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The Rt Hon Owen Paterson MP
From the Secretary of State



We would like to express our thanks for the Natural Capital Committee's (NCC) recent State of Natural Capital Report. We welcome the Report's conclusions and we look forward to working with the Committee as they and others advance this agenda.

The measurement, valuation and good management of our natural capital is crucial if we are to achieve sustainable economic growth and enhanced wellbeing in future. Consequently, we fully support the Committee's work.

We particularly welcome your close support of the Office for National Statistics (ONS) as they progress towards including natural capital in the UK's national accounts. The ONS-led work is crucial to better understanding the state of our wider economic assets and measuring changes in them as accurately and comprehensively as we can. Only by doing this can we ensure that the UK maximises its long-term growth opportunities. This work is also a valuable opportunity for the UK to show global leadership of a rapidly evolving and important policy agenda.

We also welcome your work with the ONS on constructing a set of forestry accounts, concentrating in particular on the Public Forest Estate, in response to the report of the Independent Panel on Forestry. These accounts will enable us to ensure that some of our most significant natural assets are managed on a sustainable basis so that not only can we derive the maximum benefit from them now but future generations can enjoy them equally.

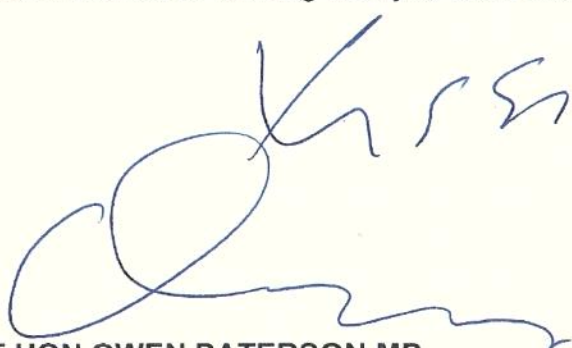
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We note that you stress the importance of robustly demonstrating the links between environmental protection and economic growth, a position we strongly support. Growing the economy and improving the environment go hand in hand because a healthy environment is essential for our future prosperity. We believe that the NCC is particularly well placed to address the links between economy and environment and so we look forward to hearing the Committee's views in its next State of Natural Capital Report early in 2014.

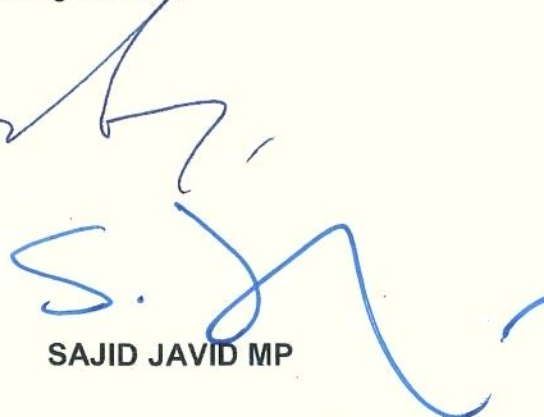
You also discuss the potential of offsetting as a form of compensation for biodiversity loss and one way of achieving greater environmental protection while simultaneously encouraging economic growth. Officials from both HM Treasury and Defra are currently engaged in exploring the potential of offsetting and the manner in which such a system might be designed and implemented in England; we would warmly welcome your Committee's ongoing input into this policy exploration process.

Finally, you refer in your report to potentially adding to the treatment of natural capital within HM Treasury's 'Green Book' cost benefit analysis guidance. The Green Book is currently in the review phase of a refresh process in which the developments in theory and practice since 2003 are being considered. Developing ideas around the use of capital stocks – including natural capital – are included in the review as potential constraints applied alongside social cost benefit analysis. This might enable stock limits to inform decisions which would otherwise be affected by the marginal nature of the analysis. HM Treasury officials would be happy to discuss this and other issues of natural capital valuation with the Committee as part of their engagement informing the review.

Thank you again for the hard work that you and your Committee have put in to this Report and we look forward to working with you more over the coming months.



THE RT HON OWEN PATERSON MP



SAJID JAVID MP