

Australian NRM Chairs Council

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The Role of the Australian Regional Environmental Accounts Trials in maintaining healthy and productive land, water and marine resources.

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I have been asked to give a brief background to these trials which I hope will explain why so many people from around the country are giving such amazing support to this ground-breaking work.

Despite some initial political setbacks, as a result of your leadership, and the phenomenal level of cooperation we have been receiving from many dedicated scientists, economists and statisticians, not just from the Wentworth Group and our friends, but good people in state and federal government agencies, the ABS and the Bureau of Meteorology, universities and the CSIRO Flagship for Sustainable Agriculture, we hope to be in a position later this year to go back to government with the results of this continental scale proof of concept trial, and seek their commitment to setting up the world's first, comprehensive national scale environmental asset condition accounts.

I have been in the NRM business for most of my professional career, and I can tell you that this is the most important work I have ever been involved in.

Why? Because as result of these trials, we are close to cracking the code on one of the most wicked institutional challenges this world is facing as we hurtle into the 21st century: measuring the impact that economic development is having on the health of our environmental assets - at a scale that can inform economic and policy decisions.

In a moment Carla will give you a detailed update on progress, but first a reality check.

We have, for well over a generation, had an aspiration to live sustainably in Australia - to live off the interest rather than degrade the natural capital that this vast, ancient continent and the seas surround it, provide us.

Despite the spending of billions of dollars and a mountain of regulations, by any measure we have demonstrably failed. Despite all the committees and all the studies and all the brochures and all the reports written over the past 30 years, we cannot even define what living sustainably in Australia actually means.

Unless we fundamentally change the way we do our business, our generation will not leave our environment in a better condition than the one we inherited. We will have failed ourselves and we will have failed the generations who are to follow us.

So what does living sustainably in Australia actually mean?

It means conserving our biodiversity ... it means maintaining the environmental assets that underpin our food and fibre and freshwater in a healthy condition.

That is not a difficult concept to understand. So why have we failed?

That is quite simple: we do not provide the necessary resources to those people who are custodians of our land, and water, and marine resources, to restore and maintain these assets in a healthy condition. We do not reward farmers for running ecologically sustainable farms.

These people can't afford to do it by themselves, and as a consequence our environment continues to degrade.

And even if we genuinely do decide to do this, we can't, because we have no way of measuring the condition of those environmental assets that we want maintained in a healthy condition.

If you don't measure it, you can't manage it - and therefore you can't reward it. If we do not have a system for measuring the condition of our environmental assets and if we do not find a way to reward farmers and other managers of our land and water resources to maintain these assets in a healthy condition, we will never – ever – live sustainably in Australia.

That is the underlying point of these environmental asset condition account trials, and that is why they are so fundamentally important to the future of NRM in Australia. A very simple concept - but one full of many institutional challenges.

Sean mentioned yesterday that taxpayers have handed out \$700 million for NRM in the past 5 years. \$700 is a lot of money - you could build 2 or 3 world class teaching hospitals for that. But it is also a drop in the bucket compared to how much we do need to spend if we want taxpayers and consumers to provide the necessary finances to maintain our environment in a healthy condition.

In 2008, in an effort to overcome this systemic failure in landscape conservation, the Wentworth Group worked with other experts to develop a method for measuring the condition of environmental assets - with the single purpose in mind - that they can inform economic and policy decisions.

This *Accounting for Nature* model is founded around three concepts:

- Firstly, ecosystem services are produced by maintaining environmental assets in a healthy condition;
- Secondly, if they are to inform economic and policy decisions, accounts that measure asset condition need to be collected at a landscape scale, because it is at this scale that landscape processes function; and
- Thirdly, it creates a common unit of measure - a common currency for the environment - so that it is possible to construct a set of holistic accounts.

In 2010, the NRM Chairs decided to conduct their own, continental scale, proof of concept trial of the *Accounting for Nature* model. In doing so, you applied two tests:

1. You would seek no new funding support from government, and
2. You would, wherever possible, construct the accounts using existing data.

Quite an extraordinary challenge.

Ten of the 54 NRM regions across the country have been involved in the Regional Environmental Accounting Trial. They reflect vastly different landscapes, vastly different environmental pressures, and comprise regions with vastly different resources and access to information.

The concept of asset condition accounting is quite simple, as is the concept of the common unit of measure. After all, we've had economic currencies for centuries. The challenge for environmental accounting is that it can be very difficult to measure some assets at scales that can inform economic decisions – soil health for example, and the cost of data collection, particularly regular data collection to pick up trend and determine cause and effect, is very expensive.

This has been the focus of this trial over the past two years - developing practical, but scientifically credible way of constructing regional-scale environmental asset condition accounts:

- so that we can begin to work out how much it will cost to live sustainably in Australia, and
- so that we can direct those investments in the most cost effective way; and
- so that we can show taxpayers and consumers what environmental outcomes they are getting.

This is why these regional Australian trials have also attracted such significant international attention.

In the 1940s and 1950s, national economic accounts were constructed with little more than an educated guess. Look at their sophistication now. They don't guarantee humans will always make the right economic decisions, but look at what we have achieved in material well-being with them.

Just imagine how much healthier our environment will be when we develop environmental accounts with the same sophistication.

Thank you.