

**MONETIZING NATURE AND LOCKING  
UP PUBLIC LAND: THE IMPLI-  
CATIONS OF BIDEN'S STRATEGY FOR  
NATURAL CAPITAL ACCOUNTING**

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**OVERSIGHT HEARING**

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND  
INVESTIGATIONS

OF THE

COMMITTEE ON NATURAL RESOURCES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

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**OVERSIGHT HEARING ON MONETIZING  
NATURE AND LOCKING UP PUBLIC LAND:  
THE IMPLICATIONS OF BIDEN'S STRATEGY  
FOR NATURAL CAPITAL ACCOUNTING**

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**Thursday, March 7, 2024  
U.S. House of Representatives  
Subcommittee on Oversight and Investigations  
Committee on Natural Resources  
Washington, DC**

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The Subcommittee met, pursuant to notice, at 10:16 a.m. in Room 1334, Longworth House Office Building, Hon. Mike Collins [Member of the Subcommittee] presiding.

Present: Representatives Collins, Rosendale, Curtis, Hageman; and Stansbury.

Mr. COLLINS. The Subcommittee on Oversight and Investigations will come to order.

Without objection, the Chair is authorized to declare a recess of the Subcommittee at any time.

The Subcommittee is meeting today to hear testimony on "Monetizing Nature and Locking up Public Land: The Implications of Biden's Strategy for Natural Capital Accounting."

Under Committee Rule 4(f), any oral opening statements at hearings are limited to the Chairman and the Ranking Minority Member. I therefore ask unanimous consent that all other Members' statements be made part of the hearing record if they are submitted in accordance with Committee Rule 3.

Without objection, so ordered.

I now recognize myself for an opening statement.

**STATEMENT OF THE HON. MIKE COLLINS, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF GEORGIA**

Mr. COLLINS. Good morning, everyone, and thank you to our witnesses for coming all the way to Washington, DC, to testify on this important matter.

Today, we will examine the massive impact that the Biden administration's National Strategy for Natural Capital Accounting will have on a diverse range of stakeholders, including state and local governments, as well as industry, and examine the strategy's many shortcomings.

Just a few weeks ago, this Committee held a hearing on the National Strategy for Natural Capital Accounting. However, the authors of the report, including the Office of Management and Budget, the Office of Science and Technology Policy, and the Department of Commerce refused to show up, despite the far-reaching consequences of their work. Instead, the Administration sent a young staffer with zero knowledge of the topic. Now, he was a nice, young enough man. I even offered him help with finding a

new job, but clearly, he was not the right person to come and testify on this important issue. Needless to say, I think the Biden administration sent him by design.

Sitting here in the Natural Resource Committee, I didn't think that we would be spending a lot of time here talking about accounting. But it turns out, if the Biden administration gets its way, the strategy will impact not only the natural resources policy, but the way Americans live their lives at every level. The American people deserve seriousness and clarity from this Administration, rather than the disregard and deceit that we have observed so far.

I am sure that my colleagues on the other side of the aisle will simply write today's hearing off as a partisan crusade, but I implore them to look past party lines. This is not simply an issue for Republicans. Many on the left argue that monetizing nature, according to the Biden administration's national strategy, could fundamentally shift the use and control of lands and waters from local communities and stakeholders, including Indigenous populations and democratically-elected governments, to the financial elites and foreign interests for decades to come.

And that is just part of the problem. The inherent complexity of ecosystems make them extremely difficult, if not impossible, to quantify under a national system of natural capital accounting and eco-services valuation. Monetizing and oversimplifying the vast expanse and interconnectedness of nature in this way will only give the Federal Government a dangerous illusion of environmental control, and a distorted assessment of our nation's precious natural assets.

Additionally, the White House Office of Information and Regulatory Affairs and Office of Science and Technology Policy just issued an alarming guidance, the Accounting for Ecosystem Services and Benefit Cost Analysis, to incorporate natural capital accounting and ecosystem services valuation into Federal actions, decisions, and rulemaking. Right off the bat, this is a terrible idea that will impact Federal policy decisions across the board and throw yet another roadblock in the way of critical resource development projects.

Moreover, the directive to incorporate natural accounting and ecosystem services valuation into benefit-cost analysis will provide activist litigants with another weapon in their anti-use, sue-and-settle arsenal.

As the ongoing bipartisan work over permitting reform shows, we need to make it easier to build things and get stuff done, not more difficult by creating yet another layer of government analysis. President Biden and his Department of the Interior have repeatedly attacked resources developed throughout his presidency, canceling and blocking oil and gas, critical mineral, and even certain renewable energy projects, not to mention the shortsighted LNG export ban, the deficient final 2024–2029 National OCS oil and gas leasing program, cancellation of leases in the Arctic National Wildlife Refuge, and countless other examples. I could go on all day.

The Biden administration is aligned with the radical, anti-use eco-activists and non-profits, whose ultimate goal is to eliminate fossil fuel production by any means and lock up our public lands

and water, no matter the harm done to our nation. The National Strategy of Natural Capital Accounting will aid this effort by informing and reinforcing dangerous policies, including the America the Beautiful 30x30 Initiative, the Bureau of Land Management's proposed Conservation and Landscape Health Rule, and the ongoing work to develop Natural Asset Companies, or NACs. Together, these policies and many others will affect stakeholders at every level.

Considering the far-reaching consequences of the National Strategy for Natural Capital Accounting, the American people deserve serious conversations on its many related initiatives and its implications for stakeholders on the ground. I hope my colleagues on the other side of the aisle agree.

I also hope my colleagues on the other side of the aisle actually address the substance from the marginalized voices who are concerned about the natural capital accounting, including from those on the left who label it as a form of green colonization, instead of broadly labeling critics as conspiracy theorists.

It is a sad day when Members of Congress are unwilling or unable to engage in a serious policy discussion, and resort to dismissive red herring attacks instead.

I now recognize the Ranking Member Stansbury for her opening statement.

**STATEMENT OF THE HON. MELANIE A. STANSBURY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO**

Ms. STANSBURY. Good morning, everyone. Happy State of the Union Day. And I want to just start by welcoming our guests.

We know that you travel from far and wide to be here, and it is always a joy to have people visiting from our communities, especially elected officials. So, welcome. Thank you for coming to DC.

I want to thank the Committee leadership for holding another hearing on a topic that is of great interest, and something that we must have bipartisan conversations about, but I want to just take a moment here at the beginning to note that we attempted to invite several witnesses on our side of the aisle, but because of the behavior of some of the Members who are not present here this morning towards witnesses in the last hearing and previous hearings, people don't want to participate in this setting because of the lack of respect and the partisanship that has been shown in what should be a bipartisan oversight committee.

So, I just ask my colleagues, and although Mr. Chairman is always very kind, he has his southern manners, to show proper respect to our witnesses who travel at great length and personal expense, including the Administration witnesses who come to testify in front of this Committee.

Addressing climate change, the integrity of our ecosystems, and the ability of our communities to use our natural resources in a sustainable manner is, of course, the work of this Committee. It is why this Committee exists. As we all know, we are facing a significant climate threat. We are seeing the warmest years in history on record happening right now on the planet. We are measuring sea level rise. We are seeing changes in our hydrologic systems.

And as we will hear tonight in the State of the Union, for those of you that haven't followed the details of what this Administration and our Congress and the previous Congress has done, I think it is important to note that we have taken some of the most aggressive actions to address climate change ever in the history of the planet.

[Slide.]

Ms. STANSBURY. Last Congress, we passed the Inflation Reduction Act, which is the most significant climate bill to ever pass, not only in the United States, but in the history of this planet. We also passed legislation to address the manufacturing and science needs of this country through the CHIPS Act, the Bipartisan Infrastructure Law, and have protected millions of acres of land through administrative action, including this beautiful and sacred place behind me, known as Chaco Canyon, which was protected within New Mexico through a public land rule very similar to the one that we are here to discuss today. And in fact, we had our state land manager here to discuss this months ago, when we first discussed this rule.

So, as I understand it, the purpose of this hearing is to examine a set of three different policies that the Biden administration has undertaken to try to protect our public lands, to take action on climate change, and to protect the integrity of our ecosystems. And I think it is important to talk about what these policies are and what they are not.

Ecosystem services is a natural accounting system. As we developed the vast infrastructure, water projects, roads, and other pieces of infrastructure that made this nation great, we also did so at great expense to the environment, to cultural resources. And we understand now in the 21st century that we must account for those services as we are making decisions.

That is what ecosystem services is all about. It has been for decades a bipartisan effort to really fully account for the system benefits of our environment. It was championed during the Bush administration by the leadership of the Department of the Interior. It was continued by the Trump administration when they came in. And the Biden administration is now continuing those efforts. It is not a partisan attack on the environment or our public lands, but an accounting system for making fair and appropriate decisions.

The BLM rule that we are also here to discuss has been the subject of many hearings in this Committee over the last year, and what we have seen is a continued effort to try to paint this rule as a land grab. I hate these kinds of discourses because they mislead the American people. They make ranchers, farmers, and people who work the land feel like the government is trying to do something to take away their land, and that is not the case.

This is a modernization of existing Federal land rules, according to statute and the authority of the Department of the Interior to ensure that we are accounting for and managing our lands in the most sustainable manner. And when we had a hearing on this rule a few months ago, and we brought in New Mexico's state land manager, she helped us understand that by doing so we were actually able to optimize and maximize the benefits to our state while protecting lands like this and still having record profits from natural

resource development, including oil and gas, on our public lands. So, no, it is not going to lock up our public lands or take away people's access.

Finally, I just want to say that over 80 countries in the world have adopted policies using ecosystem services and have modernized and taken an ecosystems approach to how they manage their natural resources. This is really about bringing the United States into the 21st century so that we can manage our lands in a scientifically-based, economically sound, and a community-wise and informed way. And that is really what we are here to discuss.

But, unfortunately, I do very much look forward to hearing the perspectives of those who have traveled here and will offer their point of views on these policies, but I fear that we will not get the whole story today because some of our witnesses were not willing to come here and be berated by Congressional Members.

I thank you, and I yield back.

Mr. COLLINS. Thank you.

I ask unanimous consent that the gentlewoman from Wyoming, Ms. Hageman, and the gentleman from Utah, Mr. Curtis, be allowed to sit and participate in today's hearing.

Without objection, so ordered.

Now I will introduce our witnesses. We have Mr. Marlo Oaks, Treasurer of the state of Utah, Salt Lake City, Utah; Mr. Ross Butcher, a Fergus County Commissioner, Montana; and Ms. Kathleen Sgamma, President of Western Energy Alliance from Denver, Colorado.

The witness for the Minority, Mr. David Wilkinson, Executive Director of the Tobin Center for Economic Policy at Yale University, is unable to attend in person, but will send written testimony.

Let me remind the witnesses here today that under the Committee Rules, you must limit your oral statement to 5 minutes, but your entire statement will appear in the hearing record.

To begin your testimony, please press the "on" button on the microphone.

We use timing lights. When you begin, the light will turn green. At the end of 5 minutes, the light will turn red, and I will ask you to please complete your statement.

The Chair now recognizes Mr. Oaks for 5 minutes.

**STATEMENT OF MARLO OAKS, STATE TREASURER, STATE OF UTAH, SALT LAKE CITY, UTAH**

Mr. OAKS. Vice Chair Collins, Ranking Member Stansbury, and members of the Subcommittee, thank you for inviting me to testify.

The White House strategy is a deeply flawed attempt to financialized ecosystem services to the detriment of Americans, especially local economies in resource-rich states like Utah with dominant Federal land holdings.

As part of this effort, the NYSE recently submitted a proposal to the SEC to allow for the listing of a new type of company for public investment: a Natural Asset Company. Under the facade of free market capitalism and supported by its most esteemed institution, the NYSE, NACs would lock up America's natural resources by removing public and private lands from productive use. An NAC would raise money from investors globally, including from China

and Russia, and acquire the rights to manage the ecosystem services of land. Economically essential activities, including energy production, grazing, logging, mining, hunting, and industrial agriculture would be prohibited on NAC-managed land.

Although the proposal was withdrawn due to public outcry, including from members of this Subcommittee, efforts to leverage backdoor land use regulation continue. The White House approach includes creating natural capital accounts and conservation leases on public lands, both of which are based on valuing ecological services. This means fixing a value to things like clean air and productive soils. These values would end up on public and even corporate balance sheets as natural capital accounts.

A natural capital framework relies heavily on subjective valuations like aesthetic value in an attempt to attain an objective measure. This is futile and dishonest. Importantly, this framework is not possible under U.S. accounting standards, as many ecological services do not generate traditional economic activity.

An alternative accounting system based on United Nations standards of assigning an arbitrary value to natural processes is contemplated. However, that system can't be squared with GAAP accounting. Public goods like clean air should not be financialized because they belong to society. Financializing public goods opens a Pandora's box to these becoming commodities that are bought and sold, traded, and owned.

In addition, ecological performance rights are not recognized as legal property since they pertain to non-exclusive public goods. Consequently, NACs would essentially be shell entities lacking tangible assets.

The financialization of natural processes, combined with the Administration's efforts to preserve 30 percent of America's lands by 2030, raises serious questions about how conservation easements could be affected by the agenda. Under NACs, farmland would need to be farmed using poorly-defined regenerative agricultural practices. Perpetuating industrial agriculture would be prohibited as an unsustainable activity.

At what point do ecological services enter as a right over other land uses like agriculture? For instance, a landowner might be allowed to continue farming, but only use organic fertilizer and no fossil fuel-based machinery or grazing to avoid perpetuating industrial agriculture.

With public lands, the BLM has put forward a conservation rule that attempts to redefine its multiple use mandate under FLPMA to include conservation as a use, bypassing Congress to effectively amend this statute. The BLM would then issue conservation leases to private actors to manage the lands for undefined conservation purposes.

When the Federal executive branch limits the multiple uses of public lands, our local communities feel the effects. Utah has faced economic challenges due to administrative decisions aimed at scaling back natural resource-based industries. The decline of sawmills, mines, and processing facilities has resulted in diminished employment opportunities and investments in crucial infrastructure.

Additionally, the lack of management in forests, exacerbated by the reduction in logging and active oversight, has heightened wildfire risks and associated costs.

Finally, the ability for foreign governments to invest in NACs would present serious national security and natural resource risks. What better way for a foreign adversary to cripple the United States than by locking up our natural resources and food supply without a fight?

The mixed use approach to managing public lands in Utah and the care farmers and ranchers have for their lands are far more effective than a proposal that involves prohibiting productive uses of the land by assigning an arbitrary value and placing the lands under the control of private investors.

Natural Asset Companies, natural capital accounts, and conservation leases on public lands are deeply flawed ideas. By attempting to assign a financial value to ecological services and performance rights, we open the door to subjective interpretations and potential abuse. These efforts circumvent legislative processes and threaten the livelihoods of those who rely on multiple use economic activities. These efforts should continue to be scrutinized and ultimately stopped.

Thank you.

[The prepared statement of Mr. Oaks follows:]

PREPARED STATEMENT OF MARLO M. OAKS, STATE TREASURER OF UTAH

Chairman Gosar, Ranking Member Stansbury, and Members of the Subcommittee, thank you for inviting me to testify.

On Sept. 27, the New York Stock Exchange (“NYSE”) submitted a proposal to the Securities and Exchange Commission to allow for the listing of a new type of company for public investment. The purpose of a Natural Asset Company (“NAC”) is to manage land not for economic activity but to maximize “ecological services.” The proposal posed a significant risk by creating a mechanism for public and private lands to be permanently removed from productive use to address a laundry list of ill-defined resource values, such as climate regulation, ornamental resources, and visual amenity resources.<sup>1</sup> Guised under the facade of free-market capitalism and bolstered by the support of one of its most esteemed institutions, the NYSE, NACs would lock up America’s natural resources. While this would be bad for all Americans, local and state economies and tax bases in resource-rich western states like Utah with dominant federal land holdings would be hardest hit.

If a NAC proposal were allowed to go forward, an investment group would file to list a NAC on the NYSE. The NAC would raise money from investors globally, including from sovereign wealth funds, perhaps from China, Russia, and other nations. The NAC would then turn around and acquire the rights to manage the ecosystem services of land in the United States. The owner of the land or a land trust would enroll the “ecological performance rights” into the NAC, giving the NAC the management authority over those rights and therefore every activity that occurs on the land. The NAC could manage federal, state, and private land, including conservation leases on public lands and conservation easements on private lands. NACs could enroll conservation easements through a land trust without the landowners’ consent.

Economically essential activities that NACs would consider unsustainable include energy production, grazing, logging, mining, hunting, and industrial agriculture (meaning the use of synthetic fertilizer and machinery). These activities would be prohibited on NAC-managed land. Recreating on public lands could also face significant curtailment. In states like Utah, where the federal government owns 67% of the land and is pushing for more conservation easements, placing lands under the control of private investors, including foreign actors, who may not have our best interest at heart, would be devastating.

<sup>1</sup> See p. 19-24 of IEG. “Ecological Performance Reporting Framework,” available at <https://www.sec.gov/files/rules/sro/nyse/2023/34-98665-ex3.pdf>.

The NYSE proposal had serious and far-reaching ramifications, yet it was initially only assigned a 21-day comment period and almost flew under the radar. I learned of it a day after the comment period closed. Due to significant outcry about the proposal, including from members of this subcommittee, state and local governments, and other public and private organizations from across the country, the SEC extended the decision twice and reopened public comments. The NYSE ultimately withdrew the proposal on January 17, the day before the comment period closed. This had the effect of excluding from the record many commenters who were on the verge of filing—another reason why continued congressional oversight is so important.

Although the proposal was withdrawn, efforts to leverage backdoor land-use regulation to address climate change and biodiversity issues continue. The Biden Administration’s approach includes creating Natural Capital Accounts (“NCAs”) and conservation leases on public lands, both of which are based on valuing “ecological services” or “ecological performance rights,” the core concepts undergirding the NAC proposal. Unfortunately, this likely is not the last we will see of this proposal and others like it.

### Valuing Natural Processes

Measuring ecological services simply means fixing a value to natural processes (e.g., clean air, water supply, flood protection, productive soils for agriculture, climate stability, and habitat for wildlife). NCAs attempt to identify and capture these values that would end up on public and even corporate balance sheets.<sup>2</sup> Importantly, this is not possible under U.S. accounting standards, as many ecological services do not generate traditional economic activity. For that reason, NCA-boosterers contemplate an alternative accounting system based on United Nations standards of assigning an arbitrary value to natural processes. However, that system can’t be squared with GAAP accounting.

Even organizations in support of the effort like Ernst & Young (EY) highlight some of the associated challenges in their comments on the NAC rule. As EY points out, accounting firms that audit the yearly financial statements and other disclosures required of publicly traded companies do not have the expertise to assess “biophysical measures for different types of ecosystems” without “rely[ing] heavily on external specialists.”<sup>3</sup> This would allow the accounting firms to essentially outsource their audit of natural asset accounting on company books to unknown actors outside the financial statement audit process. Audits would presumably require the involvement of scientists who are not registered with the Public Company Accounting Oversight Board and are not experienced with GAAP. Consistent with the increasing government-sponsored censorship on scientific matters around issues like climate change and COVID, presumably these outside experts would have carte blanche to drive valuations as they see fit, while remaining above reproach and immune from challenge.

With that said, the goal was to create not just a new kind of company, but also a new asset class. A new company might attract millions or billions of investment dollars. A new asset class could attract trillions. The financial incentives are huge. The value of traditional economic assets is estimated to be worth \$1.5 quadrillion. The value of the assets that produce ecosystem services (like photosynthesis) is estimated at \$5 quadrillion globally. Valuing ecosystem services is largely subjective, so this number is fairly meaningless other than to provide some insight into how proponents are thinking of them.

Accounts are supposed to be grounded in something materially solid. At the end of the day, NCAs are built on sand. University of Reading Professor Tom Oliver points out that referring to nature as capital implies it is equivalent to other forms of capital, while it is fundamentally different since some natural assets are not substitutable for other assets. He additionally highlights that while financial capital can be invested, spent to derive benefits, or even borrowed, the same is not true for natural capital. He stated, “Treatment of natural assets in identical ways to other capital would be catastrophic for the environment.”<sup>4</sup>

<sup>2</sup>National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting and Associated Environmental-Economic Statistics. (2023, January). Office of Science and Technology Policy, Office of Management and Budget & Department of Commerce. <https://www.whitehouse.gov/wp-content/uploads/2023/01/Natural-Capital-Accounting-Strategy-final.pdf>

<sup>3</sup>See EY comment to SEC on NAC proposal available at <https://www.sec.gov/comments/sr-nyse-2023-09/srnyse202309-281019-686302.pdf>.

<sup>4</sup>Oliver, Tom. “Is the concept of ‘Natural Capital’ useful?” *Debating Natural Value—The Concept of ‘Natural Capital’* (2018) Ed (Victor Anderson) Palgrave Pivot, doi: 10.1007/978-3-319-

Furthermore, certain natural assets should not be financialized. Public goods and common goods are and should belong to the community. Financialization leads to ownership, and assigning ownership to public goods like the air we breathe is a scary proposition that threatens to benefit the most wealthy at the expense of the average citizen. In short, financializing public goods opens the door to these becoming commodities that are bought and sold, traded and owned.

The organization that partnered with the NYSE in pursuing the ill-advised NAC proposal, the Intrinsic Exchange Group (IEG), proposed a natural capital framework that relies heavily on subjective valuations, like aesthetic value, in an attempt to attain an objective measure. This is futile and dishonest. Even measures that are objective, like the costs associated with flooding from not maintaining wetlands, are difficult to quantify in any sort of real value.

Because some aspects of natural capital are subjectively quantified and valued, NCA frameworks cater to ideological goals and would likely mislead investors and others interested in the valuation. This bias is most clearly seen in the fact that IEG's framework includes "option value," which it defines as benefits from nature that are "currently unknown."<sup>5</sup> This plainly suggests that natural assets are, if anything, systematically undercounted. IEG's framework doesn't consider the possibility that it systematically over-values undisturbed nature. This bias cannot be explained except through an ideological lens.

In addition, ecological performance rights are not recognized as legal property since they pertain to non-exclusive public goods. These rights are defined as the value derived from natural assets and ecosystem services within designated areas. Consequently, NACs would essentially be shell entities lacking tangible assets. Since ecological performance rights don't align with established property law categories, any licenses granted for them would be revocable and unenforceable. Even if entities attempted to secure rights through leases, the lack of enforceability would render such arrangements legally precarious and devoid of economic value.

#### **Natural Accounting Framework Detrimental to Property Rights and Public Land Management**

The natural accounting framework is detrimental to property rights and public land management. In the case of NACs, somebody other than the landowner could purchase and manage the land's ecological services. Relatedly, NCAs create the value of ecological services, and, as is noted, "what gets measured gets improved," implying management of those natural processes.<sup>6</sup> Whether through coercive regulation or outside private entities determining land usage, this management implies less local control and economically destructive outcomes.

In the case of public lands, the Bureau of Land Management ("BLM") has put forward a "Conservation Rule" that attempts to redefine the BLM's multiple-use mandate under the Federal Land Policy and Management Act of 1976 ("FLPMA") to include "conservation" as a use, bypassing Congress to effectively amend this statute in the process. To further "conservation" as a use, the BLM would then issue "conservation leases" to private actors to manage the lands for undefined conservation purposes.

The current administration's "America the Beautiful" 30x30 land preservation program far exceeds any efforts by prior administrations to conserve land. This initiative incentivizes and rewards the voluntary conservation efforts of fishers, rangers, farmers, and forest owners, as part of an effort to preserve 30 percent of America's lands and waters by 2030.<sup>7</sup> Further, with 30x30 in mind, researchers are exploring incorporating additional requirements to conservation easements to enhance the environmental benefits to the public, since the public is paying for the easements through tax breaks.<sup>8</sup>

99244-0, available at <https://research.reading.ac.uk/social-and-applied-ecology/wp-content/uploads/sites/148/2020/10/Is-the-concept-of-Natural-Capital-useful-Palgrave-Macmillan.pdf>

<sup>5</sup> See page 10 of IEG. "Ecological Performance Reporting Framework," available at <https://www.sec.gov/files/rules/sro/nyse/2023/34-98665-ex3.pdf>.

<sup>6</sup> See page 3 of National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting and Associated Environmental-Economic Statistics. (2023, January). Office of Science and Technology Policy, Office of Management and Budget & Department of Commerce. <https://www.whitehouse.gov/wp-content/uploads/2023/01/Natural-Capital-Accounting-Strategy-final.pdf>

<sup>7</sup> U.S. Department of Interior. America the Beautiful. Annual Reports. <https://www.doi.gov/priorities/america-the-beautiful>

<sup>8</sup> Utah State University. Making Private Lands Count for Conservation: Policy Improvements toward 30x30. (2022, March). <https://www.thecgo.org/wp-content/uploads/2022/03/Private-Lands-30-x-30-1.pdf>

This raises serious questions about how conservation easements, which have been in existence for decades, could be affected by the agenda. If ecological services are separate from landownership and the government is introducing the valuation of natural processes, what happens with a conservation easement that never contemplated ecological services? The valuation of ecological services could potentially open the door for the federal government to determine how those services are managed and enforced on conservation easements, depending on how the contracts are written.

Under NACs, farmland would have needed to be farmed using poorly defined “regenerative agriculture” practices, and “perpetuating industrial agriculture” would be prohibited as an “unsustainable activity.” In conservation easements funded in part by federal funds, the federal government retains the right to enforce the easement. That right kicks in if the government determines the land trust holding the easement is not appropriately enforcing it. At what point do ecological services enter as a right over other land uses like industrial agriculture and require a change in practice?

For instance, a landowner might be allowed to continue farming but only use organic fertilizer and no fossil fuel-based machinery because the use of synthetic fertilizer, machinery, and even grazing may be considered as “perpetuating industrial agriculture.” As stated in a comment letter to the SEC on the NAC proposal by Utah’s Public Lands Policy Coordinating Office (“PLPCO”), “Generally speaking, agricultural production, especially livestock grazing, is often falsely viewed negatively when discussing climate change.”<sup>9</sup> As climate change language increasingly appears in federal funding priorities, is there a risk that industrial agricultural activities will be challenged?

#### **Potential Impact of Natural Capital Accounting**

In Utah, agricultural employment represents one percent of all jobs statewide (compared to 1.3% nationwide) and generates nearly \$2.1 billion in cash receipts annually.<sup>10</sup> Of this sum, the sale of cattle contributes \$378 million.<sup>11</sup> These figures underscore the significant role agriculture, particularly livestock grazing, plays in Utah’s economy.

According to PLPCO, responsible public land use for livestock grazing is crucial for Utah’s agricultural economy, especially with urbanization encroaching on available agricultural space. Livestock grazing on federally administered lands is vital, constituting 73% of Utah’s 45 million acres of grazing lands (with 9% state-owned and 18% privately owned). The federal government, particularly the BLM overseeing 67% of federal grazing land, significantly influences the success of livestock grazing in Utah. However, concerns arise as grazing has declined by over 66% on BLM lands and about 50 percent on Forest Service lands in Utah over the past century.<sup>12</sup>

The mixed-use approach to managing public lands in Utah and the care farmers and ranchers have for their land are far more effective than a proposal that involves prohibiting productive uses of the land by assigning an arbitrary value and placing the lands under the control of private investors, including foreign actors, who cannot possibly care about the land more than those presently managing it.

When the federal executive branch implements measures to limit the multiple uses of public lands, our local communities often feel the direct repercussions. For instance, over the past few decades, Utah communities have faced economic challenges due to administrative decisions aimed at scaling back mining, logging, and other natural resource-based industries. The decline of sawmills, mines, and processing facilities has resulted in diminished employment opportunities and investments in crucial infrastructure, both in Utah and neighboring states.<sup>13</sup>

<sup>9</sup>Public Lands Policy Coordinating Office. (2023, October 25). Comment letter to the SEC opposing Natural Asset Companies. Pg. 7. <https://www.sec.gov/comments/sr-nyse-2023-09/srnyse202309-281221-687202.pdf>

<sup>10</sup>Headwaters Economics. 2019. Economic Profile System: Agriculture, available at: <https://headwaterseconomics.org/apps/economic-profile-system/49000>

<sup>11</sup>2017 Census of Agriculture. 2017. State Profile: Utah, available at: [https://www.nass.usda.gov/Publications/AgCensus/2017/Online\\_Resources/County\\_Profiles/Utah/cp99049.pdf](https://www.nass.usda.gov/Publications/AgCensus/2017/Online_Resources/County_Profiles/Utah/cp99049.pdf)

<sup>12</sup>See generally Hayden Ballard, Killing Kaibab Industries, Idaho Critical Legal Studies Journal, available at: <https://www.uidaho.edu/-/media/UIDaho-Responsive/Files/law/critical-legal-studies/issues/volume-14/hayden-1-ballard-killing-kaibab-industries-13-the-crit-critical-stud-j-2020.pdf?la=en&hash=6343683CACC6F77FB76DDDC4D70AEB3E621705E> (2020).

<sup>13</sup>See generally Hayden Ballard, Killing Kaibab Industries, Idaho Critical Legal Studies Journal, available at: <https://www.uidaho.edu/-/media/UIDaho-Responsive/Files/law/critical-legal-studies/issues/volume-14/hayden-1-ballard-killing-kaibab-industries-13-the-crit-critical-stud-j-2020.pdf?la=en&hash=6343683CACC6F77FB76DDDC4D70AEB3E621705E> (2020).

Additionally, the lack of management in forests, exacerbated by the reduction in logging and active oversight, has heightened wildfire risks and associated costs, extending well beyond the immediate economic impacts and contributing significantly to the creation of economically disadvantaged rural communities in Utah.<sup>14</sup> When wildfires inevitably break out, climate change is often blamed. However, reduced logging and management neglect are major contributing factors.<sup>15</sup>

At least the executive branch operates within a system of political accountability. Delegations from western states can write letters to and make information requests of agencies, as well as call hearings and witnesses to bring sunlight and local perspectives to bear on the activity of public land managers. Short of acquiring an ownership stake in a company holding conservation leases, it's unclear what recourse local and state governments or congressional delegations would have to influence public land management once it's been delegated to private parties.

### **National Security Implications**

The ability for foreign governments to invest in private NACs presents serious national security and natural resource risks. What better way for a foreign adversary to cripple the United States than by locking up our natural resources and food supply without a fight? This concern stems in part from recent events in Utah where foreign corporations, such as the Chinese-owned WH Group, have caused significant economic distress by acquiring and subsequently downsizing major hog farming operations. Despite terminating contracts with local hog farms and laying off a large portion of the workforce, WH Group intends to retain ownership of vast agricultural land and water rights and keep it out of production, preventing new farmers from entering the market and exacerbating economic challenges.<sup>16</sup> If foreign entities are permitted to invest in NACs, they could withhold productive agricultural resources, potentially leading to artificial food and resource shortages nationwide. Similar situations involving energy production could arise. This prospect is unacceptable.

### **Conclusion**

Natural Asset Companies, Natural Capital Accounts, and conservation leases on public lands are deeply flawed ideas. By attempting to assign a financial value to ecological services and performance rights, we open the door to subjective interpretations and potential abuse.

Furthermore, attempts to value non-exclusive public goods are incompatible with established accounting standards and property laws and threaten the rights of property owners. The proposed Conservation Rule by the BLM exacerbates these concerns by circumventing legislative processes and threatening the livelihoods of those who rely on multiple-use economic activities in rural areas, particularly in the western United States. It is crucial that we resist these backdoor attempts at land-use regulation. We must be cognizant of the notion that "what gets measured gets improved," particularly if it comes at the cost of coercive regulation and diminished local input and economically destructive outcomes. The withdrawn NYSE proposal, the White House strategy on natural capital accounting, the BLM Conservation Rule, and related efforts are based on subjective valuation of non-exclusive public goods and should continue to be scrutinized and ultimately stopped.

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<sup>14</sup> See generally Hayden Ballard, Killing Kaibab Industries, Idaho Critical Legal Studies Journal, available at: <https://www.uidaho.edu/-/media/UIDaho-Responsive/Files/law/critical-legal-studies/issues/volume-14/hayden-l-ballard-killing-kaibab-industries-13-the-crit-critical-stud-j-2020.pdf?la=en&hash=6343683CACC6F77FB76DDDC4D70AEB3E621705E> (2020).

<sup>15</sup> See generally The Senate and Congressional Western Caucuses, "Western Conservation Principles: An alternative proposal to conserve and restore America's landscapes," available at [https://westerncaucus.house.gov/uploadedfiles/10.5.2021\\_western\\_conservation\\_principles\\_final.pdf](https://westerncaucus.house.gov/uploadedfiles/10.5.2021_western_conservation_principles_final.pdf). Also see generally Little Hoover Institute, "Fire on the Mountain: Rethinking Forest Management in the Sierra Nevada," available at <https://lh.ca.gov/report/fire-mountain-rethinking-forest-management-sierra-nevada/>.

<sup>16</sup> Amy Joi O'Donoghue, How the end of hog farming can kill a way of life in rural Utah, Deseret News, available at: <https://www.deseret.com/2023/12/8/23992293/how-end-of-hog-farming-can-kill-a-way-of-life-in-rural-utah> (2023). And Dave Sebastian, Chinese Owned Pork Producer Smithfield Prepares for U.S. Listing, The Wall Street Journal, available at: <https://www.livemint.com/news/chineseowned-pork-producer-smithfield-prepares-for-u-s-listing-11697733802038.html> (2023).

Mr. COLLINS. I thank the witness for his testimony. The Chair now recognizes Mr. Butcher for 5 minutes.

**STATEMENT OF ROSS BUTCHER, COMMISSIONER, MEMBER  
DISTRICT 1, FERGUS COUNTY, MONTANA**

Mr. BUTCHER. Thank you, Mr. Chair, Ranking Member, and members of this Committee. I appreciate the opportunity to address our concerns of Federal agency actions that are putting our public lands in jeopardy. My name is Ross Butcher, and I am testifying today representing Fergus County, Montana, the Boundary Line Foundation, Montana Natural Resource Coalition of Counties, and the Coalition of Arizona and New Mexico Counties.

In April 2023, the Bureau of Land Management proposed a rule change of such deep significance that the public lands counties in Montana, Arizona, and New Mexico coalitions were compelled to provide substantive comments, demonstrating the BLM's departure from their congressionally delegated authority.

I recognize that the discussion on the Conservation Land Health Rule is ancillary to the specific conversation on the natural asset class concerns. However, this particular rule change proposal is directly linked to the ability to move forward with that operation and that scheme. The Conservation Land Health Rule would change dramatically the process in which these lands that are held in reservation under the Taylor Grazing Act and codified under FLPMA, the Federal Land Policy Management Act, are reserved for very specific purposes.

And as it was mentioned before, this idea of conservation as a seventh principle use, is not allowed. And when lands that are in reservations for specific purposes, the only way to remove them from those reservations is by congressional action, not by a rule change. So, this Bureau is in a situation of trying to create a legislative action without the authority to do it, and that concerns us deeply.

The other issue that pops up is that it is very similar to the planning 2.0 rule that was brought forth some years back and was summarily rejected under the Congressional Review Act. And, of course, once an action has been rejected by the Congressional Review Act, it is not eligible for reintroduction. Once the congressional decision has been made, it is there. These rules can only be adjusted by you. You are the congressional delegation that makes this decision, not the bureaucrats that work for the BLM.

And I want to say that, generally, my experience working as a local government official with our local Bureau of Land Management field offices is good. We have some good people working in the BLM that are just trying to do their job, which is to manage and maintain these properties in the fashion that they were set aside for. The real issue comes when you start seeing top-down delegation pushing those local land managers to make decisions that they themselves know are not healthy for the range.

Some of the issues that came up are things like Indigenous knowledge, which, once again, is being pressed. And it is a concern because it bypasses the process of determining best practices. Scientifically, we have spent a lot of time looking at the best way to manage lands, and that doesn't do it.

One of the issues that also came up was local government input. FLPMA requires that these agencies work with local government that they coordinate with. We asked for cooperating status on this particular rule, and we were denied. We were denied because they said we lacked expertise. Well, I can tell you that is taken pretty hard by my fellow commissioner in Valley County, who spent 30 years as a range management specialist for the very bureau that says he is not qualified to have input as a local government-elected official, as required. So, I believe that that is an issue at hand that needs to be rectified. FLPMA requires coordination with local government, and our expectation is that we get that.

The real issue comes down to how does this affect our folks on the ground, and I see that every day. As a local elected, I see my constituents daily. And these concerns are real. They look at it and say, if we allow a singular use of conservation to come into play in these leased lands, it is going to dramatically impact how they run their operations. And if our Ag operations, our extraction industries are unable to maintain those economies, our local communities suffer. And that is schools, and roads, and emergency services. All of those things are impacted, which is why it is essential that local government is included in these decision-making processes. Thank you.

[The prepared statement of Mr. Butcher follows:]

PREPARED STATEMENT OF ROSS BUTCHER, COUNTY COMMISSIONER,  
FERGUS COUNTY, MONTANA

Thank you Mr. Chairman and Members of the House Subcommittee on Oversight and Investigations for the opportunity to address concerns of federal agency actions that are putting our public lands in jeopardy.

My name is Ross Butcher and I am testifying today representing Fergus County MT BOCC, The Boundary Line Foundation, The Montana Natural Resource Coalition of Counties, and the Coalition of AZ/NM Counties.

In April, 2023 the Bureau of Land Management proposed a rule change of such deep significance, that the public lands counties in the Montana, Arizona, and New Mexico coalitions were compelled to provide substantive comments titled "*Survey of the History, Background, and Compliance of the Proposed BLM Conservation and Landscape Health Rule (CLHR) with The Public Land Laws of the United States*" demonstrating the BLM's departure from their congressionally delegated authority.

A century of US public land statutes and policies enacted by the Taylor Grazing Act (TGA), the Federal Land Policy Management Act (FLPMA), and the Public Rangelands Improvement Act (PRIA) demonstrate that BLM's core mission is to manage the Taylor Grazing Act CVG District lands for the Principal Use of domestic livestock grazing, range development, and stabilization of the US livestock industry dependent on range access—not wildlife conservation.

The Landscape, Conservation and Health Rule proposed by the BLM has irreconcilable flaws and should not be adopted. Fergus County and our coalition partners point this out in the above-mentioned report which is filed in the administrative record as official government comments to the proposed BLM rule. The purpose of this testimony is to bring the Boundary Line Foundation report to the attention of the subcommittee, and give context to the gravity of the situation to all those who live and work on these lands in the west.

We point out that one central mandate of the Federal Land Policy and Management Act (FLPMA) is the requirement for the BLM to coordinate land use management activities with local governments, and that statute even requires the BLM to attempt consistency with county land use plans. It is also important to note that during enactment of FLPMA the Taylor Grazing Act was adopted **in its entirety** by the Congress, and this includes all the policies, procedures and the 135 million acres of mapped grazing districts throughout the western United States.

On two separate occasions the TGA lands were determined by the Solicitor of the Interior to be classified as Reservations under the Federal Power Act of 1920. FPA provides the authority to retain TGA lands under reservation status, verses setting

them aside as “public lands,” which would make them subject to appropriation and disposal under the public land laws of the United States. The actions of agencies tasked with managing TGA lands held in reservation are limited to the original purpose and intent for which those lands were reserved.

The CLH Rule is substantively the same as the 2016 BLM Resource Management Planning (Planning 2.0) Rule that was determined by Comptroller General to be a Major Federal Action and that was rejected by the Congress under the Congressional Review Act (CRA). Once a Rule has been rejected by Congress under CRA, federal agencies are prohibited under the Administrative Procedures Act from adopting a similar or new rule. This fact alone makes the adoption of the CLH Rule illegitimate.

A certification by the Secretary of the Interior and the Office of Information and Regulatory Affairs that the CLH Rule would not have an impact on a significant number of small entities is arbitrary, not publicly verifiable, and erroneous. A Regulatory Flexibility Act impact analysis is required to determine if the CLHR would have a significant impact on small business or entities. The implications of landscape level conservation would have a dramatic impact on communities whose economies rely on the multiple use sustained yield model defined in FLPMA. The position that there would be little impact is absurd on its face.

The first step in monetizing and selling natural assets requires the development of a natural asset inventory and a mechanism to hold those assets for their conservation value. The introduction of a 7th principal use, conservation, for these reserved federal lands aligns well with the scheme of monetizing our public lands. Not only does this scheme lack any authority for its action it is in direct conflict with the statutory intent that public lands be used for productive pursuits.

These are just a few of the specific and irreconcilable flaws in this rule, I once again point to the report filed, and on record, in comments to the BLM. I encourage the Committee to review the report submitted by Boundary Line Foundation and the Counties represented in the Coalitions. Thank you for the opportunity to comment on these important issues. I will stand for questions.

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Mr. COLLINS. Thank you. The Chair now recognizes Ms. Sgamma.

**STATEMENT OF KATHLEEN SGAMMA, PRESIDENT, WESTERN ENERGY ALLIANCE, DENVER, COLORADO**

Ms. SGAMMA. Thank you, Mr. Chairman.

It is interesting that the Ranking Member said that the minority witness wouldn't attend because he was afraid of mean questioning from Members of Congress. This individual is, as far as I can tell, the leading proponent of natural capital accounting. And it is a sad state of academia, if academia can't attend to defend its academic ideas, that they can't be challenged. So, I think that is kind of telling about the sad state of academia today.

Anyway, I agree wholeheartedly with the comments of the previous witnesses. I am struck by natural capital accounting and eco-service systems valuation as another layer of bureaucracy on top of all the different whole-of-government initiatives from the Biden administration. And I perhaps should be happy as they encumber themselves with all these layers of bureaucracy within the Federal Government, because when they do that they probably have less time to over-regulate my industry.

But I rather suspect the idea is to use all these different layers of bureaucracy over time to stop responsible development of oil and natural gas in America, and particularly on public lands. And that is how natural capital accounting relates to the BLM Conservation Rule and to the Natural Asset Companies rule that the SEC was forced to rescind.

And I really applaud Treasurer Oaks, the excellent work that the state of Utah did in bringing public scrutiny to that rule which the Securities and Exchange Commission tried to sneak through in a 21-day comment period. And then, of course, Chairman Westerman's oversight through the Natural Resources Committee was kind of the straw that broke the camel's back.

Ms. Hageman, your letter and your activity on this was very much appreciated, as well.

So, it is important that we understand the interaction of those two rules with attempts to account for natural assets within some type of economic, environmental, statistical system. When we look at, for example, the NACs rule, it was intended to prioritize so-called sustainable uses on public lands above productive uses, like ranching, mining, and energy development. And if you do that, what happens is the things that can actually be quantified through natural capital accounting are really those productive uses of public lands.

So, what you are left with is some kind of qualitative assessment of the value of a bird call or the beauty of nature. And what you are really left with is a collapsing of revenue on Federal lands, because energy, mining, and ranching supplies the vast majority of revenue that comes from public lands. So, you have the situation where, in conjunction with the BLM Conservation Rule, it would lead to a collapse of that revenue.

And in no way does that natural capital accounting somehow, quantifying things that are hard to quantify, confusing to quantify, have dubious value on the marketplace, or are of such intrinsic value to everyone like clean air and scenery that to assign a monetary value to that is almost meaningless. So, what you would have is a collapse of revenue from Federal lands.

And I would add that since we, in the oil and natural gas industry, provide 94 percent of the revenue for conservation that comes from the Great American Outdoors Act, you would also have a collapsing of conservation funding on Federal lands.

So, I am really happy to be here today. Thank you for the opportunity to discuss these rules, and I look forward to questions.

[The prepared statement of Ms. Sgamma follows:]

PREPARED STATEMENT OF KATHLEEN SGAMMA, PRESIDENT,  
WESTERN ENERGY ALLIANCE

Chairman Gosar, Ranking Member Stansbury, and Committee Members, thank you for the opportunity to testify. The Biden Administration has implemented various "whole-of-government approaches" to climate change, drug addiction, supply chain resilience, housing, diversity, equity, environmental justice, and any other number of societal problems. Countless announcements from the White House proclaim that all government agencies will be mobilized to tackle whatever problem is at hand. One of the outcomes of this whole-of-government approach is that more agencies are regulating in more areas and with more redundancy than ever before. We've seen agencies beyond the traditional energy regulatory agencies, from the Securities and Exchange Commission (SEC) to the Department of Labor, engaged in an ill-fated attempt to overregulate and defund domestic oil and natural gas if not completely out of existence, to as small and controlled an entity as possible.

When everything is a priority for everybody, then nothing is. Layered on top of this all-encompassing government approach are multiple new initiatives conjured up through various executive orders. Besides spawning their own regulatory actions, these initiatives add more layers of bureaucratic process to both the public and private sectors. More analysis is required for every regulatory action or decision.

Climate change risk must be assessed and each agency employee is asked to consider their impact on the climate. Diversity, equity, and inclusion must be factored into every decision. Environmental justice communities must be defined and screened and the regulatory impact determined. Each action must be assessed to ensure that good jobs are being created.

None of this is codified in U.S. law. When government agencies are focused on all these initiatives and requirements, when do they actually have time to do the work they are supposed to do? If they must spend considerable time and resources figuring out how to tie their work to climate change and DEI while identifying underserved communities, when do they actually have time to provide those services to the American people, including to those underserved communities?

The initiative on natural capital accounting is but another example of bureaucratic encrustation.<sup>1</sup> Twenty-seven federal agencies are now busily figuring out how to account for the natural resource and ecosystem services values they control or advise on. Like other initiatives that have no basis in U.S. law, the Biden Administration looks outside the country for justification. The environmental-economic statistics are to be based on the United Nations' System of Environmental-Economic Accounting. As the federal government struggles to provide services at a reasonable cost to taxpayers and our national debt has swelled to nearly \$35 trillion because the government cannot keep to its means, it is now to apply a whole new accounting framework for often subjective ecosystem services valuations.

We're told that 80 other nations have adopted these U.N. standards and that we must "modernize" our accounting practices. But since when has the U.N. become a paragon of efficiency and the standard for stewardship of economic resources? The fiasco of the U.N. sending billions of dollars of aid money to fund Hamas terrorism is but the latest example of U.N. ineffectiveness and lack of accountability. U.N. technocrats not only do not set U.S. policy but helpfully provide a model for doing the opposite. And besides pronouncements by these 80 nations of adopting the standards, I rather suspect that their level of implementation is comparable to their compliance with Paris Treaty climate goals, which somehow are never achieved.

I am struck by the fact that most of the elements to be addressed by the National Strategy to Develop Statistics for Environmental-Economic Decisions are those that are already accounted for because they have true market value.<sup>2</sup> Those that do not are to be assigned subjective values that would be highly politicized. As quoted from the strategy:

- "Nature starts many supply chains. Critical minerals underlie many new technologies, water and pollinators help grow the fruits and vegetables eaten at the dinner table, and trees create much of the timber framing American houses." Markets already value minerals, food, and timber.
- "Nature motivates many modern innovations. Plants and wild animals inspire designs and provide critical models and raw materials for many drugs and cosmetics." The inspiration from nature is a common good that is of such intrinsic value that to attempt to value it would be imprecise at best. Yet those inspired designs are most definitely accounted for when an artist sells a sculpture, an architect creates the blueprints for a home nestled into its mountain setting, or a new drug or natural supplement is sold to consumers.
- "Nature undergirds many firms' successes, across many sectors. Natural landmarks drive much of the tourism industry, and wild fish provide food for grocery stores and restaurants to sell." The recreation and tourism services delivered near national parks are well evaluated by the market, and of course, food is accounted for whether sold at the grocery store or at a restaurant.
- "Nature protects property and other infrastructure. Reefs, dunes, and forests reduce the damage caused by storms, floods, and other extreme weather events." The insurance industry is very adept at setting premiums based on the risk a property faces in different ecosystems, where the forces of nature are accounted for by differences in premiums between a property in hurricane-prone Florida compared to mild-weathered southern California.

<sup>1</sup>*National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting Associated Environmental-Economic Statistics*, Office of Science and Technology, Office of Management and Budget, Department of Commerce, January 2023

<sup>2</sup>*National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting Associated Environmental-Economic Statistics*, Office of Science and Technology, Office of Management and Budget, Department of Commerce, January 2023.

- “Nature provides recreational opportunities and community and cultural connections. Forests, beaches, and wildlife underpin recreational and cultural services that are important to Americans, and these services are often free of charge.” Those recreational opportunities are accounted for with every hotel room or camping ground space occupied, while those intrinsic values of nature are rightfully shared for free.
- “Nature promotes health. Green and blue spaces and clean air facilitate mental health, and reduce heat stress, saving money on health care, increasing productivity, and improving quality of life.” The Environmental Protection Agency (EPA) already conducts cost-benefit analyses of air and water quality regulations, although the politicization of those analyses, use of inflated factors, and the double- and triple-counting of environmental benefits indicate the problems of applying subjective factors to supposedly quantitative economic analyses. Attempting to ascertain and assign monetary values to the portion of mental and physical health benefits that derive from nature are imprecise and fraught with so much subjectivity as to be unreliable at best.

Each of those points from the Natural Capital Accounting strategy paper essentially buttress continuing to rely on the Gross Domestic Product (GDP) and standard accounting practices instead of a revised system. Further, in its guidance for assessing environmental and ecosystem services, the Office of Information and Regulatory Affairs (OIRA) encourages agencies to make subjective, qualitative assessments of value when quantitative data are lacking.<sup>3</sup> If this is an exercise in subjective assessments where true market value is not applicable, then this is truly just another layer of bureaucracy. The point of accounting and cost-benefit analyses is to provide the hard economic data to decision makers, who then balance those data with their political values and policy goals, whether that’s social justice or energy dominance. The way governmental cost-benefit analyses have been skewed to support pre-determined policy outcomes offers a cautionary note about how baking subjective factors into economic accounting contorts the data.

#### **Natural Asset Companies**

Given the complexity and additional bureaucracy that this Natural Capital Accounting strategy would impose and the lack of statutory authority for it, I appreciate that this subcommittee is providing oversight. Such influential policy decisions should only be made with full democratic debate before statutory authority is granted. Likewise, I applaud the oversight the Natural Resources Committee provided for SEC’s ill-fated rule to list Natural Asset Companies (NAC) on the New York Stock Exchange. I especially wish to thank the State of Utah for its excellent work when SEC attempted to sneak in the rule in October. The cooperation between the states and Congress is a model for ensuring accountability over the executive branch. Utah led the charge revealing the dangers of monetizing ecological values on public, private, and tribal lands without any mandate from Congress or meaningful engagement with the public, thereby convincing the NYSE to stand down.

Perhaps SEC was unaware of the impact of the NAC rule on public and tribal lands and the interaction its proposed rule would have had with inconvenient federal lands statutes. The Bureau of Land Management’s (BLM) organic statute, the Federal Land Policy and Management Act (FLPMA), mandates that the “principal or major uses” of public lands include “mineral exploration and production.” See 43 U.S.C. § 1702(l). SEC’s proposed rule envisioned companies controlling resource values on public lands rather than federal land managers. Perhaps privatization of federal lands would be a better way to monetize their resource values, but short of that, the NAC rule was an ill-conceived, roundabout method of doing so in conflict with current statute.

More likely however, given the Biden Administration’s whole-of-government approach, the rule was a purposeful effort to circumvent existing law regarding multiple-use public lands. The NAC rule seemed to assume that the ten-year conservation leases proposed in BLM’s conservation rule would be finalized and stand legal scrutiny such that NACs could then hold and monetize federal conservation leases. As BLM’s proposed conservation leases are on shaky legal grounds, SEC’s proposed NACs rule assigning ecological performance rights would have been just

<sup>3</sup>“Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis,” OIRA, February 28, 2024.

as susceptible.<sup>4</sup> While SEC has withdrawn the rule, there are signs that the concept is far from dead as the administration moves forward with the Natural Capital Accounting strategy.

Another aspect of the interaction of the NAC rule and BLM's conservation rule is the circumvention of FLPMA's multiple-use mandate. Together or singly, these rules are intended to stop oil and natural gas leasing and development on the federal mineral estate. Yet with FLPMA, Congress directed that "the public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber from the public lands[.]" 43 U.S.C. § 1701a(12). Courts have expressly recognized that one use that BLM must balance with others includes "the nation's immediate and long-term need for energy resources." *Theodore Roosevelt Conservation P'ship v. Salazar*, 744 F. Supp. 2d 151, 157 (D.D.C. 2010). Despite FLPMA's clear mandate and case law, the Biden Administration continues to look for ways to circumvent the multiple-use mandate on non-park, non-wilderness federal lands that are appropriate for energy development and other productive uses.

The ill-conceived NAC rule failed to consider how NACs would return a fair share of their proceeds from monetizing natural resource values on public lands with the American people. For years and continuing to this day, politicians and special-interest groups cry that the oil and natural gas industry does not pay its fair share, even though costs were increased substantially by the mis-named Inflation Reduction Act. My industry pays billions in royalties and leasing revenue back to the American taxpayer every year from public lands. The NAC rule would have allowed companies to profit from federal lands yet pay no royalties. The Biden Administration seems to be on a path to allowing companies to profit from public lands over time without paying their "fair share."

As a practical matter, the values on federal lands that the Natural Capital Accounting system would track quantitatively involve productive natural resource activities like ranching and energy development. Yet the NAC and BLM conservation rules are intended to limit today's FLPMA-approved principle uses on federal lands and replace them with so-called sustainable uses. The preferred "sustainable" activities contemplated by these rules would generate much less value for local communities. It is far from clear how successful NACs would be in monetizing ecosystem services, especially in comparison to those FLPMA principle uses that provide resources Americans use every day and have intrinsic value in the marketplace.

Perhaps the qualitative nature of the NCA system is intentional. Were the BLM conservation rule to stand as proposed, revenue generated from federal lands would fall precipitously and there would not be much left to account for except those intrinsic, qualitative values that nature provides. As a nation, we have already set aside hundreds of millions of acres of public lands for preservation only in national parks, wilderness areas, wildlife refuges, other protective designations. The BLM conservation rule would ensure multiple-use lands appropriate for productive activities would be treated the same. The result would be to deprive local communities near public lands and the American taxpayer of the jobs, tax revenue, royalties, conservation funding,<sup>5</sup> and economic impact deriving from those activities that provide true value in the marketplace.

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Mr. COLLINS. I thank the witnesses for their testimony. The Chair will now recognize Members for 5 minutes each for their questions. The Chair now recognizes the gentlewoman from Wyoming, Ms. Hageman, for 5 minutes.

Ms. HAGEMAN. Thank you very much. Thank you for letting me join your Committee today.

I do find it fascinating that the advocates for this type of a radical reorganization of our Federal lands and the relationships between our Federal and state partners refuse to participate in

<sup>4</sup> *Western Energy Alliance et al. comment letter to BLM on the Conservation and Landscape Health Rule*, July 5, 2023; *Western Energy Alliance comment letter to SEC on the Natural Asset Companies Rule*, January 17, 2024.

<sup>5</sup> Oil and natural gas onshore and offshore leasing revenue and royalties provide 94% of the conservation and public lands infrastructure funding under the Great American Outdoors Act. See *Conserving the Great American Outdoors*, Western Energy Alliance, 2022.

something of this significance, both in terms of the Member of Congress, as well as the witness that came up with this, what I would describe as a harebrained idea.

While we may be tough in our questioning, when you are attempting to literally take trillions of dollars of value out of our economy, perhaps you should be subjected to difficult questioning. And if you can't, then maybe the rule ought to be you don't get to participate in this kind of a policy discussion if you are not willing to have your ideas subject to our scrutiny.

I want to thank each of the witnesses for being here. You have all been instrumental in addressing these NACs and what they portend for our economy and for the future of our ability to produce affordable food, energy, and housing.

Mr. Oaks, your testimony refers to natural capital accounting, ecosystem services valuation, and the proposal to redefine conservation as a "use" under the Federal Land Policy and Management Act, or FLPMA, all as backdoor land use regulation. And I think that is a great way to put it, and something I dealt with a lot during my career as a lawyer.

It seems the Federal Government is always attempting to control Wyoming's resources one way or another, and through these various backdoor regulations or guidance documents or responses to frequently asked questions and that sort of thing. But I would love to hear more from you on this because, from where I am sitting, the Biden administration is trying to rewrite the rules through executive power, and they are attempting to bypass Congress and shove state and local governments out of the way.

Mr. Oaks, my question for you is, can you please elaborate on how the Biden administration is engaging in backdoor land use regulation?

Mr. OAKS. Yes, thank you for that question.

So, of course, under FLPMA, we have that multiple use doctrine. And FLPMA, of course, Congress is delegating the management of public lands with that multiple use.

With the conservation lease, if you elevate conservation leases to the same level as multiple use, then you can replace multiple use with conservation. And I think that is really the key issue, is that if the Administration creates a conservation rule outside of congressional processes, then you have effectively elevated conservation to the same level of multiple use, and can replace multiple use with conservation, and replace those activities that are critical to states out in the West, certainly Wyoming and Utah, with a conservation mission as opposed to multiple use.

Ms. HAGEMAN. Well, and when I read the rule proposed by the SEC related to changing the rules for the New York Stock Exchange, they specifically state that there cannot be multiple use. They will not allow for logging, grazing, mineral development, mining, et cetera. It is only this concept of conservation that is never defined.

And there are a couple of things that have struck me about this entirely. One is, as I said, the complete reordering of the relationship between the Federal and state government and a complete reordering of how we manage our Federal lands. The Federal Government owns over 600 million acres of land. The Federal

Government owns 48 percent of the surface estate in the state of Wyoming and 65 percent of our mineral estate.

A couple of weeks ago we had a gentleman from the BLM appear in front of the Natural Resource Committee, and I asked him about NACs, about Natural Asset Companies, and the BLM's involvement with this rule. And the BLM manages 245 million surface acres in this country and 700 million mineral acres, the largest landowner in the United States.

The way that this rule is set up is that, literally, the BLM could lease all 245 million surface acres and the mineral acres to China, portions of it to Bill Gates. You could have Mr. Bloomberg come in and decide that he was going to lease the natural assets of Shoshone National Forest, thereby stopping all sheep and cattle grazing, all bison production, all logging, all water development, all of those things. Someone like Mr. Bloomberg or Mr. Gates would have the ability to do that, which just shocks my socks off.

But what really shocked me was, when I asked the gentleman from the BLM about this, he didn't know anything about it. Does that surprise you?

Mr. OAKS. Yes.

[Laughter.]

Ms. HAGEMAN. Well, it surprised me, and I kept pushing him. "Are you telling me that the SEC never contacted you about the idea of monetizing and securitizing all of the natural assets of the BLM?" And he said that they did not.

And I think that that demonstrates either maybe he wasn't being entirely forthcoming; maybe there are people in the BLM that they contacted, but not him; perhaps the SEC and the New York Stock Exchange are arrogant enough to move forward with a rule like this without actually contacting the land use agencies.

I mean, there are all kinds of things that we could surmise from that. But the one thing that I think is very evident is that none of this was ready for prime time. They attempted to move forward with a rule that was going to dramatically impact states like ours, dramatically impact our ability to produce food, affordable housing, produce energy, and that they never even talked to the land agency that was responsible for management. I think that it just demonstrates how incredibly bankrupt this entire process was.

I just want to make one more point, and that is that I want to read from the rule. The exchange states that the reporting framework is based on the natural capital accounting standards established in the United Nations system of environmental economic accounting. So, in addition to all the other terrible things related to this rule, it would be the United Nations that would establish the accounting standards that we would have to live with as they stole our lands.

Thank you. With that, I yield back.

Mr. COLLINS. The gentlelady yields. The Chair now recognizes the gentleman from Montana, Mr. Rosendale, for 5 minutes.

Mr. ROSENDALE. Thank you very much, Mr. Chair, and thank you for all the witnesses for coming in today to try to shed some light on this subject.

This Administration has consistently and actively sought ways to appease the climate activists. The latest attempt involves allowing

climate activists to capitalize on the unproductive use of Americans' cherished Federal public lands. While certain initiatives have been temporarily halted, there is still the looming prospect of attempting to turn America's public lands into a commodity for extremists.

Unfortunately, these lands, the BLM lands, are held in trust for their respective states, and these actions that they are trying to take are in complete contrast, as Mr. Butcher mentioned, with the Taylor Grazing Act and other statutes that mandate that they be used for productive purposes, prioritizing agriculture at the top of that list for food for our nation, specifically livestock production and crops.

And this Administration continuously tries to take and utilize rules to bypass the statutes that are in place, because they know that they don't have the support throughout this body to actually amend the laws. And this is where the problem is. So, it is left to us to make sure that we shed light on these subjects, that the general public hears what is going on, that they have an outpouring of support throughout the rest of Congress so that we can make sure that these rules never see the light of day.

Mr. Butcher, it is so great to see you again. I appreciate you traveling from Fergus County and Lewistown to come and be with us today. I hope the family is all doing well. Could you please elaborate for me on the potential impact of the Conservation and Landscape Health Rule in our home state of Montana?

Mr. BUTCHER. Yes. Thank you, Mr. Chair.

The concern is real, and we see it in our neighborhood because there is already a non-profit entity that has come in and started playing a game, I would say, they purchase commensurate properties, deeded land that are tied to BLM leases, and the intent is to turn those acres into conservation, whatever that means. And the BLM at this point is being questioned in court, determining whether they have the authority to change major use in the way that they are.

This Conservation Land Health Rule just turns it on its end. And the reality is they do not have this authority. I am not sure if they are going to just try to push it through, but I put a link with my comments to our report that we put in, and I recommend that the body look at that because it does a great job of laying out specifically why they are out of their wheelhouse in trying to do this.

Mr. ROSENDALE. So, let me ask you this. When you take those lands out of production, forget about future opportunities that are eliminated. But when that land gets taken out of production now, agricultural production, how does that impact the local sale yard? How does that impact the local implement dealer? How does that impact the local school district and the local hospital medical facilities?

Mr. BUTCHER. Yes, we have already seen that in Fergus County, because the entity bought a large working operation. It used to have about two families that were there managing the operation. Now those are gone, and the implement dealership is losing sales. I hear from them. It is felt. The school has lost students. EMS, we rely on volunteers for our ambulance crew and our fire crews. And

those people are gone. It is losing those folks in our communities that actually keep our communities going.

And the dollar figure is dramatic. When you start removing hundreds of cattle for sale that go through a ring, that is not just steaks that you are missing, that is actual dollars that go through our community. And as most of you know, agriculture has a thin margin, but they run a lot of dollars. So, those dollars are what are missing, turning through our economy, as well as the concerns if this grows beyond a small area of conservation where these activities are removed, it is of national security. We need to feed ourselves. And in the 1930s, the legislative body understood that and said these lands need to be held for this purpose because they recognized feeding a nation is important.

Mr. ROSENDALE. The last thing that I would like to ask, do the best range management practices which have been established over the last 70, 80 years by a lot of trial and error, range management experts and ranchers working together to determine how these entities and the utilization or lack of utilization of this land, impact that range management?

Mr. BUTCHER. Well, it will impact it dramatically. The proposals in conservation, you are already seeing it in this non-profit group, is to remove the improvements on these BLM lands. That is the water improvements. That is the fencing.

And it has been proven over time, best practices, this is how you maintain a healthy range. And conservationists really, at their heart, they have never gone to the Montana State University Ag Sciences Department and really studied what does it take to improve production on the land. And you see it. They don't understand that.

And when you speak production, oftentimes the folks that are worried about the environment think that somehow that is harmful. Yet, productive landscapes are productive for everything, the wildlife as well as the cattle or sheep that you are grazing. And it is that symbiotic relationship that we have developed in the last 70 years on these lands that have improved them dramatically. And they are much, much more productive now than they were 50 years ago.

Mr. ROSENDALE. What I like to say is if you take care of the land, it will take care of you.

Mr. BUTCHER. Absolutely.

Mr. ROSENDALE. Thank you very much. Thank you all for being here today.

I yield back, Mr. Chair.

Mr. COLLINS. The gentleman yields. The Chair now recognizes myself for 5 minutes for questioning. And I have a list of questions here.

Before I get started, though, I really want to make an observation. I am a freshman up here, but I have had the opportunity to go across this country to hold field hearings and to look at our witnesses and the people, the stakeholders that are sitting behind them. And it is very evident that what we are looking at today are people that are concerned, that actually work in the industry, that are actually hands-on of what is going on on your land and in your

community. And I want to tell you I appreciate you being here for that and to testify.

Mr. Oaks, I appreciate you being here again today. In your role as Treasurer of the state of Utah, it is very safe to say you are familiar with the best accounting practices, correct?

Mr. OAKS. Yes.

Mr. COLLINS. Thank you. In your written testimony, you stated that valuing ecosystem services is largely subjective. Can you elaborate on that?

And how is the accounting system for the ecosystem services valuation so subjective?

Mr. OAKS. Sure. So, really, accounting is grounded on economic activity. And that makes it very objective. And, unfortunately, with ecosystem services there is a lot of subjectivity because there is no underlying economic activity associated with ecosystem services.

That is not to say that it isn't valuable. We have always valued ecosystem services. But the question is, how do you deal with something that does not really have economic activity underlying it?

So, even the intrinsic exchange group that proposed the Natural Asset Companies, or was behind Natural Asset Companies, their framework relied heavily on subjective valuations like aesthetic value. What is the value of a sunset, for example, to someone?

So, it is very difficult, if not impossible, to put a value on that. Even organizations that were supportive of that, like Ernst and Young, highlight some of the challenges associated with the NAC rule and this valuation issue. Basically, they point out that accounting firms that audit these financial statements and other disclosures required for publicly-traded companies, they don't have the expertise to assess biophysical measures for different types of ecosystems without relying heavily on outside experts.

So, this would allow, really, the accounting firms to essentially outsource that function of auditing, natural asset accounting, to unknown actors outside the financial statement audit process. And audits presumably would require the involvement of scientists who are not registered with the Public Company Accounting Oversight Board and not experienced with GAAP.

Mr. COLLINS. I am sure you would say that that would impact the reliability of the numbers.

Mr. OAKS. Absolutely. It is really anybody's guess as to what the real value is.

Mr. COLLINS. Do you think it is prudent to base national policy on valuations that are so subjective?

Mr. OAKS. No.

Mr. COLLINS. I figured that was your answer.

Ms. Sgamma, the Biden administration has stated the National Strategy for Natural Capital Accounting and subsequent guidance incorporating ecosystems services valuation into benefit cost analysis will be used to support a number of partisan goals regarding public land management, including America the Beautiful's 30x30 Initiative and BLM's Conservation and Landscape Health Rule. I think many Americans have concerns with this, given how President Biden has issued a plethora of mandates on American consumers, kind of like a dictator.

And government bureaucrats attack domestic resource development from every angle to satiate the rabid eco-activists and the anti-use non-profits driving Biden's agenda.

Given President Biden's terrible track record with natural resource development, are you concerned that the Department of the Interior and the Bureau of Land Management will abuse a national system for natural capital accounting to lock up public lands and waters from resources development?

Ms. SGAMMA. I do, Mr. Chair, and I think it is hand in glove with the BLM Conservation Rule, which seeks to elevate conservation as a multiple use, which it is not, according to FLPMA, above productive uses on Federal lands.

Mr. COLLINS. All right. And I want to ask this of all the witnesses. Let's discuss the public consultation process just a little bit.

To your knowledge, has anyone in the Biden administration reached out to local officials or industry stakeholders regarding the National Strategy for Natural Capital Accounting Ecosystem Services Valuation, or the updated guidance incorporating natural accounting, capital accounting, and ecosystem services valuation into the benefit cost analysis?

Mr. Butcher, I would love to start with you.

Mr. BUTCHER. The answer would be no. We have not heard anything. And once again, that was an initiative that seemed to be pushed through in the eleventh hour without much notice. So, no, we have not been brought into this conversation.

Mr. COLLINS. Would anybody else like to—

Ms. SGAMMA. I think the Administration has so many different initiatives, and they are all extremely complex, whether it is DEI, or climate change, or natural capital accounting, that I don't think that the agencies can keep track of it all. So, it doesn't surprise me that the BLM didn't know about the NACs rule and what SEC was doing. How could they possibly keep track?

Mr. COLLINS. I think, needless to say, the Biden administration hasn't adequately consulted with any local stakeholders on these issues.

Before I wrap up, oh, goodness. Well, the Chair yields back, and the Chair now recognizes Mr. Curtis for 5 minutes.

Mr. CURTIS. Thank you, Mr. Chairman. I found myself already prepared in the wrong committee room, and I looked around and Marlo Oaks wasn't in the room, so I knew I was in the wrong spot.

I am really pleased to be here today. And thank you to all of our witnesses. Marlo, thank you for traveling from Utah. I am thrilled to be here, and be with Treasurer Oaks, who has been critical in Utah to push back against corporate ESG.

I am also glad we have a Western voice on this panel to talk about the implications of Wall Street locking up our public lands. This issue is especially relevant in Utah, where two-thirds of our land is federally managed. Think about that for just a minute, two-thirds. A high percentage of the districts that I represent are over 90 percent Federal lands.

Grazers, farmers, recreationalists, the energy industry, and more rely on access to these lands. They are critical to our national security and our livelihoods. National Asset Corporations are a

proposed vehicle to allow Wall Street to effectively lock up public lands to meet their ESG goals. This is why, with Treasurer Oak's support, I introduced a bill that would prohibit Natural Asset Companies from entering into any agreement involving Utah's land or natural assets.

Mr. Oaks, thank you for being here. While the NAC rule is temporarily on pause, it was a clear test to see how Wall Street can take over public lands for their own benefits. Why did you support my bill to ban natural asset companies or any similar rule from impacting Utah?

Mr. OAKS. Well, thank you for that question, Representative Curtis.

I think, really, the financialization of Mother Nature is an incredibly scary concept. When you can financialize a public good, and that is really what we are talking about, we are talking about taking public goods that are a benefit to society and financializing them, you are really creating ownership and assigning a value to a public good like air that we breathe. That can commoditize that public good, and that opens the door. It is really, as I stated, a Pandora's box to ownership and trading and valuing something that should be for the benefit of society.

And Wall Street certainly sees a lot of dollar signs associated with that, just given the value that they have thrown out as what these natural processes would be worth: \$5 quadrillion; in relation to financial assets globally, \$1.5 quadrillion. So, we are talking three times the value. That is a lot of money that could be made potentially from Wall Street.

Mr. CURTIS. Good. And then, if you would, comment just briefly on how that impacts the state, with two-thirds of its land being federally owned.

Mr. OAKS. It is a tremendous impact. When we have the growth of the state of Utah, where we are trying to create enough housing for people, we don't have a lot of private land. And then you add on to that all of the activity that happens in rural Utah on the Federal land that is critical to our economy, everything from oil extraction, to grazing, to recreation, outdoor recreation, I think we are the No. 1 state for outdoor recreation, these are key economic issues that will severely impact our state negatively.

Mr. CURTIS. Could you also just comment briefly on Utahns' perspective?

Sometimes when we push back on something like this, it gives the brand that somehow we also don't want to preserve and protect these areas. Could you just comment on that from a Utahn's perspective about how we feel ourselves about the importance of preserving and protecting these lands?

Mr. OAKS. Absolutely. I think, really, in the West, we are the original conservationists. I mean, this is the land that we grew up on. And the people that are closest to the land care about it the most. It is the farmers, and the ranchers, and the people that are in rural communities. This is their livelihoods. And we absolutely care about this land.

Mr. CURTIS. You mentioned they are the original conservationists. I think they like that word better. Sometimes I call them the original environmentalists.

[Laughter.]

Mr. CURTIS. And indeed, they are. And perhaps they are a little uncomfortable with that word. But thank you for that, and thank you for being here today.

Mr. Chairman, I yield back.

Mr. COLLINS. The gentleman yields back.

Before we conclude, I really wanted to end with a couple of observations. Most notably, I said that I had attended a lot of field hearings. And in those field hearings, there were none of our colleagues from the other side that showed up. When we are actually talking to people that are being affected by this Administration's policies, and it is just a reflection of the Administration, they don't really care what you think. They don't care what the implications may be on you or anybody in your area or in your community. They have an agenda that they are going after, and they have an agenda that they are going to try to achieve, and they are going to cram it down the throats of the American people.

You can also see that in the witnesses that they try to provide. I mean, we have some fellow from some elite Ivy League school that is going to come and talk to us and know better about your community and your area than you do. That just shows you the arrogance and the disdain for anybody else and anybody else's thoughts, or what they may have an opinion on.

It kind of reminds me of a lot of times, I am in the trucking industry, and we get new trucks in, and some engineers engineered something that they thought was just fantastic over here. But in the real world, it doesn't work. And it is because they sit behind a desk, or a computer screen, and they are not actually out there in the trucking world, driving.

So, I appreciate your testimony, and I appreciate you being here, because I can guarantee you one thing. We are not going to stop fighting this issue, and we are looking forward to the next administration taking over, and we will fix a lot of these problems.

I want to thank the witnesses for their valuable testimony and the Members for their questions.

The members of this Committee may have some additional questions for the witnesses, and we will ask you to respond to these in writing. Under Committee Rule 3, members of the Committee must submit questions to the Subcommittee Clerk by 5 p.m. on March 12. The hearing record will be held open for 10 business days for these responses.

As there is no further business, without objection, the Subcommittee stands adjourned.

[Whereupon, at 11:13 a.m., the Subcommittee was adjourned.]

## [ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD]

STATEMENT OF THE HON. PAUL GOSAR  
A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA  
CHAIRMAN OF THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

In accordance with the rules of the House and this Committee, I am pleased to submit this statement for the record.

First and foremost, I was extremely disappointed in the Minority for failing to produce a single witness. The failure of the Minority to defend their party and President Biden's strategy for natural capital accounting demonstrates the absolute absurdity of these policies when challenged, proponents of these ideas buck under the pressure. No one is willing to defend President Biden's policies, because they know that they are indefensible. But because they are beholden to radical leftist groups, they refuse to stand up against them.

Natural capital accounting and ecosystem services valuation are described by proponents as ways to calculate and place a monetary value on our public lands and natural resources. While there may be some merit to a bipartisan approach to accounting for some key natural assets, the Biden administration's *National Strategy for Natural Capital Accounting* and its implementation is nothing more than a continuation of his partisan land grab and an attempt by progressives to circumvent Congress and grant even more arbitrary power to unelected bureaucrats.

Natural capital accounting and ecosystem services valuation have united the left and right, with conservative and liberal critics alike criticizing the attempts to monetize natural activity as a shift in property rights away from local stakeholders to nameless financiers from the other side of the country or around the world. Natural capital accounting and ecosystem services valuation would allow nonprofits and other organizations funded by global financiers to lock up our federal lands and block the use natural resources for local productive activity. Conservatives argue that enacting these concepts will lead to our natural resources and lands being further restricted because we are removing stewardship from local communities and placing it in the hands of nameless financiers. Liberals argue that removing local control will increase injustice and abuse of our natural resources. The shared concerns about property rights cannot and should not be ignored when considering solutions for protecting our natural resources and public lands.

Despite the substantive criticisms from across the political spectrum, the Biden administration is moving ahead and formally integrating natural capital accounting and ecosystem services valuation across the federal government. Notably, the Biden administration has recently published guidance directing agencies to incorporate natural capital and ecosystem services valuation into benefit-cost analysis, a fundamental shift to a key component of agency rulemaking.

This directive, stemming directly from the Executive Office of the President, will have a tremendous impact on how agencies operate and carry out their duties. Yet the Biden administration has yet to provide Congress on the development and implementation of the guidance and the Biden administration's strategy writ large. Indeed, last month the co-authors of the Biden administration's National Strategy for Capital Accounting—the Office of Budget and Management, Office of Science and Technology Policy, and the Department of Commerce—all declined the Committee's invitation. Meanwhile, the one witness the Biden administration did send was a junior employee from the Bureau of Land Management who was curiously devoid of information on the Biden administration's policies on natural capital accounting and ecosystem services valuation.

Proponents argue that natural capital accounting and ecosystem services valuation will help inform policy makers as we try to craft bipartisan environmental solutions. However, natural capital accounting and ecosystem services valuation cannot accomplish their stated goals. Ecosystems are impossible to accurately measure. Beyond the practical difficulty, accounting systems fail to capture nature's intrinsic value. And, perhaps above all, the estimates are not precise enough for policy decisions.

Additionally, I have grave concern with how Democrats plan to use natural capital accounting and ecosystem services valuation. The President has made clear he is intent on locking our Natural Resources and Public Lands from responsible uses. For example, as explained on our February 15, 2024, hearing, The Natural Capital Accounting and Ecosystem Services Valuation will serve to help implement the America the Beautiful Initiative's 30x30 goal to lock up 30% of our nation's land by 2030. Likewise, natural capital accounting and ecosystem services valuation will also help enact more radical policies, such as the Bureau of Land Management's Conservation and Landscape Health which would lock off more federal lands in the name of conservation.

Natural capital accounting and ecosystem services valuation are nothing more than a continuation of the Biden administrations assault against our natural resources and public lands.

Protecting our natural resources and public lands is an issue which should unite us all. However, rather than foster bipartisan cooperation and work together to find solutions, the Biden administration is bypassing Congress through Executive overreach to force natural capital accounting and ecosystem services valuation on the Federal government and American people.

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## Submissions for the Record by Rep. Stansbury

Yale University  
Tobin Center for Economic Policy

March 13, 2024

Dear Chairman Gosar, Ranking Member Stansbury and Members of the Committee:

I am David Wilkinson, Executive Director of the Tobin Center to Economic Policy at Yale University. My written testimony is intended to represent views of economists, affirm the long-standing consensus among mainstream economists regarding the national statistical accounts, and to agree with the primary theme of this hearing that for natural capital accounting to be of value to our nation, it must continue to remain nonpartisan.

My role at the Tobin Center is to coordinate academic economists and help convey complex economic concepts in the fast-paced policy process at the federal, state and local levels. We work across issue areas offering nonpartisan and evidenced-based solutions. Since our founding in 2018 we have partnered with and assisted the Trump and Biden administrations (receiving appreciation and citations by both) as well as leaders in “red” states and “blue” states to help resolve complex issues using data and evidence.

It is important to clarify, as I would have in spoken testimony had I been able to be present, that am not a researcher, economist, or deep expert in the topic of natural capital accounting. Rather I was invited, and regrettably had to decline, to speak to the core issue presented by, and at the heart of, the hearing: the critical importance of nonpartisanship in any effort to develop national statistical accounts. (While I cannot speak for other invitees, I would have loved to be there with you and regretted my inability to accept the invitation to attend.)

On the matter of economic consensus around development of impartial objective statistics, I am qualified to testify based on my work collaborating with over 50 mainstream academic economists to summarize a consensus response to the Sept 2022 Request for Information (“RFI”) on the draft *National Strategy to Develop Statistics for Environmental-Economic Decisions* (the “National Strategy”). My testimony will therefore quote and paraphrase heavily from that document (“The Joint Comment of Economists” or “The Joint Comment”—attached in full hereto). In addition, it reflects themes I gathered in subsequent work assembling economists and statisticians—as well as former Republican and Democratic appointees—on the occasion of the 50th anniversary of the seminal paper that is credited with leading to the broadly held academic consensus around the importance of accounting for value of the natural assets (which mainstream U.S. economists believe is important to our national economic growth and prosperity). A co-author of that paper, the late Nobel laureate James Tobin is my center’s namesake. The other, Nobel laureate Bill Nordhaus, is on faculty at Yale.

The primary purpose of this testimony is to agree with key themes expressed by Sub-Committee Chairman Gosar and Committee Chairman Westerman in the Feb 15th hearing on this subject.

In that hearing Chairman Gosar stated that:

“We must take great care so that our natural capital accounting system will best serve our nation, rather than serve as a weapon to achieve partisan goals.”

Based on my work with economic experts on the subject at universities around the country, I believe Chairman Gosar’s core statement is one that would garner unanimous and enthusiastic support from academic economists and statisticians. As detailed below, economists believe we must take great care and that it is essential to do so in a way that is nonpartisan.

At the same hearing, Chairman Westerman voiced concern that the US may fall behind the rest of the world in the development of these statistics and that in the absence of US leadership—accurately noting the US has historically “been a leader in standards development”—we may become subject to standards that are not impartial and may serve foreign interests.

Economists also strongly insist on impartial, objective, nonpartisan statistical accounts. They have warned against any alternative, while also advocating for the US to be leader in their development.

Drawing largely from The Joint Comment of Economists, the remainder of my comments below in are intended to highlight for the committee the consensus opinion of mainstream academic economists as related to some of the issues raised at the heart of the hearing—and that further substantiate and support the alignment of economists with the priorities expressed above by the both the committee and subcommittee chairs. Where there is emphasis added in quotes herein, it is my own, intended to help draw out key points for the committee’s consideration.

**1. The motivation behind natural capital accounting is better statistics to advance economic growth and prosperity both now and in the future.**

Economists broadly share a consensus that it is important to reflect the key economic role of nature in our national accounts. As stated in the Joint Comment of Economists:

Economic statistics are the lens through which we observe the economy and are the tools for shaping its future. [The then draft National Strategy] advances a more complete set of economic statistics for the United States . . . .

Nature offers key inputs to the US economy across sectors. Natural resources—such as timber, water, fish, and minerals—underpin multiple supply chains. Forests and wetlands enhance water supplies and storm resilience while supporting outdoor recreation and tourism . . . . In these ways and many more, **nature enables growth and prosperity in the present and is essential to future economic success. How we manage nature today will either enhance or deplete future opportunities.** These characteristics, among others, are why economists have referred to nature as a form of natural capital.

**Despite the fact that nature supports, and is intertwined with, our economy,** and despite the fact that environmental change is important to economic decision making, **natural assets are not included in the tools for measuring and monitoring the economy: our national economic accounts.**

**2. The Strategy is grounded in well-established research spanning over decades and its objectives reflect the consensus of mainstream economists.**

The briefing for this hearing refers to demand for natural capital accounts among “pockets of economists, ecologists, and scientists.” While would not claim to represent the sentiment of ecologists or scientists, the question at hand is primarily around the statistical tools of economists and statisticians. For that population support goes far beyond pockets of support, and more resembles a consensus.

*The Strategy* is well-founded in the rich, well-developed history of thinking and practice on natural capital economics.

The need to include natural assets on our nation’s balance sheet is grounded in decades of research by leading academics, including multiple Nobel Laureate economists, federal economists, statisticians and scientists.

Based on my experience I would say the question for U.S. economists is not *whether* America should reflect nature’s contribution to our national wealth, but how, by what means and to what degree. That important and complex question, in turn, would be answered what the National Strategy calls for to be an open and transparent 15-year process.

**3. The approach proposed to develop statistics in National Strategy is reasonable and prudent.**

The Joint Comment expresses that the National Strategy appears to be consistent with—and if properly executed as designed—would be true to the long-standing consensus of economists.

*The Strategy* properly suggests a **conservative and purposeful, phased approach.** It proposes shepherding an efficient transition from research grade environmental-economic statistics and natural capital accounts to Core Statistical Products . . . .

The 15-year phased approach also sets a realistic time horizon for full adoption . . . Our national economic accounts have continually evolved over time. *The Strategy charts a realistic path to address an important gap in our economic understanding*, strengthening our accounts and their ability to inform better, smarter economic decision making in policy and business.

Thus, in summary, *The Strategy* represents a **timely, actionable, and much needed opportunity** to develop and deploy a system of account that better represents the balance of natural assets on which our prosperity currently draws.

Some non-economists concerned about a partisan valence have inquired “why now”. In addition to the fact that other nations are taking this up (*see below*, #6), the Joint Comment also notes that new technology now makes it practical and possible when it previously was not, noting that the National Strategy:

Takes advantage of **new and emerging technologies**, including secure, ‘big-data’ techniques and developments in environmental monitoring that were **not available in earlier federal attempts to develop environmental-economic statistics** . . .

**4. For statistical accounts to be useful we must have nonpartisan, objective standards.**

The briefing memo for this hearing highlights:

“There may be legitimate, nonpartisan reasons for NCA [meaning natural capital accounting] . . . such as ensuring responsible natural resource development, effective conservation, and stabilizing America’s economy and environment. However, instead of using NCA . . . to promote nonpartisan aims.” . . . the memo authors then express concern that the Biden Administration may intend to use the future national statistical accounts to advance partisan aims.

I know of no academic economist critique of present policy proposals (from the left or right) that may imply partisan manipulation of the ultimate statistics. Without speaking to current initiatives or intentions of a time-bound administration, I can say that the National Strategy *itself*—as a 15-year plan for non-partisan statistical agencies to transparently and methodically develop statistical standards—is something that academic economists have praised as a sensible approach that is well-suited to yield the desired outcome nonpartisan, objective statistics. It would seem to me any plans a current administration may have for partisan uses of standards will be irrelevant in a 15-year time horizon.

Indeed, economists have expressed encouragement that the 15-year development window not only allows ample time for transparent process to get these important statistics right, but it *also* signals that the current administration understands that the ultimate statistical accounts must be nonpartisan if they are to come into existence. In other words, it is encouraging to economists that the administration did not seek to “rush” statistical development to fit its administrative timeline, which it could have attempted to do.

Rather, it embraced the recommendation of impartial statistical leaders, ‘pushing the boat out to sea,’ knowing that for it to succeed it must survive partisan scrutiny on both sides. Over the course of 15 years, development of the strategy will likely pass through the administrative leadership of both parties. This provides ample opportunity to review, expose and eliminate unhelpful partisan agendas from either political valence on the path to well-pruned, objective, impartial statistics. Such a time horizon, among other aspects of the plan (e.g., coordination by nonpartisan statistical agencies, a plan for transparent development with feedback from communities and industry, and the bipartisan authorities from which it stems), is thus seen as encouraging. These factors helped motivate the Joint Statement of Economists in praising the National Strategy as a sensible, prudent, nonpartisan approach.

Chairman Westerman, while expressing concern that the US may be falling behind other nations in a way that might compromise US interests, also clearly pointed out “the distinction between developing standards and using those standards in a nefarious way”. By “nefarious,” I think the Chairman means anything that would resemble insincere effort to hide behind standards as a ruse for partisan objectives.

The authors of the Joint Statement offer a similar warning that the approach to establishing and implementing the statistics must be nonpartisan:

*The Strategy*, which, **if executed as planned in a non-partisan manner**, will enhance the ability of government and business to manage capital efficiently in pursuit of national prosperity.

It seems this was also the sentiment of Congressman Gosar's statement (as quoted above) in the February hearing on this topic.

**5. Development of the Strategy should be an open, inclusive, and transparent process.**

As a nonexpert in the topic but as someone who has worked across the aisle on nonpartisan initiatives in a partisan environment, I also submitted a comment in response to the RFI on the National Strategy alongside a colleague who has worked in administrations of both parties (see attached "Tobin Center Comment"). With the blessing of mainstream economists interested in the development of objective statistics, we made recommendations on effectively executing an open transparent process:

**Be transparent in goal setting and execution:** *The Strategy* is exemplary in its transparency and accessibility. Each aspect of each phase of the initiative will involve similarly significant complexity and detail. In execution of each aspect, the federal government should strive for a similar level of transparency and accessibility where practical and allowable. A lead communicator should be identified for each relevant subcomponent and whether the same entity or varying should adhere to a somewhat standard reporting format and cadence with actions, objectives and target timelines **so that industry, researcher, and the public may easily access and interpret the ongoing work and results . . .**

**Engage relevant, affected, interested and expert communities: We encourage the involvement of the private sector in the development of the accounts** to ensure that the accounts are also useful by business and financial decision makers. This engagement process will also contribute to having consistency between natural capital information produced by business and finance and facilitate the flow of information among private and public sectors . . . **Federal leaders should be aware of the appropriate mechanisms of such engagement and plan for it from the beginning.** In addition to compliance with relevant statute, this should include user-centered [sic —{centered}] approaches to engagement and information sharing.

The ultimate strategy sets out a path that calls for just such transparency and multi-stakeholder engagement, as called for by multiple commenters.

**6. It is in American interests for the United States to lead, as it has historically done in statistical standard development.**

Natural capital accounting is an American idea. Despite rich bipartisan history advancing these concepts dating back to the Nixon Administration, the US has more recently fallen behind. This has occurred on the watch of administrations of both parties. In the Joint Statement, economists expressed the importance of a return to US leadership:

While the US has [historically] been a catalytic leader in recognizing the untapped potential value in accounting for natural assets, the concept is also underpinned by a broad research community and considerate academic and policy leadership internationally, with over 80 countries formalizing natural capital accounting in economic-statistical systems . . . **It is once more time for the U.S. to lead its peers in this area and this practical strategy positions the United States to do so.**

At the February hearing, Chairman Westerman noted:

And I do want to make a clarification here. The idea of valuing our natural assets I don't think is a bad idea, and I think the US is probably behind in that, in creating standards. And my understanding is that some foreign entities, even China, are working on international standards that could be used against us, be used against products produced in America.

He later stated:

I am concerned that we are getting behind, and we are allowing people who don't have our best interests at heart to develop these standards, where the US has generally been a leader in standards development around the world.

Some have expressed concern about a partisan agenda in development of the Strategy or the intended use of the resulting statistics. If there are partisan designs on either side, the evidence does support the case that such partisan goals are the intention of the economists and statisticians who would actually develop and use the resulting statics to advance growth and prosperity. Further, the multi-year, transparent design does not support the conclusion of partisan intent. Rather, these characteristics have been applauded by economists as partisan insulation. I suspect economists would also applaud any sincere concern about the objectivity of standard development and would welcome oversight that helps keep partisan agendas out of the process.

**For their part, if there is any agenda here, it is this: for half a century, US economists and statisticians have seen an obvious and significant gap in how we account for and assess our national wealth. New technology has begun to make it practical to correct this long-standing shortcoming in our national accounts. Statistics and accounting being universal languages, economists and statisticians in other countries see the same problem in their statistical systems as well as the new opportunity to solve for them. And they are acting.**

**The US has historically led the world in developing standards and statistics—something that has widely been seen as working in US national interests.** This is not a case where inaction is inconsequential. If America does not lead, other nations will. Economists I have spoken to believe the result may compromise US interests, for instance in international trade (as well as the quality, accuracy and impartiality of the statistics themselves). I would venture to say many would agree with Chairman Westerman's concerns, as he framed them.

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**Yale School of the Environment**

March 12, 2024

House Committee on Natural Resources  
Subcommittee on Oversight and Investigations

Dear Chairman Gosar, Ranking Member Stansbury and members of the Subcommittee:

I am a professor of natural resource economics at Yale. For over a decade, I have done research on how to measure the changing value of natural resources, by applying capital theory to them. I was cited multiple times in your briefing memo. In June 2021, I took leave from Yale to serve the country in the Office of Science and Technology Policy. I returned to Yale at the end of January 2023, and this statement should not be interpreted as a statement for OSTP or for Yale.

I believe that nonpartisan, careful accounting for our natural resources elevates the conversation and is a useful tool in economic decisions and in natural resource decisions. This is why I have spent so much of my career working on the methods to measure the changing value of natural resources as assets. In November 2016 I was invited to Kansas to speak at the Governor's Water Conference about a groundwater natural capital account that colleagues and I had built. The farmers at the conference were interested in the account and told me they found it helpful to structure their conversations about how the farmers themselves managed the groundwater in Kansas. They also expressed interest in having a regularly updated account. I offered to work with economists from Kansas to do so, but I did not have the capacity to maintain the account myself at the time. My experience in Kansas convinced me that it is possible to do natural capital accounting in a way that helps local decision makers who are closest to the resource.

Treating natural resources as assets is not a new idea. Teddy Roosevelt famously said, "The nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased, and not impaired, in value; and behaves badly if it leaves the land poorer to those who come after it."<sup>1</sup> Roosevelt was advised by leading thinkers of his time: Gifford Pinchot, a founder of American forestry, and Irving Fisher, a founder of American economics. The writings of those two foundational American scholars make it clear that Roosevelt likely took this statement literally. Yet, it is only recently that we have had the data and methods to provide the type of measurements to formally be accountable to the standard Roosevelt called for. And, accounting helps with accountability. Accounting facilitates resource management in the form of wise use, i.e., conservation.

The idea of treating natural resources as assets and accounting for them is well established in economic thought. At least half a dozen Nobel laureate economists have written on the topic. Many prominent American economists went on record in the public comments in favor of the national strategy for natural capital accounts, which they characterized as "well-founded in the rich, well-developed history of thinking and practice on natural capital economics." The National Research Council, The National Bureau of Economic Research, and the Government Accountability Office have all said we need some form of environmental-economic and/or natural capital account. And, for national statistics to be useful they, of course, must be nonpartisan and adhere to high standards.

I was heartened watching the first hearing, because I saw consensus on a common theme: accounting for natural assets is important, and it must be nonpartisan. Chairman Gosar said, "we must take great care so that our natural capital accounting system will best serve our Nation, rather than serve as a weapon to achieve partisan goals." Representative Stansbury laid out a compelling case for natural capital accounts. Chairman Westerman said, "The idea of valuing our natural assets I don't think is a bad idea, and I think the U.S. is probably behind in that, in creating standards. And my understanding is that some foreign entities, even China, are working on international standards that could be used against us, be used against products produced in America." I believe that the 15-year process is itself a mechanism for nonpartisan development since neither party is likely to control the Presidency for a 15-year run.

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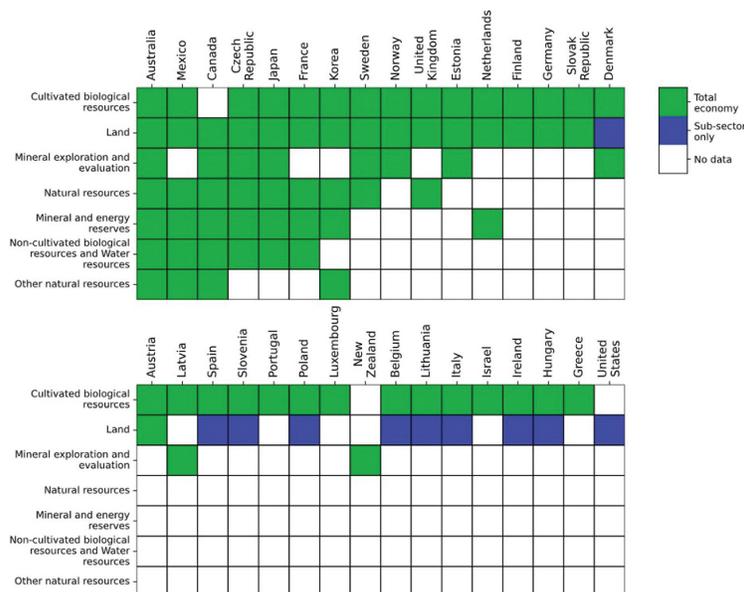
<sup>1</sup>Roosevelt, T. 1910. Conservation: Speech at Denver before the Colorado Live Stock Association in A. H. Lewis, editor. *Compilation of the Messages and Speeches of Theodore Roosevelt*.

I would like to clarify some relationships related to international accounting standards for national accounts, prior to relaying a story about their development. The System of National Accounts and the System of Environmental Economic Accounting (SEEA) are developed through a process of negotiation among national statistical offices; the role of the UN is merely as a convener and secretariat—the UN Statistics Division does not make statistical policy. Traditionally, the United States has provided international leadership on statistical standards. Other countries have followed the examples that the United States implements. The United States co-led (with the UK) the establishment of the System of National Accounts in the wake of the second World War (the U.S. began work in the wake of the Great Depression). Historians and economists credit this system with helping contain the Soviet Union during the cold war.

Around 2019, I was invited as an expert to advise on the System of Environmental Economic Accounting, which I would characterize as a daughter standard to the System of National Accounts. Many of the people in the conversations that I was involved with around the System of Environmental Economic Accounting were delegates from various national statistical offices. I watched the experts from the U.S. Government work to make sure the standards adhered to the high, nonpartisan standards of the U.S. statistical system. I had colleagues from other European countries say things to the effect of, “The U.S. ideas sound nice, but it is hard to back them and convince our governments to adopt the high quality standard because the U.S. is not actually implementing environmental-economic accounting.” I saw the penultimate draft, and there are many reasonable features within SEEA. While many of these reasonable features were retained in the final version, I was shocked in 2021 when China’s “Gross Ecosystem Product” idea was included in the final standard. It had not been in the draft that I saw. I don’t think the “Gross Ecosystem Product” idea is broadly supported by economists. I believe this is why the U.S. national strategy says, “Incorporate the internationally agreed-upon SEEA to guide development of U.S. natural capital accounts and environmental-economic statistics, where the SEEA standards are relevant and robustly developed.” I believe the approach in the US strategy is good. It enables the U.S. to lead from within, but being very clear that there are elements of SEEA that are not relevant or robustly developed for use in the United States. The proposed approach will enable the U.S. to steer the future development of SEEA.

Other countries will use an international standard, multilateral development banks will use an international standard, sovereign credit rating agencies will use the data based on the international standard. It appears that either the United States can resume its traditional leadership role of leading on statistical standards, leading by example, or it seems likely China will attempt to step in.

In the first hearing, Chairman Westerman asked about the relationship of U.S. natural capital accounts to other countries. About three months ago, a student and I took data from the OECD—for countries that report to the OECD and looked at which countries report non-financial, non-produced assets (and produced assets called cultivated biological assets, like orchards and plantation forests) on their official national balance sheets. To be clear, this is part of the main System of National Accounts that lead to internationally comparable measures of GDP (not the SEEA Ecosystem Accounts). The categories are the headline categories. Fish and non-plantation forests would be non-cultivated biological assets (assuming there is a management plan). Chile, Iceland, Colombia, Turkey, and Switzerland also report to the OECD, but report no data. These are official, not experimental or pilot accounts. You can see the U.S. is indeed behind.



A consensus opinion among U.S. economists and statisticians is that the omission of natural resources from our national balance sheet is a shortcoming in the system of national accounting, and it should be rectified. New technologies and increased computing power are now making it possible to fill the hole and address this well recognized problem.

In 1972, Nobel laureates Nordhaus and Tobin pointed out that when something is omitted from the accounts, it is treated as if it is free, and they write, “There are serious consequences of treating as free things which are not really free. This practice gives the wrong signals of the direction of economic growth.”

A common way this shows up is that following a forest fire, some media pundit says, “The fire was good; the rebuilding will boost GDP.” It is technically correct that rebuilding boosts GDP (though usually only for the quarter of, or the quarter immediately after, the disaster). But, uncontrolled forest fires clearly can’t make good economic sense. This happens because GDP is a measure of how much money we spend (though studies show that disasters generally depress GDP starting 3 or more quarters after the disaster, because of the loss of the unaccounted-for capital base). What we should be looking at instead is the change in the balance sheet. It records the stock of national wealth, rather than the flow of spending. Putting natural assets on the balance sheet will show how failure to manage forest fire reduces national wealth.

High quality economics requires robust economic information about the role of natural assets in supporting economic development through industries such as forestry, fishing, mining, and tourism or helping lower costs elsewhere, like the role of forests in lowering costs for water treatment facilities or the role of clean air in boosting worker productivity and lowering health care costs. Importantly, natural resources do contribute to our economy even when they are not used up in the process. This is similar to the way produced capital, like machines, boost production without being used up (though may require maintenance like ecosystems).

In the first hearing, Chairman Gosar, asked about mining having something to sell, but clean air is not something to sell. I understand why someone would ask that question. First, a land manager who owns land with a mineral resource should record the income from selling a mineral, but should also record the decline in value of the land from selling the resource, because the opportunity to mine certainly capitalizes into land value and that land value is reduced after the mineral is extracted. This is simply how double entry accounting works. Right now, we don’t keep track of the decline in land value from separating the land from the mineral, including potential impairments (e.g., tailing piles) that may leave the land less

suitable for alternative uses. Second, with respect to air quality, cleaner air reduces health care costs and increases worker productivity (sort of like computers). So, there is something to show for it as far as real financial flows. The challenges of measuring it are not that different from assessing the value of a firm with specialized capital assets that must be repaired from time to time—just as the U.S. has greatly improved air quality over the last 3–4 decades (and for which our national accounts don’t give us credit: see Muller 2014, *Science*). Importantly, the U.S. strategy lays out a plan for separating these processes through developing accounts that adhere to a small number of accounting boundaries. This small number (3 in the strategy) of accounting boundaries will enable people to disagree about what is important, and then see if that disagreement actually matters or if even though they don’t agree perfectly, they would ultimately reach a similar decision.

Also to be clear, as I understand it, national economic statistics are almost never directly used for regulatory benefit-cost analysis. I would expect the same to be true of environmental-economic statistics. There seemed to be some mixing of these two, admittedly confusing, topics in the briefing memo. I would expect the statistics to be used in ways similar to the way that our current economic statistics are used.

I am willing to spend some time with Republican and Democratic staffs to have a conversation on technical details of natural capital accounting. I realize there are questions, and I doubt that I can do justice to these technical questions in this letter. I will simply say that the methods are very similar to the way we already account for owner occupied housing, computers, and forms of specialized capital for which there are not large markets. I believe we can do for natural assets as well as we do for many other sectors of the U.S. economy, and we can avoid highly subjective measurements. Moreover, the fact that not all the value of nature can be measured, does not mean that measuring some value is not important. It is important to value the parts that we can and strive to improve over time. That is what we have done over the past 70 or so years of national accounting.

It may well be that a great winner from establishing natural capital accounts is congressional oversight of land and resource management agencies. Imagine being able to ask the head of the US Forest Service, ‘how did our forest portfolio perform last year?’ Or ask the Administrator of NOAA, ‘how did our fish portfolio perform last year?’ Once the national strategy is fully implemented, the information to answer these sorts of questions will be in official U.S. statistics that will enable Congress and the American people to look and see if we are turning over our natural assets “increased, and not impaired, in value.”

I believe the implementation details in the national strategy document from OMB, OSTP, and DOC lay the foundation for a data-driven, nonpartisan process for accounting for the changing value of our natural assets as well as the flows of income from those assets.

Sincerely,

ELI FENICHEL  
Professor of Natural Resources Economics

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**Statement for the Record**

**Ranking Member Melanie Stansbury  
March 7, 2024**

After I left the hearing, some of my majority colleagues mischaracterized my words by claiming that the minority-invited witness was unwilling to answer questions. That is incorrect. In fact, he was on the way to DC to do exactly that, but had to return home due to a family illness.

