

# Using Natural Capital Accounting to Manage Business Risk

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**eftec**

University of Edinburgh Business  
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- Leading consultancy specialising in environmental economics in the UK providing economic analysis for effective and sustainable environmental policy and management
- 25 years old, 12 Core staff
- Our work regarding natural capital:
  - Majority of research contracted by Natural Capital Committee in the UK
  - Technical Author of Natural Capital Protocol
  - Corporate Natural Capital Accounting method
  - Potential investments in natural capital

# What is Natural Capital?



# 'Natural Capital'



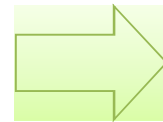
- Analyses show high value of Ecosystem Services (MEA, TEEB)



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*

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





# Natural Capital Accounting

# Why 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

1. What do we have?

Stocks of natural assets

2. What does it produce?

Flows of services

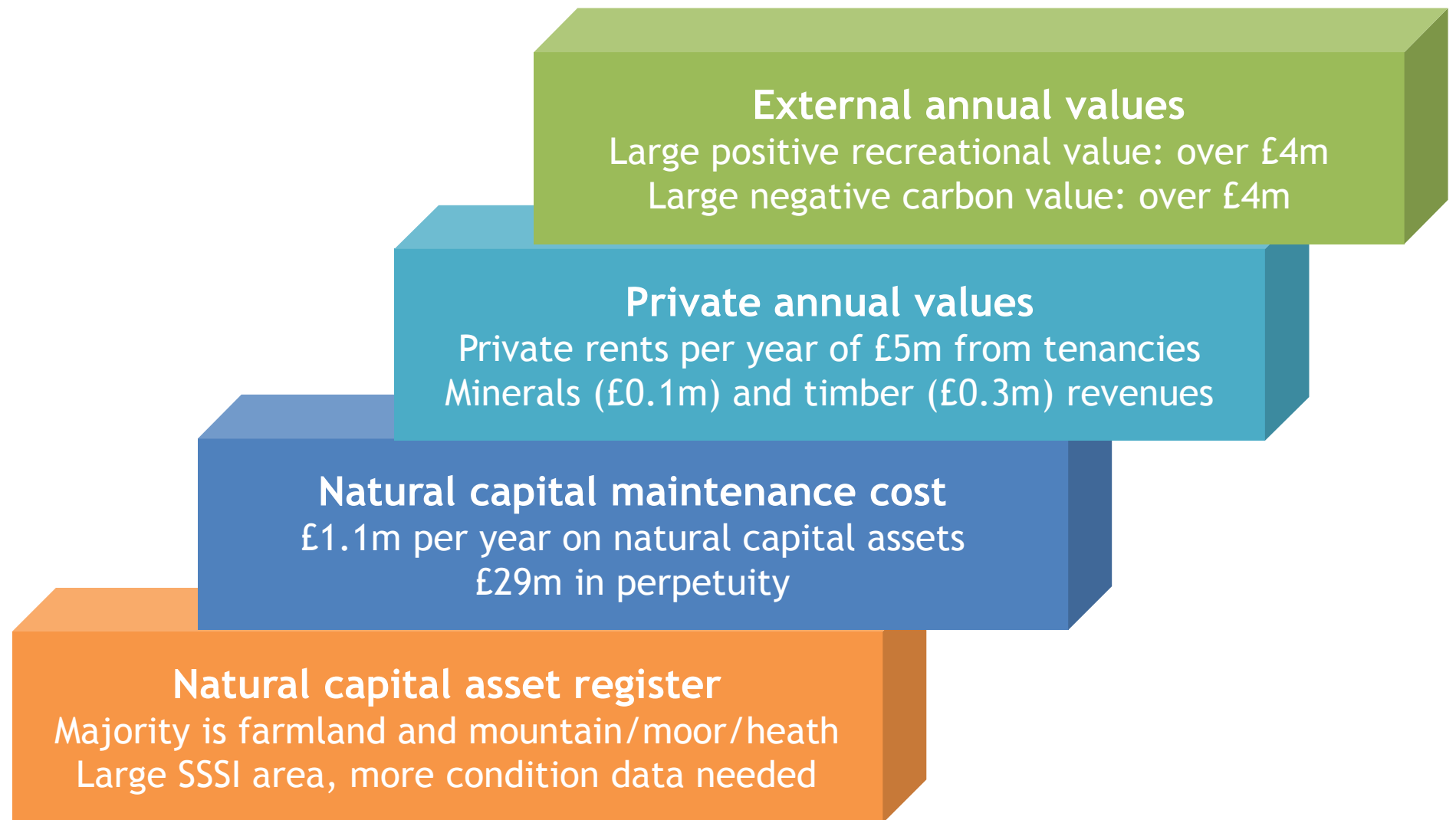
3. What is that worth?

Natural capital benefits

4. What does it cost to maintain these benefits?

Natural capital maintenance

# Duchy of Cornwall CNCA - Summary





# Natural Capital Accounting - Choosing Tools for Business

- Many CSR/KPI/physical data approaches, e.g. GRI guidelines
- Environmental Profit and Loss - the balance of environmental impacts across a value chain

K E R I N G

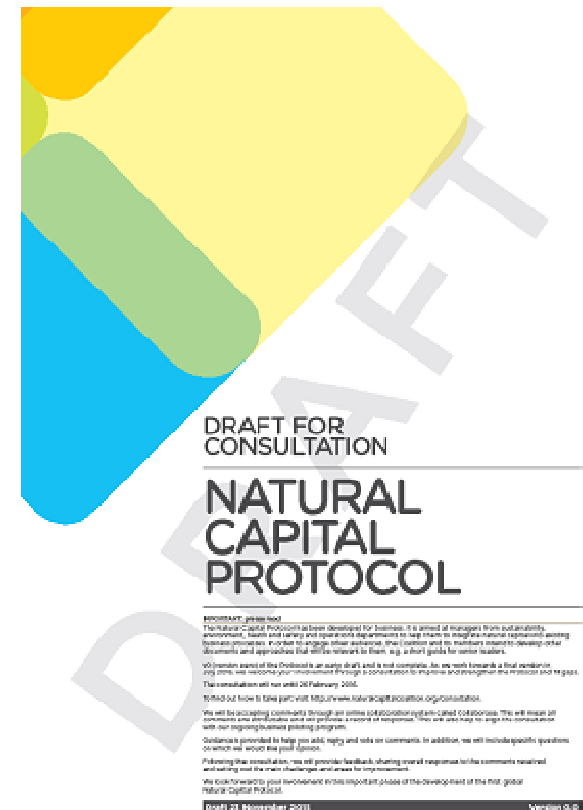


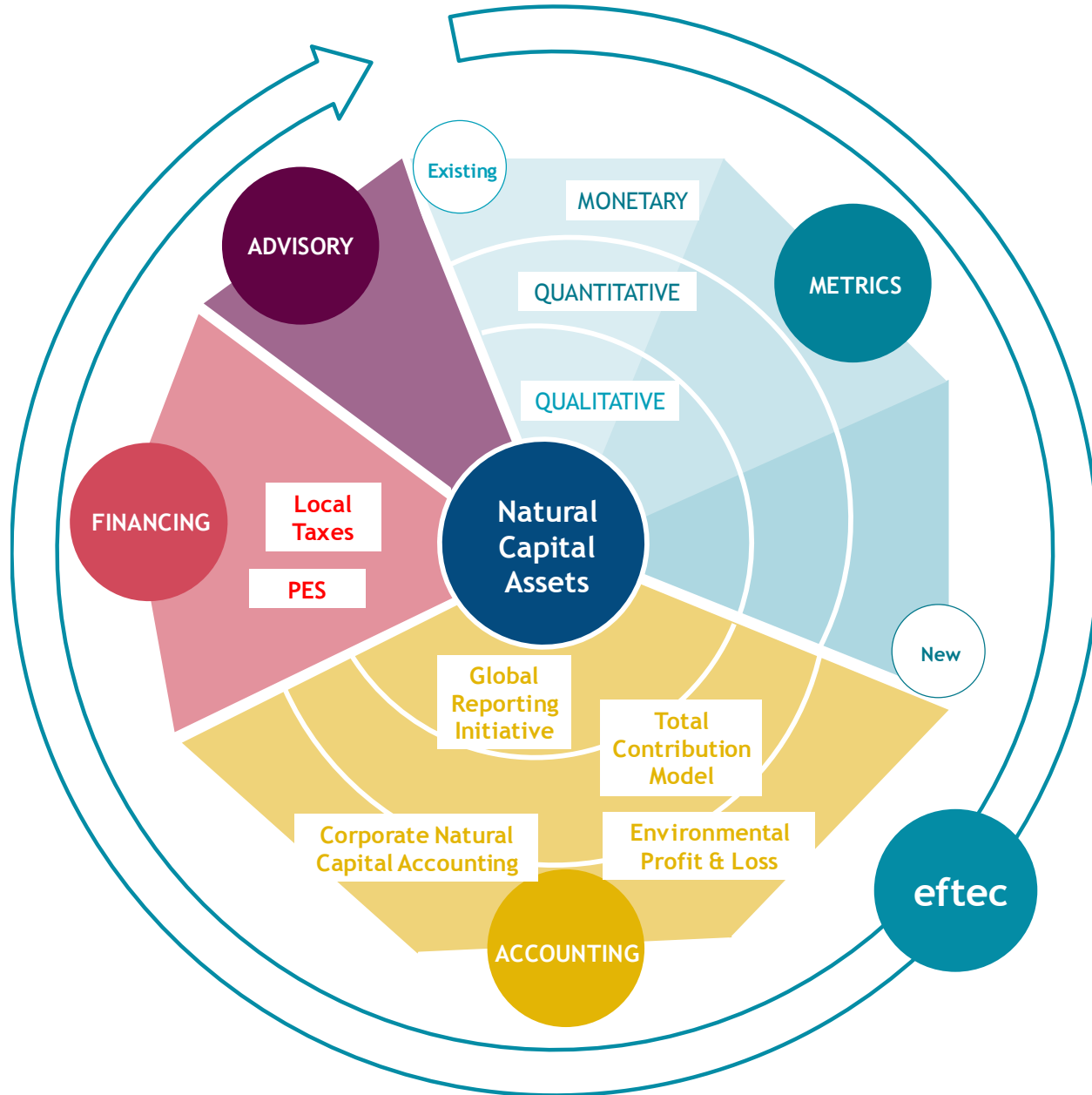
*Approx. 50% of impacts associated with raw material production for its products, a large proportion of this (24%) due to 'land use change'*

- Corporate natural capital accounting
  - Designed for land assets: in a particular boundary
  - Balance sheet of benefits vs maintenance costs
- How should organisations choose between approaches?
  - ~ Natural Capital Protocol

# Natural Capital Protocol

1. All-encompassing scope/purpose on measurement & valuation of NC
2. Avoid 'green wash' & focus on materiality... ask the right question
3. Economic valuation of the environment to answer that question
4. Based on sound environmental and economic principles
5. Recognise moral, technical and other boundaries...





# Quotes

“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, eftec*

“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 Philipps, Rural Director of Finance, Duchy of Cornwall*



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