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February 15, 2024

International Federation of Accountants  
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Submitted online to: <https://www.ipsasb.org/publications/strategy-and-work-program-2024-2028-consultation>

**Re: IPSASB Strategy and Work Program 2024-2028: Consultation**

Dear Sir / Madam,

We are writing to provide comments on the International Public Sector Accounting Standards Board (IPSASB) Strategy and Work Program 2024-2028.

At the outset, we thank the IPSASB for their international leadership to date in work to centre the value of nature in financial and accounting reporting frameworks, including addressing the issues relating to the recognition, measurement, presentation, and disclosure of natural resources. The IPSASB is already leading vital work on:

- a proposed International Public Sector Accounting Standard on Natural Resources — we understand that, building from the Consultation Paper, a new Exposure Draft is in development;
- general requirements for disclosure of sustainability-related financial information;
- climate-related disclosures; and
- non-financial disclosures for natural resources.

We note that the IPSASB are extremely well placed to lead this work given that natural resources are, to a large extent, held by public entities. There is also a key opportunity to use the work IPSASB has already undertaken to ensure alignment with the International Sustainability Standards Board (ISSB) as they consider the place of Biodiversity, Ecosystems and Ecosystem Services (BEES) in their agenda priorities (the signatories of this letter also [contributed to the Consultation on Agenda Priorities](#)).

At the same time, we believe there is an opportunity and imperative for the IPSASB to dramatically accelerate its leadership related to nature and [natural assets](#).

Seminal global works such as the *Final Report - The Economics of Biodiversity: The Dasgupta Review*, by Sir Partha Dasgupta, amply make the case that the economies, livelihoods and well-being of current and future generations rely on healthy, biodiverse and connected ecosystems.

These and other reports<sup>1</sup> emphasize that the rapid loss of biodiversity and natural systems, which is intimately linked to the climate crisis, must be reversed. This imperative is, in turn, reflected in international commitments such as the Kunming-Montreal Global Biodiversity Framework targets to protect 30% of the Earth's land and ocean areas by 2030 ([Target 3](#)) and to restore, maintain and enhance nature's contributions to people ([Target 11](#)).

However, numerous barriers prevent the protection of nature at scale, **including the fact that natural assets currently fall outside of traditional accounting frameworks**. The aforementioned international reports make an authoritative case for centring the value of nature's many services in financial and accounting frameworks. A recent Canadian report also expands on the challenges posed by the exclusion of most natural assets from accounting frameworks.<sup>2</sup>

Importantly, international commitments relate to land and water *in the aggregate*. However, natural ecosystems, such as watersheds, frequently do not reflect political boundaries. Both academic and grey literature indicate that a key barrier to meaningful efforts to implement nature-based solutions (and thus to securing human well-being) is the fragmentation of approaches along ownership and/or jurisdictional boundaries<sup>3</sup>. Practically, this means that if accounting efforts are constrained to narrow examples dictated by ownership and control, they will: be misaligned with ecosystem realities; apply to an inadequate amount of land and water; and, fall far short of what is actually required. Financial disclosure must match needs.

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<sup>1</sup> E.g. TEEB (2010), *The Economics of Ecosystems and Biodiversity: Mainstreaming the Economics of Nature: A Synthesis of the Approach, Conclusions and Recommendations of TEEB*. Accessed at: <https://www.teebweb.org/wp-content/uploads/Study%20and%20Reports/Reports/Synthesis%20report/TEEB%20Synthesis%20Report%202010.pdf>

<sup>2</sup> Eyquem, J. L., Church, B., Brooke, R and Molnar, M. 2022. *Getting Nature on the Balance Sheet: Recognizing the Financial Value of Natural Assets in a Changing Climate*. Intact Centre on Climate Adaptation, University of Waterloo. Accessed at: <https://www.intactcentreclimateadaptation.ca/getting-nature-on-the-balance-sheet/>

<sup>3</sup> See for example *Municipal Natural Assets Initiative (MNAI)*. (2023). *Assets Management in the Grindstone Creek Watershed: Summary of results and recommendations*. MNAI.ca; Sarabi, S., Han, Q., Romme, A. G. L., de Vries, B., Valkenburg, R., & den Ouden, E. (2020) and *Uptake and implementation of Nature-Based Solutions: An analysis of barriers using Interpretive Structural Modeling*. *J Environ Manage*, 270, 110749. doi.org/10.1016/j.jenvman.2020.110749 Seddon, N., Chausson, A., Berry, P., Girardin, C. A.

Collectively, these reports and corresponding international targets create a compelling case for significantly increased leadership to centre the importance of nature in accounting frameworks.

IPSASB is uniquely well-positioned to lead efforts in this critical realm. Practically, we argue that IPSASB's workplan must be guided less by traditional accounting principles related to ownership and control, and more by the need for accounting frameworks to begin to consider:

- natural systems that are critical to survival of economies and livelihoods, consistent with international targets;
- nature at levels that are relevant to its integrity, e.g. entire ecosystems;
- inherently multi-owner, multi-use, and multi-jurisdictional natural systems such as water bodies; and
- natural assets that fall outside traditional market systems.

We are not suggesting that this task is simple, but that it is *essential*, and that time is of the essence. The IPSASB has already begun this work and we are keen to contribute to further development of the International Public Sector Accounting Standard on Natural Resources, as well as Non-financial Disclosures for Natural Resources.

In some cases, the IPSASB will need to chart new policy and accounting territory through research and new concept papers. In others, it may need to span gaps between sustainability reporting, the United Nations [System of Environmental Economic Accounting](#) and traditional accounting. We feel it will be important to use financial or quantitative indicators in disclosures and reporting where possible (for example as established through natural capital accounting), rather than relying on qualitative indicators. In more specific instances, where there is already stronger consensus, there will be opportunities to simply execute on the excellent work already being undertaken by IPSASB.

More detailed comments are provided below relating to the Specific Matter for Comment. If you have any questions relating to our comments, or we can be of further assistance, please do not hesitate to reach out.

Yours sincerely,



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### **Regarding the Specific Matter for Comment 1:**

Overall, we agree with the shift towards maintenance of IPSAS and the development of sustainability reporting standards.

Our caveat is *how* this work is executed. Specifically, it is vital that sustainability reporting does not become marginalized as ancillary to “real” financial reporting.

To illustrate, work in Canada on natural assets demonstrates that understanding, accounting for, and protecting natural assets is vital to a range of outcomes. These include: the reliable delivery of resilient infrastructure services (e.g. stormwater management, flood risk reduction) in a changing climate; provision of non-infrastructure services (e.g. social, recreational, health); and carbon sequestration and storage, to name a few. Canadian experience also demonstrates that failure to account for the health and role of natural assets can lead to undocumented, yet very real, financial risks to public sector entities.

So, while financial reporting related to natural assets could be considered *part* of sustainability reporting, it is far more than that.

With respect to how this work is executed, it is critical that reporting standards be realistically achievable by, and scalable to, entities of differing sizes. Further, there should be guidance on the level of accuracy or reliability of future costs due to climate change related risks. Climate unknowns should not be a reason to have no reporting when significant indications are that there will be a material financial impact due greenhouse gas reduction and / or physical impacts of climate change.

Finally, we believe that IPSASB should both encourage and endorse the use of appropriate existing solutions, such as the [CSA W218:23 Specifications for natural asset inventories National Standard of Canada](#), to utilize already established resources and to avoid unnecessary duplication. It is believed that as materials are developed in market to fill the regulatory and guidance gaps, valuable solutions will be made available which would benefit the overall efforts.

### **Regarding the Specific Matter for Comment 2:**

Signatories agree with IPSASB's plan to perform post-implementation reviews to confirm that the scope and other guidance covered under the sustainability standards is sufficient to satisfy user needs.

### **Regarding the Specific Matter for Comment 3:**

As noted above, we question the distinction between “real” accounting and sustainability accounting. We believe that accounting for services provided by nature, and providing corresponding information to stakeholders, is a mainstream accounting proposition.

For example, both accounting and sustainability standards will require public sector entities to measure and disclose the financial impacts associated with their assets, liabilities, revenues, and/or expenses. In addition, sustainability standards are highly likely to directly influence a users' decision about the public sector entity (e.g., decision to invest in entity's bond offerings, determination of insurance rates, and etc.) As a result, the two frameworks are interconnected. Thus, we believe that sustainability reporting standards should be a core part of IPSASB's upcoming strategy and work plan.

#### **Regarding the Specific Matter for Comment 4:**

In addition to the items already on IPSASB's workplan, we believe that the following should be considered between 2024-2028, building on the existing "Natural Resources" items on the work plan:

1. Analysis of the percentage of natural systems that will be covered by a "business as usual" accounting approach versus application of the proposed new "Natural Resources" Standard, and where the most substantial gaps are in accounting systems (IPSASB, ISSB, SEEA in relation to international targets to protect 30% of Earth by 2030 targets.<sup>4</sup>
2. Consultation paper on options for accounting related to water.
3. Consultation paper on options for measurement and reporting related to multi-owner, multi-jurisdictional ecosystems.
4. Development of an Indigenous-led advisory group, potentially with related national groups, to provide guidance on how to align accounting frameworks with the UN Declaration on the Rights of Indigenous Peoples.

In addition, it is not clear if the standards for reporting on sustainability, climate, or natural resources will be amenable to external assurance auditing. The City of Toronto, for example, had the intent to have independent verification of its greenhouse gas inventory, but there has been insufficient clarity of greenhouse gas accounting rules to get an audit opinion. This is an issue that requires consideration.

It may also be desirable to develop methodologies to audit disclosures relating to physical climate risks. This may include auditing disclosures of the financial cost of doing nothing (where no adaptation measures are being taken) vs. the financial cost with adaptation measures (accounting for cost savings through avoided damages as well as additional social and nature-related financial benefits that may be achieved through adaptation).

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<sup>4</sup> <https://www.iucn.org/press-release/202308/iucn-wcpa-and-partners-launch-guide-effectively-and-equitably-conserving-least>