

Progress in compiling integrated National Accounts and Natural Capital Accounts for the UK

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Public policy and debate have suffered from the fact that, until recently, there have been no systematic accounts available to describe trends in the value and volume of natural assets. This is in contrast to the situation in respect of traditional economic developments where the national accounts have long been a basis for economic policy and public discussion. This has given rise to a risk that what is happening to natural assets has received less attention in policy than would be optimal.

The recent promulgation in 2021 of the United Nations System of Environmental-Economic Accounts Ecosystem Accounting (UNSEEA-EA) has given the opportunity to remedy this situation. This represents internationally agreed guidance mirroring the System of National Accounts (SNA) which has long underpinned countries' national compilation of their national accounts. Importantly, the UNSEEA-EA is designed to be fully compatible with the SNA, so underpinning the compilation of natural capital accounts and national accounts which articulate fully with each other.

While, however, the new guidance provides a sound base, few if any examples exist of such articulated accounts being produced. In the UK, the Office for National Statistics (ONS) has been working on this agenda for over a decade. To help progress matters further, a new Economic Statistics Centre of Excellence multi-year project has been initiated to work towards timely and comprehensive Natural Capital Accounts directly comparable with the UK National Accounts. The research is being carried out within King's College London and University College London, in close collaboration with ONS.

The central design of the accounts being compiled is based on an integrated stock-flow framework to set out both the stocks of natural capital and their movement over time, and the flows of services people receive and value from these stocks. Both are important for informed public debate:

- The trends in the stock of natural capital show systematically where issues of sustainability are arising within natural assets.
- The flows of services from natural assets show the extent to which such assets are being used efficiently. Provision of such information also ensures that natural assets received due attention in decision-making and policy appraisal.

The natural capital accounts thus form one of the key components of estimates of Inclusive Wealth.

The accounts are being prepared, in line with the SEEA_EA and to ensure conformity with the National Accounts, on an exchange value basis. Where exchange value cannot be observed directly – for example, from a market price for the service concerned - other methodologies, such as revealed preference or natural experiment, are being used, to estimate the relevant exchange value.

Within this central design, the work is proceeding across several dimensions:

- Increasing the number of ecosystem services covered by the accounts
- Where appropriate, improving existing valuation methodologies for compiling estimates of ecosystem services.
- Finding ways to improve the timeliness of natural capital estimates, so as to enhance their usefulness and relevance.
- Increasing the spatial granularity of accounts, so they can be used at regional and local levels of decision-making, as well as nationally.
- Preparing specific deflators to underpin compilation of natural capital estimates in volume as well as value terms.

The proposal for the IARIW session is to give a progress report on the above project. It would thus cover:

- The emerging estimates of the accounts being compiled.
- Discussion of some of the methodological issues being encountered – for example, in regard to valuation issues and the availability of timely information to underpin equally timely accounts.
- The emerging policy issues to which the accounts give rise, and how the natural capital accounts can be used to support informed public debate and decision-making.