



# Roy Brooke and Michelle Sawka: It's time to place a real value on nature in Canada's accounting framework



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Hikers walk through an old growth forest on the Sunshine Coast Trail. Some conservationists say the true value of nature should go into decision relating to wilderness. *Jane Mundy*

Every day, decisions are made in communities across Canada about where and how to build new developments and infrastructure. There are many factors to consider in these decisions. Time and again they tend to omit the value of nature. It isn't because all decision makers do not value nature, but because no one is including its value in their decision-making processes.

The result? We give nature an implied value of zero in many critical development decisions. This needs to stop. Currently there is an important push in the public sector to improve how we think about and value nature, and it's being led by someone you may not expect: accountants.

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assets as part of their core processes. Natural assets — things like forests, wetlands and foreshores — provide communities with vital services such as stormwater management, flood protection and water purification. What's more, they often do it at a lower cost.

Local government efforts to account for natural assets fit well within the modern municipal asset management processes required in many provinces across the country. However, they run afoul of Canadian public sector accounting rules, which do not allow accountants to consider natural assets to be 'real' assets for financial purposes.

This could — and should — change, however, as the result of an ongoing consultation led by Canada's Public Sector Accounting Board. They develop the Handbook that guides Canada's public sector accountants, and this consultation is a once-in-a-generation opportunity to make adjustments to the concepts underlying our Canadian public sector accounting standards.

Under the current framework, accountants cannot recognize inherited natural resources as municipal assets, on the basis that "the costs, benefits and economic value of such items cannot be reasonably and verifiably quantified using existing methods." Even purchased natural assets can only be recognized when they meet certain criteria.

This matters to local governments that want to manage their natural assets deliberately and strategically.

First, because natural assets are not considered within accounting frameworks, many communities likely underestimate both their dependence on the services natural assets provide, and their risks and exposure should those assets fail.

Second, communities that do not understand their dependence on natural assets may communicate to the public an incomplete picture of risks in their financial statements.

Third, assets that are not valued often do not get protected. In areas with development pressure, the undervaluation of natural assets leads to their destruction because their implied value of zero compares poorly to the value derived from development.

Through their consultation process and the changes proposed, the Public Sector Accounting Board must seize options to begin allowing governments to consider natural assets on the balance sheet.

Doing so will allow local governments to act on the growing evidence that natural assets protect communities from extreme weather events and perform important infrastructure services. It will help them reduce strain on municipal budgets by working with nature — which has no capital costs, no end of "service life" and often lower costs to restore and maintain — instead of against it by eliminating natural assets and

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There are risks to valuing nature as an asset. If nature currently loses in development discussions because its value is zero, then it could still lose out in the future if it is valued and found to be more expensive than engineered solutions. However, common sense suggests that if there is a tangible value to natural assets, then there is a greater incentive to preserve them. And, bear in mind that healthy natural assets provide a host of other benefits too, well beyond narrowly defined municipal services to communities.

The Public Sector Accounting Board has much to consider, and must seize the current opportunity to make nature count.

*Roy Brooke is executive director of the Municipal Natural Assets Initiative; Michelle Sawka is program manager of the Green Infrastructure Ontario Coalition.*

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