

# Progress report of the Expert Group on Natural Capital

24<sup>th</sup> meeting of the AEG, Paris 16-18 October 2023

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## **New Expert Group on Natural Capital**

- The AEG has agreed a number of conceptual changes for the 2025 SNA in relation to reporting of natural capital and its inclusion in net measures of production and income
- The ISWGNA has asked the OECD to lead a new task team to address practical implementation challenges of the changes: Expert Group on Natural Capital (EG NC)
- The EG NC is one of 3 new task teams set up in 2023 as part of the SNA update process to assist countries with implementation of the 2025 SNA
- Discussions on the desirability or otherwise of the conceptual changes that have been agreed by the AEG are beyond the scope of the EG NC



## **Main AEG recommendations in scope of EG NC**

- Recording depletion as a cost of production (WS.6, WS.8, WS.10)
- Expansion of the asset boundary with renewable energy assets (WS.11)
- Changes in the treatment of biological resources (WS.8)
- Split ownership of natural resources between Government and private sector (WS.6, WS.8, and WS.11)
- Various changes in the classifications pertaining to natural capital (WS.8, WS.11, WS 12.)

**Terms of Reference**



## Objectives and approach of the EG NC

- Objectives:
  - Provide practical guidance to countries on implementing changes relating to natural capital in the 2025 SNA
  - This will be in the form of a handbook (working title *Natural Capital Compilation Guide*)
- Approach:
  - Start with the development of a series of short practical guides that will eventually become chapters in the handbook
  - The short guides will be developed in parallel with early implementation work by countries and will be informed by this work



## **Secretariat and membership of the EG NC**

- Secretariat
  - The EG NC is hosted by OECD which will provide Secretariat services
  - The Secretariat will also chair meetings of the expert group and draft the main outputs, incorporating contributions from members of the EG NC
- Membership
  - Austria, Bulgaria, Canada, Chile, Costa Rica, Germany, France, Japan, Korea, Mexico, Norway, Sweden, South Africa, United Kingdom, United States
  - Eurostat, IMF, IPSASB, UNECE, UNSD, World Bank, international experts



## **Governance of the EG NC**

- The EG NC will report to the annual plenary meetings of the OECD Working Party on National Accounts on the progress of the work, as well as regularly updating the ISWGNA and AEG.
- The Secretariat of the EG NC will seek advice from and keep informed:
  - the UN Committee of Experts on Environmental-Economic Accounting (UNCEEAA);
  - the Joint OECD/UNECE Seminar on the Implementation of SEEA; and
  - the Government Finance Statistics (GFS) community.
    - These communities have also each nominated a representative to attend the EG NC meetings

**Kick-off meeting of the EG NC**  
**10-11 October**





## The kick-off meeting - goals

- Develop a mutual understanding among EG NC participants of the changes relating to natural capital in the 2025 SNA
- Review some of the estimates already produced by countries and the methods used
- Agree the high priority topics and methods to be explored
- Agree the proposed timetable





## The kick-off meeting - discussions

- Country experience varies across topics
- (Selected) issues raised:
  - Treatment of taxes / subsidies
  - Scope of renewable energy assets (e.g. heat; biomass)
  - Modelling and assumptions (e.g. NPV issues such as discounting, rate of return)
- (Selected) suggestions made:
  - Biological resources: ensure alignment with forthcoming revised Eurostat forest accounting handbook; separate guidance for timber and fish
  - Underpin valuation with physical data; derive estimates for depletion / regeneration from asset accounts
  - Handbook should explain clearly the rationale of certain recommendations



## The kick-off meeting – the way forward

- Priority topics for short guides:
  - Depletion
  - Renewable energy
- Initial ideas for the handbook:
  - Distinguish between different tiers
  - Develop accompanying tool / xls - worksheet
- Secretariat will conduct a short survey this month to:
  - Confirm priority topics
  - Explore interest to join subgroups for short guides + early implementation
- The timetable was considered ambitious but agreed



## Work programme - Timetable

- Kick-off meeting of the EG NC Early Oct 2023
- Recruit volunteer countries for early implementation / form subgroups Oct-Nov 2023
- First drafts of short practical guides for priority topics available on EG NC community From Jan 2024
- Meeting (in-person) of EG NC to review work identifying needs for early implementation Jan 2024
- Start of early experimentation by countries based on first short guides Jan/Feb 2024
- Continuing work on short guides including countries' early experimentation exp. March-Oct 2024
- Meeting (virtual) of EG NC to review work, agree outline of handbook and next steps May 2024
- Secretariat to draft handbook based on all contributions; review of drafts by EG NC May-Nov 2024
- Meeting (virtual) of EG NC to share country experiences and discuss draft handbook September 2024
- Wider review of handbook, including by WPNA, ISWGNA and AEG and UNCEEA November 2024
- Publication of handbook by OECD (if possible, by time of UNSC meeting) February 2025