



## Chapter 2

# The Standardisation of Natural Capital Accounting Methodologies

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### ABSTRACT

*The global ecological crisis has prompted the development of tools that try to redefine relations between business and nature, among them, natural capital accounting methodologies. The International Organization for Standardization (ISO) recently set standards on which these methodologies are based. Other actors, including the Big Four audit and accounting firms, developed their own methodologies outside the scope of ISO. This chapter examines why and how ISO developed natural capital accounting standards that are likely to compete with other methodologies. From the assumption that standards are not just technical, but also political instruments, it argues that they shape the future by creating power relations between actors within and outside ISO. The chapter suggests that these ISO standards aims at competing with first-movers' methodologies, in particular on the power implications resulting from transparency. It builds the argument on international political economy approaches to emphasise the link between technical specifications and power relations in contemporary capitalism.*

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## **INTRODUCTION**

This chapter explores two of the core topics addressed in this volume: standards as a tool for forecasting or shaping the future and the power relations in which groups of individuals exert their influence in standard-setting processes. To this end, the chapter focuses on the recent development of natural capital accounting methodologies and two new standards developed within the aegis of the International Organization for Standardization (ISO) for such methodologies: ISO 14007 (Environmental management: Determining environmental costs and benefits) and ISO 14008 (Monetary valuation of environmental impacts and related environmental aspects). These two standards aim at putting a price tag on environmental impacts resulting from the economic activities of organisations (ISO 14008) and supporting an environmental cost & benefit analysis to relate such impacts to decision-making processes (ISO 14007). Martin Baxter, Chair of the technical committee 207, subcommittee 1, environmental management systems of ISO recently claimed in an interview that “[t]here is a growing drive towards valuing natural capital, as well as a need to undertake a monetary assessment of an organization’s environmental aspects and impacts (...) having a set of standardized, harmonized methods becomes important” (Gould, 2018a). Those two standards are indeed conceived to complement one another by allowing “decision-makers to make informed choices in a way which is more likely to be economically and environmentally sustainable” (Gould, 2018a). While such topic is deeply technical, it also raised political issues both within and outside the working groups set for drafting the standards.

While the drafting process initiated by ISO in 2015 remains landmark, it is worth noting that a number of other bodies had pioneered initiatives on the issue of natural capital accounting before that. For instance, the Natural Capital Coalition and the Big Four audit and accounting firms, Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers, (the Big Four). The first is a “global public-private partnership” (Andonova, 2017, p. 2) created in 2012 and supported by very large multinational companies (MNCs), non-governmental organisations (NGOs), states, academia and United Nations (UN) bodies. Such initiative aims at developing a “standardised framework for business to identify, measure and value their impacts and dependencies on natural capital” (Natural Capital Coalition, 2018b). To this end, they published in 2016 the Natural Capital Protocol that provides guidelines for natural capital accounting. While the Big Four are key stakeholders within this Coalition, they also have had a prominent role in the sustainability reporting, consulting and assurance market for many years (Villiers & Maroun, 2018). Since 2010, they started to develop their own natural capital accounting methodologies to identify, quantify, value and compare the environmental impacts of MNCs. To this end, the Big Four often directly influence the development of future private

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