



## Will New U.S. Strategy To Develop Statistics For Environmental-Economic Decisions Face Headwinds?

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On Jan. 19, 2023, at the World Economic Forum in Davos, Switzerland, John Kerry, President Biden's special envoy for climate, announced that the administration has [finalized a new initiative](#) to track the value of land, air, water and other natural assets to develop statistics that can be used to help companies and governments make environmentally sound economic decisions.

The final [National Strategy to Develop Statistics for Environmental-Economic Decisions](#) was released the same day. The White House summarized the purpose of the strategic plan as "using and building on existing authorities to organize the information needed to make informed decisions to enhance economic prosperity in the present, while securing future nature-dependent economic opportunities."

The working group that developed the strategic plan explained the underlying rationale for doing so, and natural economic accounts, as follows:

"Measuring natural assets and maintaining related environmental-economic statistical series – repeated measurements over time that relate the environment to the economy – are critical planning tools for a robust economy and financial stability. Economic decision-makers, from Federal leaders to businesses, are looking for information that puts nature in the language of economics and business. Many central bankers and financial regulators understand that "[b]iodiversity loss could have significant

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macroeconomic implications. Failure to account for, mitigate, and adapt to these implications is a source of risks relevant for financial stability.” Many business leaders know that it is critical to understand how natural assets are changing to help manage business risks, so called “de-risking.” They are looking to the Federal Government to model leadership in accounting for natural capital on balance sheets.

The Federal Government can provide this leadership by including natural capital in the national economic accounts. The national economic accounts provide foundational economic accounting and balance sheet information. Currently, national economic accounts are disconnected from environmental data, and natural assets are omitted from the balance sheet. The existing national economic accounts data for the United States provide an incomplete view of the Nation’s economic opportunities and economic dependencies on natural assets. The United States has not regularly reported official statistics on changes in the quantity, condition, or value of natural assets or aggregated them into measures that connect with the existing national economic accounts or complement common economic headline statistics such as Gross Domestic Product (GDP).”

The first of five recommendations in the strategic plan – and the core of the initiative – is to develop natural capital accounts and collect environmental-economic statistics that provide pragmatic information to:

- “a) Guide sustainable development and macroeconomic decision making;
- b) Support Federal decision making in programmatic, policy, and regulatory settings;
- c) Provide structure and data that promote the competitiveness of U.S. businesses;
- d) Support resilient state, territorial, Indigenous, and local communities; and
- e) Facilitate conservation and environmental policy.”

The strategic plan acknowledges that natural capital accounting – which connects nature to the measurement of the economy - is not new:

“American economist Irving Fisher first proposed doing so over 100 years ago, and academic researchers, multiple Nobel laureate economists, Federal scientists, economists, and statisticians have been researching and prototyping this idea since the 1970s. The National Academy of Sciences has produced multiple reports and the U.K. Treasury released the high-profile Dasgupta Review in 2021 supporting the idea. The international statistical community adopted the United Nations-developed System of Environmental Economic Accounting standards, and over 80 countries, including many U.S. allies, are formalizing natural capital accounting in their nations’ economic statistical systems.”

Until this initiative, first launched by President Biden on Earth Day 2022, the U.S. had lagged other nations in developing and utilizing natural capital accounting, mainly for political reasons – some states were concerned that data collected could lead to more stringent regulation of fossil fuel and other natural resource extraction industries.

The other four recommendations for implementation largely expand on the mechanics of how the natural capital accounts and associated environmental-economic statistics will be developed, what they should provide, and how they will be used “to connect information on nature and the economy to help

America prosper as the country overcomes 21st century economic challenges, including those linked to climate change, biodiversity loss, air and water pollution, and environmental injustice.”

Overall plan implementation is expected to take 15 years, with the recommendations proposing a phased approach to allow for use of new information as received. It is anticipated that pilot natural capital accounts will be developed starting in 2023.

Over the same six-month period this initiative was developed, a number of right-leaning Congress members and states have [ramped up challenges](#) to any governmental prioritization of ESG, particularly for investment of public funds or to the perceived detriment of the oil and mining industries. On Jan. 17, 2023, attorneys general from 21 states fanned the anti-ESG flames by [issuing a letter to two influential proxy advisers](#) that have substantial business with those states asserting that the advisers have violated their legal and contractual obligations “as they relate to your climate and diversity, equity, and inclusion priorities,” and asking for “written assurance that you will cease such violations ... .”

Given the current tension between pro and anti ESG forces on much the same grounds natural capital accounting was opposed in the U.S. in the past, in the near term there is considerable risk that implementation of the National Strategy to Develop Statistics for Environmental-Economic Decisions could be plagued by and potentially mired in political potholes. While this is an unfortunate byproduct of the current political climate, as the strategic plan aptly warns: “If the United States does not re-establish itself as a leader in this area, it is likely to see its sway over developing and finalizing international rules and standards for natural capital accounting diminish ....”