Structured Data for Natural Capital Accounting and Green GDP in the UK by 2020

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Extended abstract. There is growing business interest in accounting for natural capital at the corporate level. In a 2013 report commissioned by the Natural Capital Coalition (NCC), half of all existing corporate profits would be at risk if the costs associated with natural capital were to be internalized through market mechanisms, regulation, and/or taxation. For example, a water shortage would have a catastrophic impact on over 40% of Fortune 100 companies.

There is also growing regulatory interest in natural capital accounting, as evidenced in part by a recent EU Directive (2014/95/EU) effective in 2017 around disclosure of non-financial natural capital/environmental information. This ambitious legislation requires around 6,000 large companies listed on EU markets, or operating in the banking and insurance sectors, to disclose relevant environmental and social information in the management report, with the first reports to be published in 2018.

Statistical bureaus and environmental agencies, such as the UK Office of National Statistics (ONS) and the UK Department for Environmental, Food and Rural Affairs (Defra), are further challenged to gather country-level data that supports the quantification of ‘green Gross Domestic Product’ (or green GDP) - the green GDP is an index of economic growth - with the environmental consequences of that growth - factored into a country’s conventional GDP. Green GDP monetizes the loss of biodiversity, and accounts for costs caused by climate change.

In September 2015, the United Nations led effort around Sustainable Development Goals (SDGs) led many countries to adopt a set of goals to end poverty, protect the planet, and ensure prosperity for all as part of a new global, sustainable development agenda. Each SDG has specific targets to be achieved over the next 15 years.

Better accounting for the natural environment is a global agenda priority to include a greater focus on natural capital, produced capital and human capital that underpin the wealth and welfare of nations. In 2010 at Nagoya, 193 countries agreed to a strategic target to incorporate the values of biodiversity into national accounting and reporting systems by 2020. In 2012, the Rio+20 UN Conference on Sustainable Development recognised “the need for broader measures of progress to complement GDP in order to better inform policy decisions” and requested the UN Statistical Commission to convene “a programme of work in this area building on existing initiatives.”
In 2011, the UK government committed to working with ONS and Defra to incorporate natural capital into the UK Environmental Accounts by 2020. In 2016, Defra recognized the need for digitally structured natural capital accounting data so that it could be used and analyzed more easily and reliably in order to meet the 2020 UK Environmental Accounts goals. As a result, the Institute of Chartered Accountants in England and Wales (ICAEW) established the ICEW Natural Capital Accounting Structured Data Task Force (INCA SDTF) to provide recommendations and guidance that will inform the ONS’ decision on whether to implement an XBRL strategy and program to help it achieve its 2020 vision to incorporate natural capital into UK Environmental Accounts for statistical analysis and reporting.

In this session, the INCA SDTF co-chairs will provide background and updates about its work, and potential research topics will be proposed for further support for this UK initiative.

**Keywords:** Natural Capital Accounting, XBRL, Structured Data