

August 5th 2021

Central Bank of Chile decided to join the Natural Capital Committee

Following the invitation extended by the Ministry of the Environment, on July 29 the Board of the Central Bank of Chile decided to join the *Natural Capital Committee*, a group created by said ministry and supported by the National Council of Science, Technology, Knowledge and Innovation (*Consejo CTCI*). The committee's main objective is to provide recommendations regarding the measurement of the stock of *Natural Capital* in Chile.

This project will build on the work developed by the UK's *Natural Capital Committee*, created in 2012, which motivated the Dasgupta Review: *The Economics of Biodiversity*, published in February 2021. These initiatives emerge from the need of incorporating the integrity of biodiversity and ecosystem services into standard economic analysis, to ensure that economic development is consistent with the protection of nature, safeguarding the interests of future generations.

The Central Bank of Chile, through its Statistics Division, will focus on identifying concrete methodologies and viable plans for implementing the measurement of *Natural Capital*, building on its expertise in the development of National Economic Accounts and following the recently published UN guidelines (*System of Economic-Environmental Accounting, Ecosystem Accounting, 2021*).

Identifying and quantifying the state of ecosystems and valuing the flow of services they provide to people will be an important first step towards ending the silent depredation and deterioration of nature. It will also provide a solid basis for evaluating policies and initiatives aimed at the conservation and restoration of ecosystems, thus enabling a model of economic growth which respects the protection of nature and the well-being of future generations.

The Central Bank's decision follows a broader agenda that increasingly focuses on economic-environmental interactions and the risks derived from nature's deterioration. Examples of this agenda include the recently published study "Carbon Footprint of the Chilean Economy, 2017"; the Bank's decision to join the *Network for Greening the Financial System* (NGFS) in 2020; and the creation of the *Environmental Economics Group* within the bank, tasked with developing and implementing the overall research agenda.

As the Bank's representative in the *Natural Capital Committee*, the Board has designated Elias Albagli, Head of the Monetary Policy Division, and coordinator of the Central Bank's *Environmental Economics Group*.