



ESG Integration™ to advise institutions on their transition paths to a low-carbon, sustainable, and equitable future.

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**Re: National Strategy to Develop Statistics for Environmental Economic Decisions**

Dear Andrew,

The White House Office of Management and Budget (OMB)—on behalf of the co-chairs of the Interagency Policy Working Group on Statistics for Environmental-Economic Decisions (Working Group), the Office of Science and Technology Policy (OSTP), and Department of Commerce (DOC) have developed a proposed the establishment of Government-wide natural capital accounts and standardized environmental-economic statistics. The Working Group has developed a draft Strategic Plan that recommends short- and long-term strategic goals, as well as objectives and proposed strategies to achieve a routinely produced set of Government-wide natural capital accounts and standardized environmental-economic statistics that complement and operate in alignment with core national economic accounts and statistics.

We commend the OMB and other entities that have put forth the first draft of natural capital accounts for the United States. Failing to properly value a nations natural capital resource has led to overuse and misuse of these resources that have pushed the world beyond many of the planetary boundaries<sup>1</sup> in nature that humankind needs balanced for an environment that will allow humanity to thrive. Although the need to value and preserve nature can be made for the sake of enjoying that nature in it's own right, the preservation of natural capital is also of great economic importance, as about half of the globe's GDP dependent directly or indirectly on nature.<sup>2</sup>

We welcome this opportunity to provide comment and look forward to working with the OMB in any future capacity to better align economic activity with the preservation and growth of natural capital.

Responsible Alpha is a ESG Integration consultancy with a mission is to advise investors, market participants, businesses, and communities on their transition paths to a low-carbon, sustainable, and equitable future. We enable ESG Integration for private and public sector institutions, developing transparent, consistent, and replicable tools. Responsible Alpha specializes in empathetic partnerships and positive, cross-sectoral analysis, striving for significant material outcomes.

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<sup>1</sup> [Planetary boundaries - Stockholm Resilience Centre](#)

<sup>2</sup> [Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report > Press releases | World Economic Forum \(weforum.org\)](#)

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## The Proposal

We agree with the OMB in declaring that natural capital or natural assets, the environmental or ecosystem services they generate, and expenditures to secure and protect nature are foundational elements of economic progress and growth, future opportunity, and sustainable development. Measuring natural assets and maintaining statistical series can inform planning tools for the American economy. Investors, business, NGOs, regulators and other groups have demonstrated a growing interest in developing natural capital accounting methodologies, and the private sector has shown a growing demand for natural capital data to reduce uncertainty and ensure competitiveness. Therefore, there is demand for U.S. Federal leadership to develop natural capital accounts and standardized environmental-economic statistics to provide a centralized domestic framework and to promote international norms.

An interagency Working Group—co-chaired by OMB, OSTP, and DOC, with participation from the Council of Economic Advisors, Council on Environmental Quality, Domestic Climate Policy Office, National Economic Council, National Security Council, Departments of Agriculture, Interior, Labor, State, and Treasury, Environmental Protection Agency, and National Aeronautics and Space Administration—developed a strategy for producing natural capital accounts that work within the U.S. standard national accounting system. These natural capital accounts would be able to measure the economic value that natural assets provide to society.

The Working Group has developed a Strategic Plan divided into five main sections:

- (1) *The Need for a System of Statistics for Environmental-Economic Decisions* details how the development of natural capital accounts and standardized environmental-economic statistics are expected to contribute to sustainable development of the U.S. macro-economy; encourage more informed Federal decision-making; increase the competitiveness of American firms; and support enhanced resilience of states, communities, territories, and tribes.
- (2) *Renewing U.S. Leadership and Building on Strength* outlines the importance of U.S. leadership in environmental-economic statistics and describes the history of the development of environmental-economic statistics in the United States.
- (3) *Connecting Natural Capital and Environmental-Economic Statistics with National Economic Accounts* provides systematic recommendations for the development of natural capital accounts and environmental-economic statistics, placing them in the context of the U.S. statistical system and in the context of the development of international standards.
- (4) *Developing a U.S. System of Statistics for Environmental-Economic Decisions: Targets, Timelines, and Tasks* identifies headline summaries and products, the pathway to production-grade accounts and core statistical products, supporting activities necessary to develop and manage the system, the environmental sectors the working group recommends be developed into natural capital accounts, a proposed timeline for developing individual accounts ( e.g., an air account, a land account), and

additional research and guidance needs. This section also identifies the data and expertise within the U.S. Government needed to produce sustained natural capital accounts and environmental-economic statistics.

(5) *Administrative Coordination Across the Government* details how interagency coordination for developing the initiative would be carried out by the Chief Statistician of the United States and processes to facilitate data sharing to ensure interoperability across the Federal Government. This section also summarizes the legal authority for developing natural capital accounts and standardized environmental-economic statistics.

## Our Thoughts

**OMB has asked respondents to consider the following questions when replying to this consultation. We will do so below and add additional thoughts where we thought necessary.**

1. *Likely and potential applications for U.S. natural capital accounts and associated environmental-economic statistics that would improve government or private-sector decision making that are not described in the draft Strategic Plan.*

The development of natural capital accounts and associated environmental-economic statistics would be a welcome development by most participants in the U.S. economy, as well as most actors in the global economy. Investors, businesses and policymakers are increasingly looking to properly value natural capital in order to best account for the natural resources and biodiversity present in their economies because they all have begun to realize that these assets have real value, and need to be properly managed in order to preserve and enhance their worth to society. Investors desire material information on natural capital accounts to ensure they are making the most informed decisions possible in their investment choices.

Businesses desire a set of natural capital metrics and data so that they can be sure of the economic playing field in which they operate. The past decade of development of ESG and reporting standards have taught companies that an agreed upon set of standards for such issues, is much easier to manage than a cacophony of standards from divergent and sometimes competing sources.

Policymakers and regulators therefore need to set the rules of the road around natural capital so that all actors in the economy can participate in a system that protects, preserves and grows our natural resources. The establishment of such a system will help companies, investors, NGOs and other actors in civil society better manage our natural resources so that the United States can settle into a sustainable economic state that will allow for profit in the short term and prosperity for future generations.

2. *Comments related to established and widely recognized systems of environmental-economic statistics or natural capital accounts that could strengthen the U.S. system;*

The information to and data to measure natural capital often exists, but it is often incomplete, of small sample size, not comparable across time, not comparable across industry, taken sporadically, not standardized, not audited, or in some instances, just not collected.

The OMB can do a great service by developing a standard for determining the materiality of this information, so that what matters gets managed, instead of business, investors and policymakers trying to manage every aspect of natural capital. This threshold of materiality should not simply be from an investor's perspective, a company's perspective, or the perspective of policymakers, but from the perspective of society.

We strongly encourage the OMB to include investors and business groups in the development of natural capital standards, these groups should have seats at the table, but no group should dominate the discussions. For example,

The OMB cites many already existing sources for data on several natural capital issues in their initial proposal. These sources for data on natural capital resources such as pollination, clean air, clean water, forest resources and dozens of others should be reviewed so that those issues with a material impact on society, business and investment can be managed, standardized and reported upon in the future.

We encourage the OMB to continue to work with leaders in all natural capital areas in order to establish such standards.

The development of the Sustainability Accounting Standards Board (SASB) offers a potential template for the OMB to follow. The SASB (now part of the ISSB) set out to determine which environmental, social or governance (ESG) metrics in each sector and industry that drove value. A similar process undertaken by the OMB, with the appropriate external partners, would allow for the creation of a natural capital accounting system that addressed all pertinent natural capital accounts.

### *3. External factors that may affect the Federal Government's ability to implement the Strategic Plan.*

We anticipate that not all groups will be sanguine about the creation of a natural capital accounting framework for the United States. We have seen this story before around the creation and use of ESG and Climate Change related metrics. We therefore encourage the OMB to invite in all pertinent investor, business, and policy groups to this discussion. There is an increasing understanding from an investor's perspective that including such material natural capital information in the investment process is part of an investor's fiduciary duty. To not factor material information into the investment process is a legal risk to investors, so they will want to make sure any natural capital accounts are properly audited and vetted.

Businesses and business groups do not want undue regulation and understandably focus on the costs associated with measuring and managing natural capital data. We recommend the OMB bring these groups into the process early on, so that their input can help shape a reasonable set of standards.

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No external group should have the ability to significantly delay or destroy these much-needed standards, but they should be brought around the table to help create a set of fulsome standards that benefit society.

4. *Ancillary or indirect consequences of developing natural capital accounts or associated environmental-economic statistics.*

What gets measured gets managed. The challenges of climate change, biodiversity loss and natural capital loss and degradation that we face today can in part be attributed to the lack of standards to measure these forces at a large enough scale to impact public policy and therefore positively impact society. These externalities that have through most of our history been seen as “costless” need to be better managed in order to address the natural capital changes that will continue to deleteriously impact the United States and the world in the coming decades.

The direct consequence of developing natural capital accounts will be to better manage our natural capital as a nation, and therefore decrease negative externalities that have assumed that natural resources are costless.

We are certain that there will be growing pains throughout this process of developing a set of natural capital accounts. Putting together such a set of natural capital accounts will of course produce some winners and losers based on the final establishment of a standard. We expect that there will be fierce lobbying and marketing efforts designed to dissuade the OMB from the completion of this project. We encourage the OMB to remain steadfast in the completion of this project, and to establish a structure that can survive the changing political winds and power structures in government that will inevitably happen while this project is underway.

### **Other Comments**

#### *Timeframe*

The OMB states a full system of natural capital accounts should be operational by the year 2036. We question why the OMB anticipates that the creation of such a system will take so long, and gently push the OMB to set a more aggressive timetable.

Investors, businesses and civil society will greatly benefit from the creation of such metrics, so we politely ask that the OMB attempt to set a more ambitious timetable. We encourage the OMB to work with ourselves and other interested groups to help contribute to the creation of these standards so that they can become user ready in a more expeditious manner.

#### *Create a sandbox for innovation*

One way to speed the implementation of a natural capital accounting system is to create a sandbox for interested parties to play in that can drive ideas and innovation. A model for this already exists in the Department of State Global Lab for Climate Finance Innovation. The climate finance lab highlights the most promising ideas from hundreds of submissions. Lab members vote on the top several ideas to

move on to development thanks to the work of lab members and expert working groups. As a public-private partnership, the Lab brings together broader government and private sector efforts to scale up climate finance.

A similar model could be used to help develop a natural capital accounting system in order to speed the pace of innovation while encouraging participation from interested parties and other organizations focused on natural capital. We encourage the OMB to create such a sandbox, inviting all interested groups to participate in order to find the best way to create a natural capital accounting system.

#### *Reevaluate GDP as the statistic of success*

The current coterie of economic performance statistics, dominated by GDP do not offer a fulsome picture of the health of the American economy. GDP focuses solely on growth and does not consider negative aspects of that growth. For example, a man that smokes a pack of cigarettes each day for thirty years and then spends much of his savings on expensive lung cancer treatments will contribute to GDP through his cigarette purchases and his use of healthcare. But this statistical measure misses out on the cost to the economy of this man's lost productivity and lost years of his life.

A more diverse dashboard of natural capital statistics is needed to better allocate capital to economic activities that will preserve and enhance our natural capital over the long-term.

#### *Leadership*

The measurement and management of natural capital is already under development by international organizations like the TNFD as well as governments and other actors around the world. The United States can provide leadership in the area of natural capital measurement and management, and therefore boost the competitiveness of American firms in a world that will increasingly be taking natural capital into consideration in their investment, management and strategic decisions.

#### **Conclusion**

We agree with the OMB that the currently, national economic accounts are disconnected from environmental data and natural assets are omitted from the national balance sheet. Therefore, the existing national economic accounts data for the United States provides an incomplete view of the Nation's economic opportunities and economic dependencies on natural assets. We are encouraged by the OMB's efforts to create a set of national accounts for natural capital data and are eager to help in this process however we can.

Sincerely,



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