









A natural capital approach integrates the concept of natural capital into decision-making. Thinking in ‘capital’ terms enables comparison of many changes and decisions at the same time. The natural capital approach uses information from, and provides input to, many existing environmental management and analytical approaches.

	Features of natural capital approach	Other approaches
	Focuses on stocks of natural capital assets (quality and quantity) as well as flows of benefits	Ecosystem services approach, and indeed most economic analysis, focus on flows of benefits – as such they are inputs to a natural capital approach
	Incorporates both biotic and abiotic natural resources	Ecosystem services approach considers biotic resources only
	Assesses how both stocks and flows are likely to change in the future	Environment Social and Governance analysis and financial accounting mainly consider past performance
	Considers both dependencies of an economic activity on natural capital and its impacts on natural capital	Most environmental regulation is about controlling the impacts of activities (such as reducing emissions); the implications of the impacts are considered separately
	Uses valuation* of impacts and dependencies	Different approaches use different measures, mostly of impacts
	Makes the links between all of the above, to support systems-based thinking	Research & decision making tend to be developed separately for different sectors or issues (like agriculture, water, biodiversity) even when they depend on the same natural capital assets

* Valuation is the process of estimating the relative importance, worth, or usefulness of natural capital to people (or to a business), in a particular context. Valuation may involve qualitative, quantitative, or monetary approaches, or a combination of these.

It is not a requirement of the natural capital approach to apply all the features listed above. However it is good practice to consider their relevance, and all assessments must link to natural capital stocks. When natural capital assessments are used for compiling accounts and undertaking comparisons over time, these are referred to as natural capital accounting.

The natural capital approach is now being applied all over the world, by businesses, financial institutions and local and national governments.

For a definition of natural capital, please see: <https://naturalcapitalcoalition.org/natural-capital>