

Executive Summary

The natural environment provides goods and services that are essential for our well-being and development. Every part of the natural environment that is capable of contributing to human well-being is a capital asset – part of our ‘*natural capital*’. Natural capital includes renewable components such as ecosystems and solar energy, and non-renewable components such as mineral deposits and fossil fuels.

Over the past 50 years, human activity has substantially degraded the natural environment. The global stock of natural capital and the valuable goods and services that it provides are being rapidly depleted, in some cases irreversibly. Conventional measures of wealth and economic development have not adequately taken this into account. As part of broader strategies to improve the way we manage natural capital, there is an urgent need to implement effective methods for natural capital accounting that are embedded in legal and policy frameworks at national and international levels.

The GLOBE Natural Capital Accounting Study is designed to inform efforts by legislators to address these needs. The specific objectives of the Study are to:

- *Summarize* current knowledge regarding the characteristics and components of natural capital, and their role as the foundation on which human economies, societies and prosperity are built.
- *Summarize* international efforts to develop strategies, frameworks and standards for natural capital accounting.
- *Review* national efforts in twenty-one countries to develop legal and policy frameworks for natural capital accounting – highlighting key experiences, challenges and lessons learned.
- *Identify* opportunities for future action to improve the global knowledge-base concerning legal and policy options for implementing natural capital accounting, and broader strategies for managing natural capital.

The Study is the product of a partnership between GLOBE International, the University College London (UCL) Institute for Sustainable Resources (ISR), and national contributors based in the countries referred to above. It forms part of the GLOBE Natural Capital Initiative (GNCI), which was launched in September 2012. The GNCI is designed to support implementation of several commitments included in the GLOBE Rio+20 Legislators’ Protocol, approved in June 2012 at the 1st World Summit of Legislators in Rio de Janeiro.

The principal objective of the GNCI is to ensure that the concept of natural capital is understood and given appropriate expression through policy by national governments, and that this process takes place consistently and across all government departments. To that end, GNCI works towards establishing an international process for national legislators to support the development and implementation of natural capital accounting. The first phase of the Initiative was completed in June 2013, coinciding with the publication of the 1st Edition of the GLOBE Natural Capital Accounting Study, which reviewed legal and policy developments in eight countries.

The 2nd Edition of the Study is organized as follows:

- Section 2 introduces the concepts of *natural capital* and *natural capital accounting*. It summarizes current knowledge regarding the characteristics and components of natural

capital and their role as the foundation on which human economies, societies, and prosperity are built. Taking into account the findings of the Millennium Ecosystem Assessment, (MA) attention is also devoted to explaining the significant role of *ecosystem services* provided by natural capital.

- Section 3 focuses on international efforts to develop strategies, frameworks and standards for natural capital accounting. Particular attention is devoted to summarizing efforts that this Study is intended to complement, including the: United Nations System of Environmental–Economic Accounting (UN–SEEA); Partnership for Wealth Accounting and the Valuation of Ecosystem Services (WAVES); United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN–REDD); The Economics of Ecosystems and Biodiversity Initiative (TEEB), and processes associated with the United Nations post-2015 development agenda. Key features of relevant legal and political commitments are also discussed, including those established in accordance with the 1992 Convention on Biological Diversity (CBD), and 1992 United Nations Framework Convention on Climate Change (UNFCCC).
- Section 4 documents national efforts in the twenty-one countries to develop legal and policy frameworks for natural capital accounting, and link these with broader approaches to natural capital management. It outlines the focus of relevant natural capital accounts, in addition to key national challenges and success stories identified by national contributors. The information presented in this Section is based on responses provided by national contributors to a detailed list of questions, which are set out in Appendix 1.
- Section 5 contains a preliminary cross-cutting analysis of the documented national legal and policy efforts. Drawing on the national efforts documented in Section 4, a diverse selection of legal and policy options for natural capital accounting are identified. Section 5 also discusses common achievements, challenges and lessons learned, including practical approaches from several countries that may prove useful or informative in others. The Study concludes by setting out a vision for future action to further develop the global knowledge-base concerning legal and policy options for: (1) implementing natural capital accounting, and (2) broader strategies for natural capital management.

The three key conclusions of the Study are as follows:

- 1) Efforts to develop laws and policies for natural capital accounting rely on continued cooperation and diverse forms of support. This entails *international effort* – accounting standards such as UN–SEEA; commitments and goals such as the post-2015 SDGs and Convention on Biological Diversity; capacity-building and research partnerships such as WAVES and TEEB. It also entails *national efforts* – involving various parts of government and diverse stakeholders, including communities and the private sector.
- 2) There is no ‘best practice’ approach to legal and policy reform for natural capital accounting. The task is complex and specific to national circumstances, cutting across many policies, institutions and sectors. Frameworks for natural capital accounting may involve combinations of new legislation, and new action under old laws. This study outlines practical approaches from several countries that may prove useful for others.
- 3) A key future challenge for legislators is to develop and share innovative approaches for

sustainably managing natural capital. Accounting is an important step towards that goal – others are needed. This study highlights initial steps that countries have taken to link natural capital accounting with broader strategies for natural capital management.