

# Why is Natural Capital Important to the Economy in Scotland?

Dr Gary Gillespie

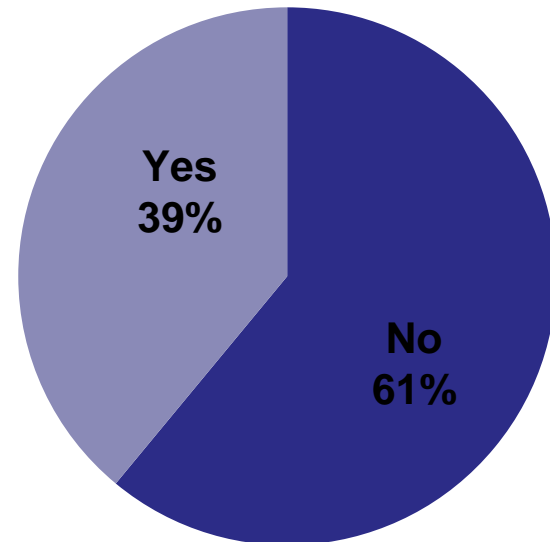
Chief Economist, The Scottish Government

# What is ‘Natural Capital’?

- Stock of natural assets, which provides the economy with:
  - Renewable and non-renewable resources
  - Land, minerals, energy, water
  - ‘Ecosystem Services’

- An unfamiliar concept?

***“Before taking this survey, were you familiar with the term ‘natural capital?’”***



# An 'Economist's View' of Natural Capital

- Factor of production – like labour, land, physical capital and human capital
- May not be traded; priced; accounted for
- Can lead to overuse and underinvestment

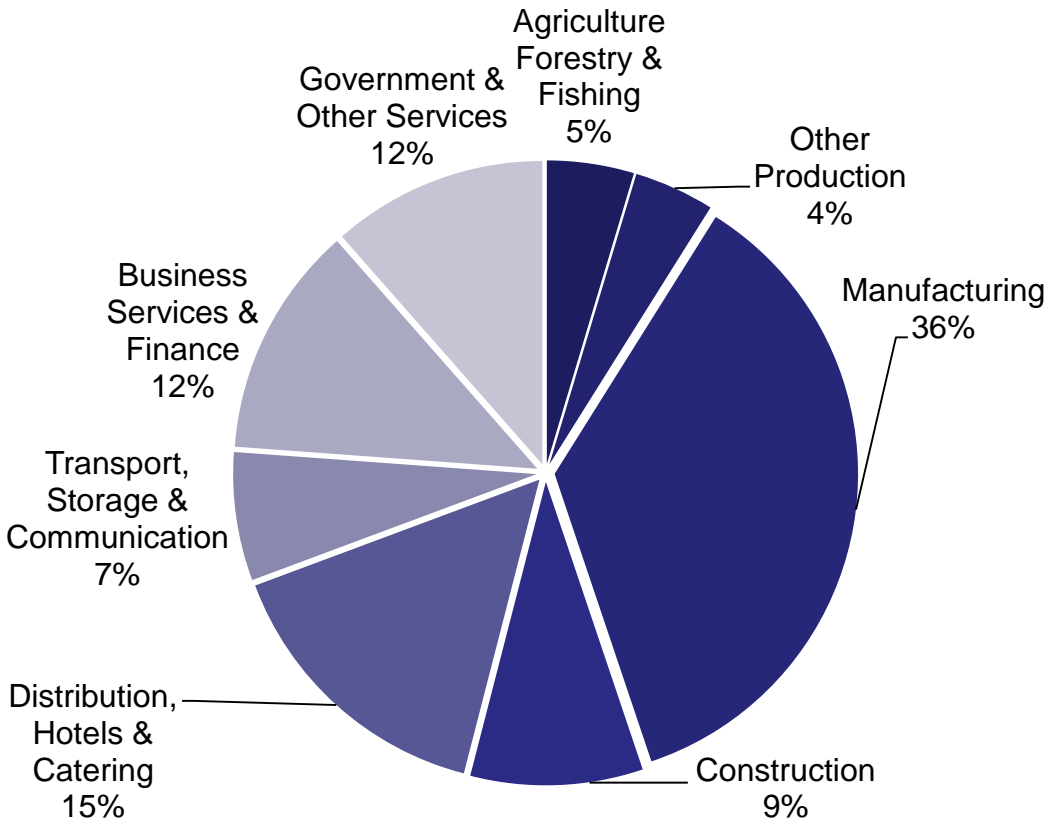


*“A company with positive cash flow can be running itself into the ground as its capital depreciates. Economies are no different...”*

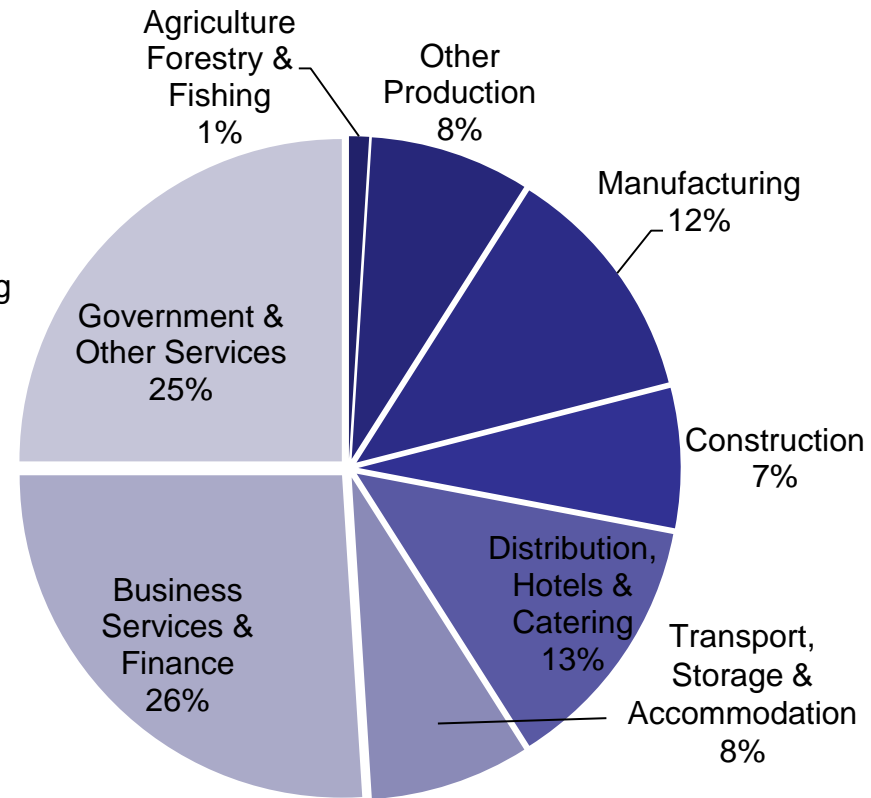
*Joseph Stiglitz*

*Fortune, 2006*

# The Structure of Scotland's Economy

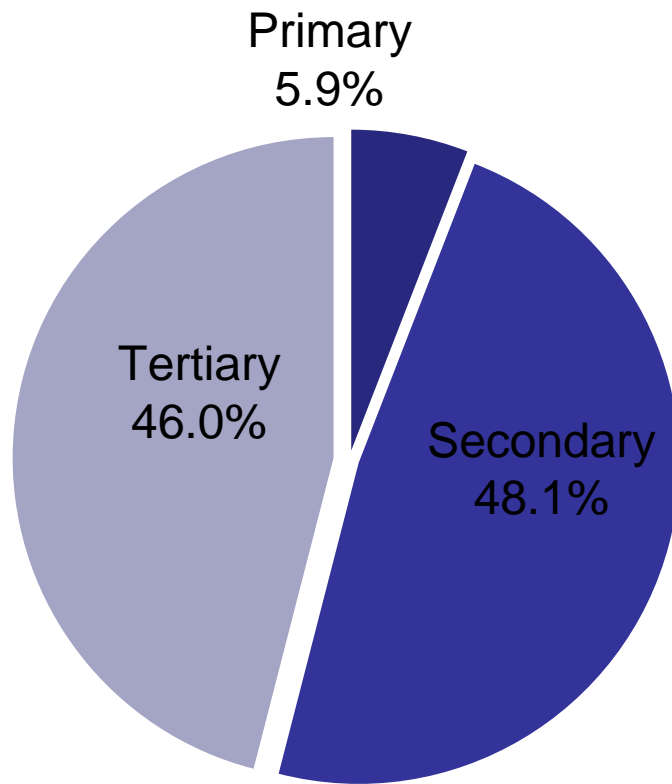


**1973**

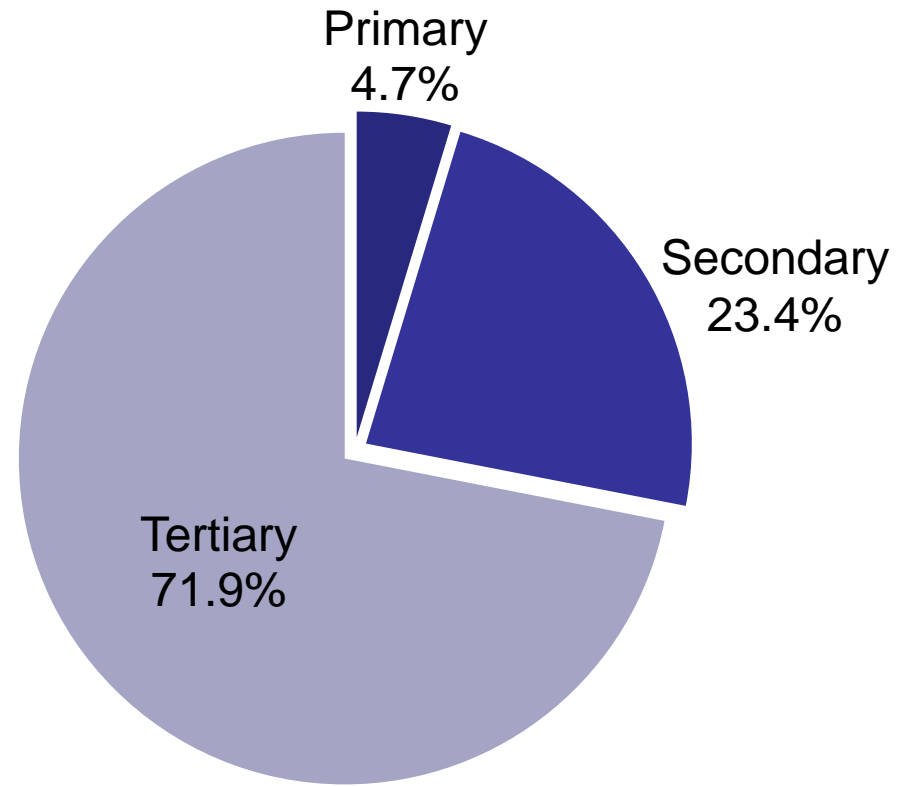


**2011**

# Primary, Secondary & Tertiary Industry Contribution to Scottish GDP



**1973**



**2011**

# How important is Natural Capital to the Scottish Economy?

- Businesses depend on it directly and indirectly
- Important to Scotland's primary industries
  - Directly accounted for 4.7% of GDP and 66,000 jobs in 2011
  - Industries that supply the primary sector employ 35,000 additional people
- Scotland's natural environment is important to tourism
  - Tourism activity contributed £5bn to Scottish GDP in 2013
  - Over 200,000 people are employed in tourism-related industries
- Also an important part of Scotland's 'offer'
  - What attracts talent and companies to move and stay here

# Challenges and Opportunities

- Taking account of the natural capital we use
  - Natural capital accounting
- Using natural capital and materials more efficiently and productively
  - Resource efficiency
  - Energy efficiency
  - The circular economy
- Making wider use of renewable materials and energy resources
- Protecting/restoring Scotland's natural capital whilst delivering economic growth