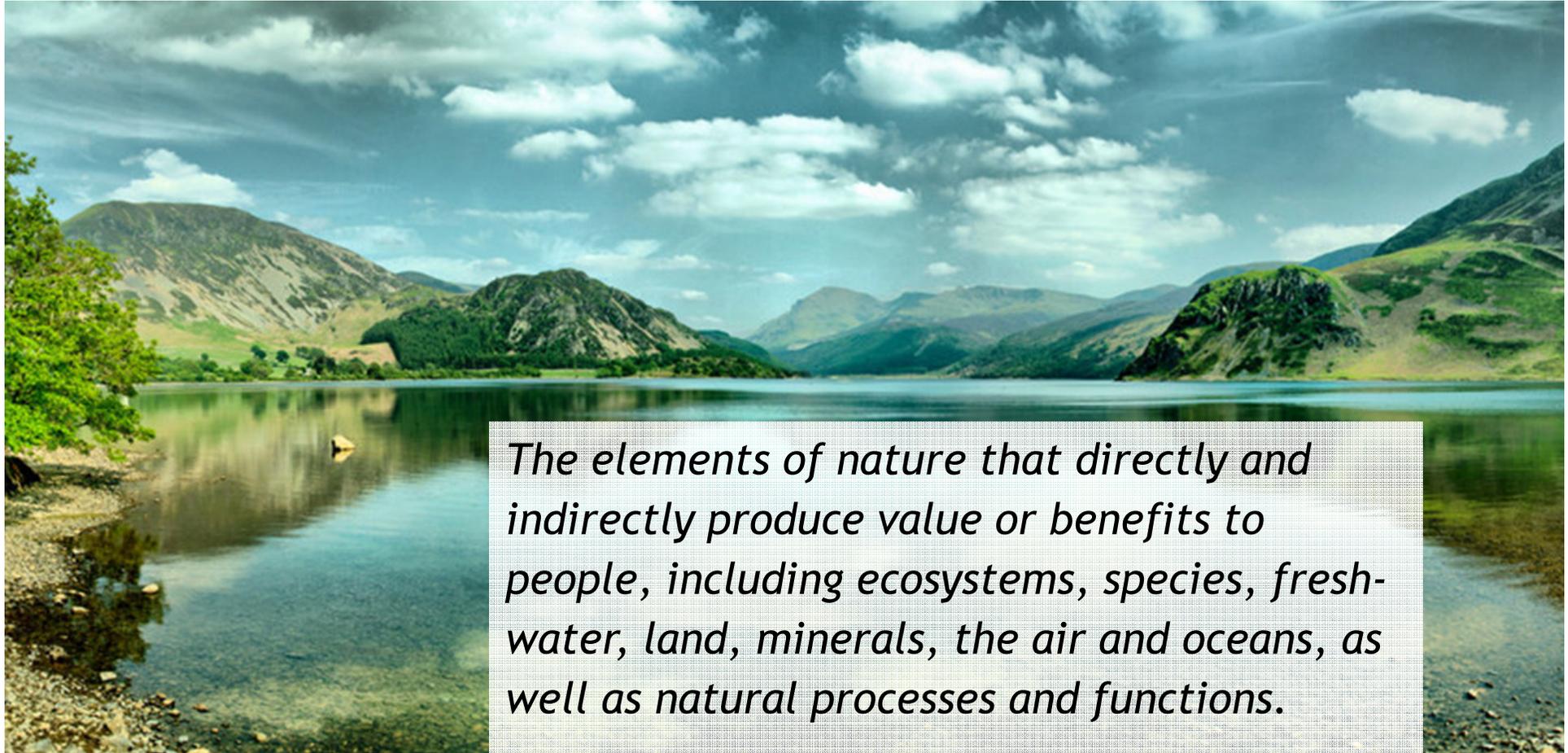


## NATURAL CAPITAL



*The stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people*

# Natural Capital



*The elements of nature that directly and indirectly produce value or benefits to people, including ecosystems, species, fresh-water, land, minerals, the air and oceans, as well as natural processes and functions.*

Natural Capital Committee (2014)

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# Natural Capital Accounting

# Using Natural Capital Accounting



## Share

- Within the organisation
- With customers/ society
- With funders/ investors

## Save

- Identify risks
- Improve efficiency

## Return

- Long term sustainability
- Beyond financial profit

# Corporate Natural Capital Accounting (CNCA)

1. What do we have?

Stocks of natural assets

2. What does it produce?

Flows of services

3. What is that worth?

Natural capital benefits

4. What does it cost to maintain these benefits?

Natural capital maintenance

- Values assets based on future benefits they produce
- Compares this to maintenance costs to give balance sheet
- Measures changes in natural assets over accounting period

# Natural Capital Accounting 'starter pack'

Assets

Maintenance  
Costs (Liability)

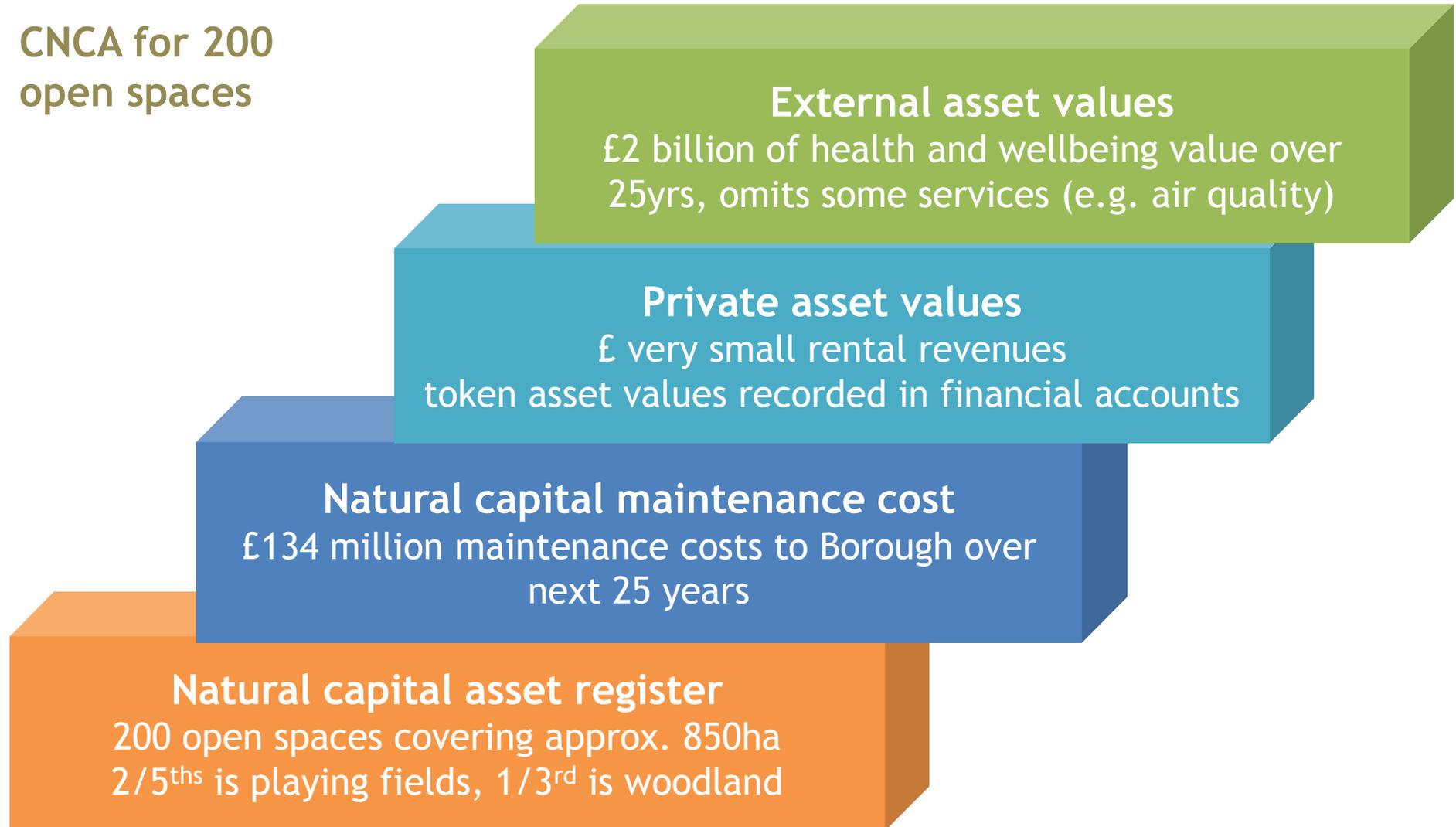
Trend (qualitative)

# Natural Capital Balance Sheet

At 31 <sup>st</sup> March 2017	Private	External	Total	Financial
	£m	£m	£m	£m
<b>Assets</b>				
Baseline				
Gain/Loss				
Addition/Disposal				
Revaluation				
Gross Asset Value				
<b>Liabilities</b>				
Legal				
Other				
Total Maintenance				
<b>Total Net Natural Capital Assets</b>				

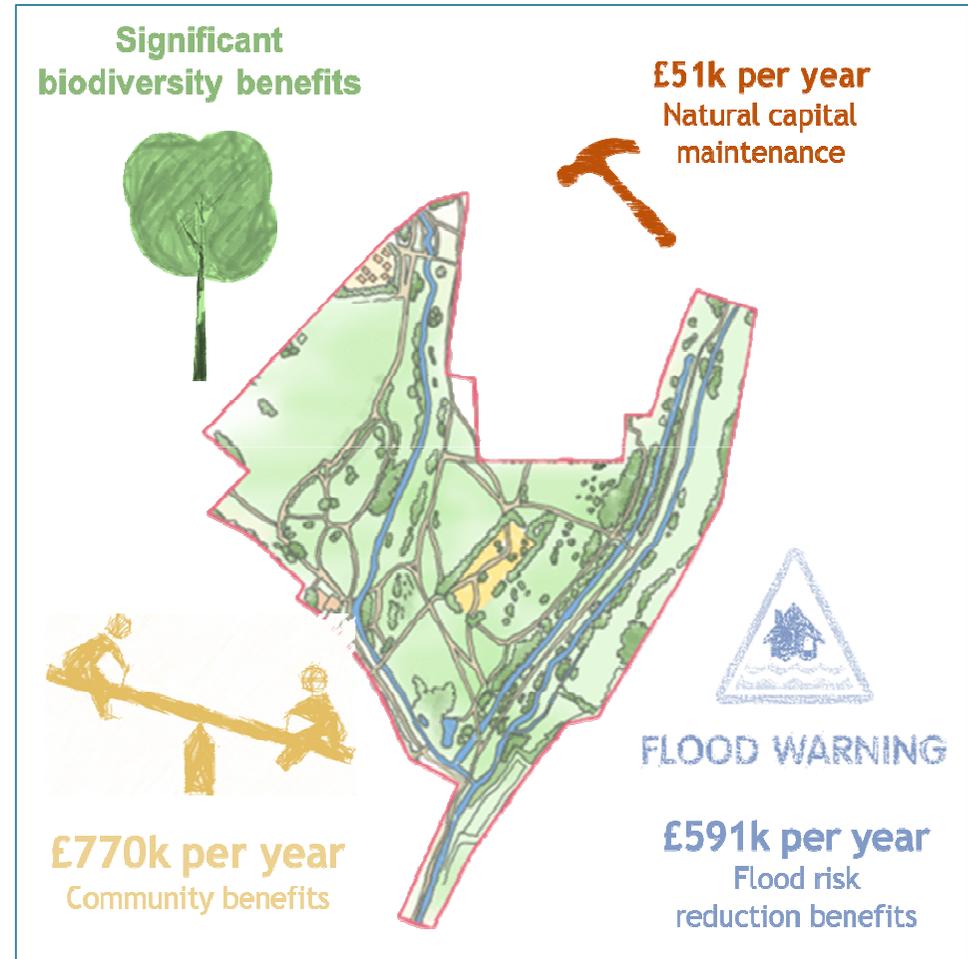
# CNCA - London Borough of Barnet

CNCA for 200  
open spaces



# Beam Parkland, London

- Financial accounting portrays Beam Parklands as a liability rather than an asset
- CNCA demonstrates the significant natural capital asset values from Beam Parklands that financial accounting does not capture
- Results enhance the case for financing management of similar sites and for adding new sites to the Land Trust's portfolio





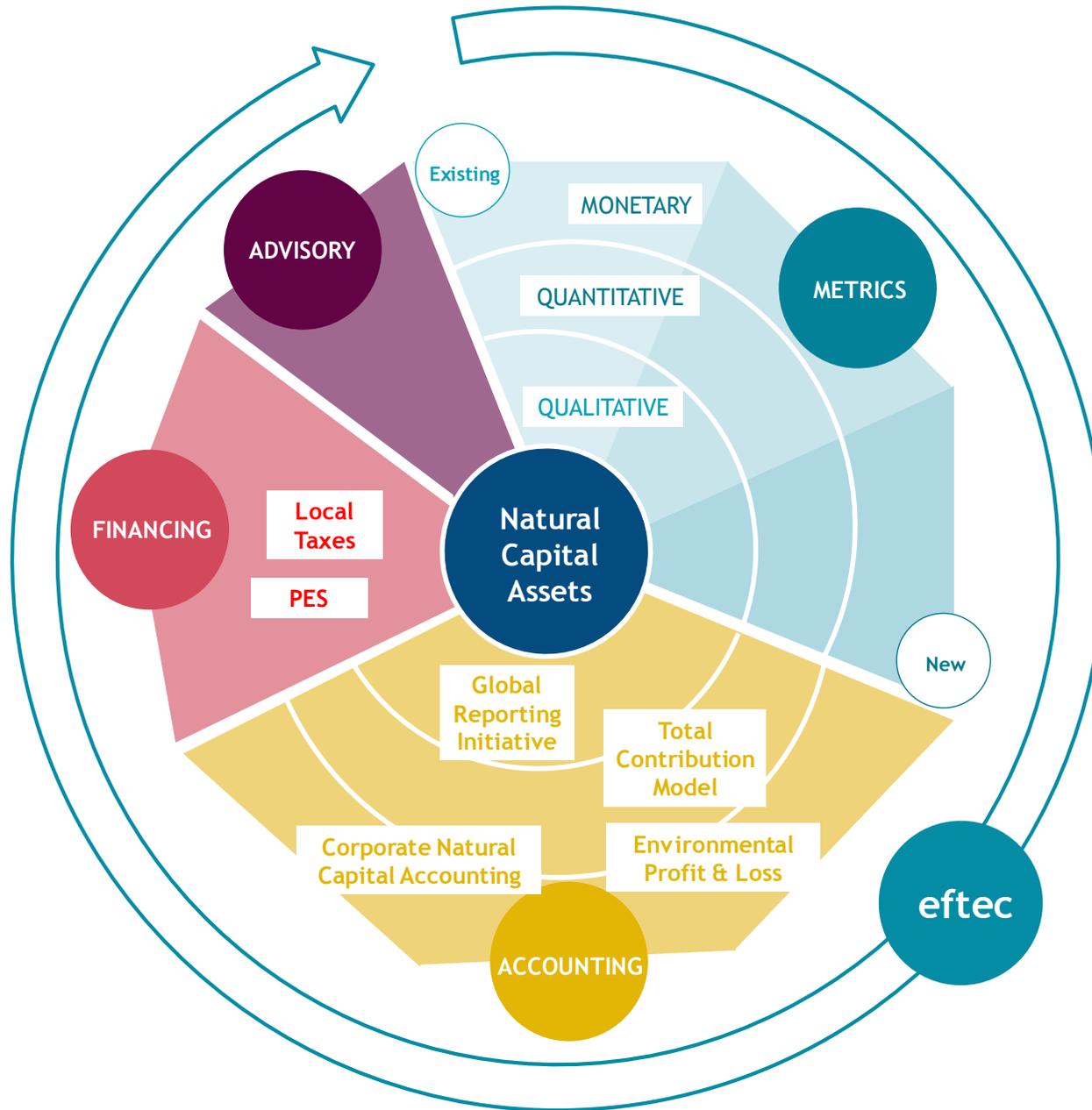
# Contaminated Land in a Natural Capital Account

# Contaminated Land in a NC Account?

- Detrimental effects on society should be captured as:
  - A private liability (where remediation required)?
  - A private or external negative asset value?
- Private value = liability to remediate, then development opportunity.
- External value = (e.g.) suppression of surrounding property values
- These could be neutralised by remediation
- And replaced with positive values from an asset (e.g. transport hub, natural green space - both of which raise property prices) ... showing benefits to society

# Using Economic Values

- Who benefits? Over time, space, sectors, social groups?
- Are benefits internal to organisation (private) or external to society?
- Who can pay to secure these benefits?
- Can organisation manage resources better?



# Experience of Corporate NC Accounting

“Natural capital is a positive concept - it is about the good things the natural environment gives us and how we maintain them”

*Ece Ozdemiroglu, Director, eftc*

“Capital maintenance is the reason accountancy was born: Have I created value, or just depleted my stock?”

*Michael Izza, Chair Executive, ICAEW*

“This is a new language but the concepts build on what we have been doing for decades; and improvements in evidence and computing mean this is the right time to apply it”

*Sir Harry Studholme, Chair, Forestry Commission*

“This approach allows us to recognise the significant value and importance of natural capital assets not captured in financial accounting”

*Andrew Phillips, Rural Director of Finance, Duchy of Cornwall*



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