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Good afternoon

I am delighted to have been invited to speak at this webinar on an issue of ever-increasing prominence and importance – Natural Capital Accounting.

It is clear that natural systems are on the front-line of the fight against climate change, both because they are impacted by climate change, and also because they provide us with the vital tools to help us adapt to rising temperatures, and to lock up and store carbon. Our land and ocean are under threat from climate change, but can also contribute to the solutions.

If we are to meet the Paris Agreement, we need a full-scale transition of our energy systems, and a transition in the way we use the land and the ocean. Agriculture, forestry and land-use contribute 23% of global greenhouse gas emissions, but our land and coastal marine ecosystems could provide up to a third of cost effective climate mitigation.

Ecosystems are also under threat from climate change, affecting the well-being and resilience of the hundreds of millions whose livelihoods depend on farming and fisheries. This risks undermining economic development and pushing further millions into food insecurity and poverty.

In order to tackle these issues, we need a concerted global effort. The prize for doing so is enormous. In economic terms for example, the benefits of a global transition to low emission and sustainable land use and systems could be huge – over \$500bn in business opportunities by 2030, and over \$1 trillion in hidden costs, for climate mitigation, resilience, food and nutrition security and economic development – and for the sustainability of the natural systems that underpin this.

That is the big picture.

How can natural capital accounting help and why is it important?

West Africa has a rich diversity of breath-taking landscapes, coastlines and seas, each of a distinct character. It also has one of the world's most important mangrove ecosystems. Instinctively, we want to protect and preserve the most iconic areas and species.

But we also want to make sure that we do more to understand and recognise the hidden benefits that the environment provides, and to incorporate that understanding into decision-making.

This is not just about bean-counting. Just as we use economic accounts to manage our economy, so we also need to take into account the important contributions of the environment to our economic prosperity.

The hidden benefits are vital to our current well-being, as well as to our current economic performance. And to the wellbeing of future generations.

The natural capital approach is one way of ensuring these hidden benefits are taken into account in our decisions.

It focuses on those elements of the natural environment that produce value to people, such as the stock of soils, forests, water, land, minerals and seas. And it formally links these assets to the ways in which they benefit us. For example, through the provision of food, clean air and water, wildlife, energy, recreation and protection from hazards.

Now, because they are hidden, the value of many of these benefits is not captured in traditional financial accounts, and as a result is frequently ignored in management and policy decisions.

The natural capital approach is about making sure that the decisions we take fully reflect these multiple and interconnected values. The aim is to drive better, more informed policy choices and actions at all levels – national and local government, corporations and businesses, CSOs and civil society.

Natural Capital Accounting is well suited to support this process in three ways:

1. It brings together data on a variety of different environmental issues and from a variety of different organisations;
2. It establishes a common terminology which enables practitioners from different technical backgrounds to reach a common understanding;
3. It establishes a coherent framework in which to understand how nature supports economic production and provides other important benefits such as recreation and physical and mental health.

Of course, many of these benefits are challenging to quantify in physical terms, let alone value. Yet by all accounts, encouraging progress is being made to break new ground and develop natural capital accounts both in the UK and internationally: South Africa, Botswana, Uganda and Rwanda would be worth highlighting in this regard.

Costa Rica is also an excellent example of where ecosystem accounting is allowing natural resources to be managed more effectively for the benefit of all.

Value in monetary terms is clearly a key part of this work, but it needs careful interpretation. Some might say you cannot put a price on nature. However, it's also clear that we are more likely to ignore or misuse nature if we do not recognise its value. Putting hard numbers on that value can help to address this.

However, a natural capital approach is not just about attributing a financial value to rivers, forests and mangroves – although this is a good start.

It's about recognising that these resources must be intertwined in our financial systems and not stand distinct from it.

It's about continually improving policies so that they drive sustainable growth.

As I mentioned at the beginning but it's perhaps worth repeating, it is about understanding that protecting the environment is integral to both a thriving economy and society for people today and generations tomorrow.

A good example of that point is the value of the carbon capture service provided by the world's trees.

According to a report by the Paulson Institute and the Nature Conservancy, that figure could be as much as \$262bn a year, a quite astonishing number I think you would agree.

It underlines that if we fail to protect our forests, we will not only find it harder to prevent global warming... we will also end up spending vast amounts more on tackling greenhouse gas emissions. Money that could instead be spent on schools, hospitals, energy and transport infrastructure or any number of things.

I am delighted to note that some West African countries have taken the first steps to mainstream environmental considerations into national economic planning. In Nigeria, The Economic Sustainability Plan published in May incorporates a number of policies designed to boost renewable energy for example and to create green jobs. But this process needs to go much further if the value of nature is truly to be captured and better utilised for universal benefit.

I would like to conclude by emphasising some of the lessons learned from the UK experience of natural capital accounting:

- First, the importance of having a roadmap to set a clear direction and establish priorities
- Second, the need for close collaboration between the Statistical Office and the Environment and Finance Ministries, not just in order to have different disciplines engaged and to gain access to data, but also to ensure policy relevance;
- Third, this is a journey not a day trip. The UK accounts have now been 9 years in the making though we have had to break new ground;
- Fourth, the use of valuation in the accounts has had high policy relevance but accounting for the physical extent and condition of natural assets is equally important and something we continue to work on;
- Finally, the need to be clear about the limits of national level data for local decision-making. It's important to use the national level accounts to set the strategic direction, increase awareness of natural capital and 'walk the walk'.

More micro-level applications will require more local engagement and ‘ground-truthing’.

One day, probably sooner than we think, natural capital will be fully integrated into the national accounts of all countries and these figures will get as much attention as GDP. Of course, that is not the end of the goal, which is better decisions across the board, based on a robust understanding of the value of nature.

In November, the UK will host the largest conference it has ever held, the UN Conference of the Parties on Climate Change, or COP26. Nature and biodiversity will be at the heart of this event.

The science tells us that nature-based solutions could deliver up to one third of the global mitigation required by 2030 – if only nature were properly accounted for in national accounts and if international climate finance in this area is scaled up. Currently only around 3% of climate finance is invested in nature and nature based solutions. The UK is leading the way by devoting more than half of its international climate finance through to 2025 to Adaptation, with some £3bn specifically ring-fenced for nature. We would like others to follow and there are encouraging signs that they are doing so.

Next month, the UK Treasury, or Finance Ministry, is expected to publish its formal response to the Dasgupta Review, the independent global review of the economics of biodiversity. This will be a key moment and indicator of how the UK intends to further deepen natural capital accounting into national economic policy-making. The recently published UK Government Integrated Review, also emphasised that all UK Overseas Development Assistance must be aligned with the Paris Agreement and protect nature.

The UK would be pleased to further share its experience of natural capital accounts, and to develop innovative approaches and consistent data methodologies with participants on this call today.

Thank you