

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

March 6, 2024

The Honorable Shalanda Young
Director
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Dear Ms. Young:

The House Committee on Natural Resources (Committee) is conducting ongoing oversight of the Federal government's efforts to incorporate natural capital accounting and ecosystem services valuation (ESV) into Federal decision-making and Federal actions. As you are aware, the Office of Management and Budget (OMB) has played a leading role in this process, including the development of a national system of natural capital accounting.¹ As a result, the Committee seeks information from OMB to better understand its role and aid the Committee in ensuring effective management of public lands, conservation of wildlife habitat, and responsible development of America's natural resources.

For nearly a decade, OMB has led the Federal government's efforts to develop and implement natural capital accounting and ESV. During the Obama administration, on October 7, 2015, OMB issued Memorandum M-16-01 that directed Federal agencies to develop and enact policies to incorporate and institutionalize ecosystem services into Federal decision-making and actions (M-16-01).² OMB justified the directive on the grounds that nature "provides vital contributions to economic and social well-being that are often not traded in markets or fully considered in decisions."³ Hence, OMB issued M-16-01 to integrate the "full range of benefits and tradeoffs among ecosystem services" into Federal decision-making and Federal actions.⁴

OMB's preeminent role in implementing natural capital accounting and ESV in Federal decision-making and Federal actions has only grown during the Biden administration. On April 22, 2022, President Biden issued Executive Order (E.O.) 14072—*Strengthening the Nation's Forests, Communities, and Local Economies*—which ordered the Director of OMB to issue guidance on the valuation of ecosystem and environmental services and natural assets in Federal

¹ Office of Science and Technology Policy, Office of Mgmt. & Budget, and Dep't of Commerce, *National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting and Environmental Economic Statistics*, THE WHITE HOUSE viii (Jan. 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/01/Natural-Capital-Accounting-Strategy-final.pdf> [hereinafter National Strategy for Natural Capital Accounting].

² Office of Mgmt. & Budget, *Incorporating Ecosystem Services into Federal Decision Making*, M-16-01, EXEC. OFFICE OF THE PRESIDENT, (Oct. 15, 2022), <https://obamawhitehouse.archives.gov/sites/default/files/omb/memoranda/2016/m-16-01.pdf>.

³ *Id.* at 1.

⁴ *Id.* at 2.

regulatory decision-making.⁵ Following E.O. 14072, on July 22, 2022, OMB issued guidance in a memorandum for the heads of executive departments and agencies regarding research and development priorities for the Fiscal Year 2024 budget (OMB Natural Capital Memo).⁶ The OMB Natural Capital Memo instructed agencies to promote efforts to account for ecosystem and natural capital services.⁷ The OMB Natural Capital Memo also instructed agencies to “identify and prioritize R&D investments that advance... the ability to evaluate and track the effects of policies, projects, and programs on climate mitigation, resilience, and ecosystem services.”⁸

A month later, on August 18, 2022, OMB—along with its co-authors, the Office of Science and Technology Policy (OSTP) and the Department of Commerce (DOC)—released a draft version of a national strategy for natural capital accounting for public comment (Draft National Strategy).⁹ The Draft National Strategy was developed to chart “a course to measure natural capital in official U.S. economic statistics” and expand the national accounting system to provide new information that will “capture links between nature and the economy.”¹⁰ The Draft National Strategy stated that a “comprehensive set of natural capital accounts could provide much of the information needed to track progress toward national conservation goals set out under America the Beautiful and ‘30x30.’”¹¹ It also referenced how the interrelationship between natural capital accounting, ESV, and the development of Natural Asset Companies (NACs) will “facilitate liquidity between natural assets and financial capital.”¹² NACs are a new form of company that plans to “hold the rights to the ecological performance” of prescribed areas, including public lands, for “conservation, restoration, or sustainable management.”¹³ NACs were designed to capture the “full value” of ecosystem services and natural assets.¹⁴

⁵ Exec. Order No. 14072, 87 Fed. Reg. 24851 (Apr. 22, 2022),

<https://www.federalregister.gov/documents/2022/04/27/2022-09138/strengthening-the-nations-forests-communities-and-local-economies>.

⁶ Office of Mgmt. & Budget, *Memorandum on Multi-Agency Research and Development Priorities for the FY 2024 Budget*, EXEC. OFFICE OF THE PRESIDENT, (July 22, 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/07/M-22-15.pdf>.

⁷ *Id.* at 6 (“Agencies should promote R&D efforts to include ecosystem services in cost-effectiveness and benefit-cost analyses; track natural assets through the emerging national system of natural capital accounts and associated environmental-economic statistics; and synthesize knowledge of these and other connections between nature, climate, economy, and society through the National Nature Assessment”).

⁸ *Id.* at 4.

⁹ Office of Science and Technology Policy, Office of Mgmt. & Budget, and Dep’t of Commerce, *Public Comment Draft, National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting and Environmental Economic Statistics*, THE WHITE HOUSE (Aug. 18, 2022), <https://www.whitehouse.gov/wp-content/uploads/2022/08/Natural-Capital-Accounting-Strategy.pdf>.

¹⁰ *Id.* at iii.

¹¹ *Id.* at 9.

¹² *Id.* at 7-8.

¹³ Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing of Proposed Rule Change To Amend the NYSE Listed Company Manual To Adopt Listing Standards for Natural Asset Companies, SECURITIES AND EXCHANGE COMMISSION, 88 Fed. Reg. 68811 (proposed Sep. 29, 2023), <https://www.federalregister.gov/documents/2023/10/04/2023-22041/self-regulatory-organizations-new-york-stock-exchange-llc-notice-of-filing-of-proposed-rule-change>.

¹⁴ *How NACs Work*, INTRINSIC EXCHANGE GROUP, <https://www.intrinsicexchange.com/nacs#:~:text=NACs%20CONVERT%20NATURAL%20ASSET%20VALUE,aset%20owners%20and%20local%20stakeholders>. (last visited Feb. 13, 2024).

A few days later, on August 22, 2022, OMB continued to lead the Biden administration's efforts to remake the national system of accounting by issuing a request for information to help inform the development of "Government-wide natural capital accounts and standardized environmental-economic statistics" (OMB RFI).¹⁵ The OMB RFI stated that international interest in "developing natural capital accounting methodologies" has led to "demand for U.S. Federal leadership to develop natural capital accounts and standardized environmental-economic statistics to provide a centralized domestic framework and to promote international norms."¹⁶

By January 2023, OMB's efforts and longstanding leadership on this issue came to fruition. On January 19, 2023, the Biden Administration introduced the *National Strategy to Develop Statistics for Environmental-Economic Decisions: A U.S. System of Natural Capital Accounting and Environmental Economic Statistics* (National Strategy for Natural Capital Accounting).¹⁷ Similar to the Draft National Strategy, the lead authors of the National Strategy for Natural Capital Accounting were OMB, OSTP, and the DOC.¹⁸

According to the National Strategy for Capital Accounting, the U.S. has "not regularly reported official statistics on changes in the quantity, condition, or value of natural assets."¹⁹ Nor has the United States aggregated natural capital statistics "into measures that connect with the existing national economic accounts or complement common economic headline statistics such as Gross Domestic Product."²⁰ To fill this purported void, the National Strategy for Natural Capital Accounting directs the Federal government to treat "nature as an asset" and incorporate "these natural assets on the national balance sheet" for the first time.²¹ The National Strategy for Capital Accounting also directs agencies to use the UN System of Environmental-Economic Accounting (UN-SEEA) to "guide development of U.S. natural capital accounts" as they embed natural capital accounting and associated environmental-economic statistics in the U.S. economic statistical system.²²

For reasons unknown, explicit acknowledgment of the Biden administration's plans to utilize natural capital accounting to promote the America the Beautiful initiative and 30x30 goals was removed between the draft version and the final version of the National Strategy for Natural Capital Accounting.²³ However, the National Strategy for Natural Capital Accounting retained the reference to NACs.²⁴ It also declared that a "national system of natural capital accounts and associated environmental-economic statistics is necessary" for NACs and similar "frameworks to succeed and to enable U.S. firms to compete as other countries develop such accounting systems."²⁵

¹⁵ Office of Mgmt. & Budget, *Request for Information To Support the Development of a Strategic Plan on Statistics for Environmental-Economic Decisions*, EXEC. OFFICE OF THE PRESIDENT, 87 Fed. Reg. 51450 (Aug. 22, 2022), <https://www.federalregister.gov/documents/2022/08/22/2022-17993/request-for-information-to-support-the-development-of-a-strategic-plan-on-statistics-for>.

¹⁶ *Id.*

¹⁷ National Strategy for Natural Capital Accounting, *supra* note 1.

¹⁸ *Id.*

¹⁹ *Id.* at 3.

²⁰ *Id.*

²¹ *Id.* at viii.

²² *Id.* at viii.

²³ *Id.*

²⁴ *Id.* at 10.

²⁵ *Id.*

As you know, the U.S. Government uses benefit-cost analysis to assess a systematic process for identifying, quantifying, and comparing expected benefits and costs of a Federal investment, action, regulation, rule, or policy.²⁶ Following the release of the National Strategy for Natural Capital Accounting, on August 1, 2023, OMB's Office of Information and Regulatory Affairs (OIRA), in collaboration with OSTP, released a draft of the Federal government's first-ever guidance on accounting for ecosystem services in BCA, *Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis* (Draft Ecosystem Services BCA Guidance).²⁷ On February 28, 2024, OMB finalized and published the guidance on accounting for ecosystem services in BCA (Ecosystem Services BCA Guidance).²⁸ Additionally, on November 9, 2023, OMB issued an updated Circular No. A-4,²⁹ the Federal government's primary document for guiding BCA (Updated Circular No. A-4).³⁰ The Updated Circular No. A-4 formally integrates NCA and ESV into BCA analysis, mandating Federal agencies to "account for effects on environmental or ecosystem services, or changes in the value of natural assets" in any BCA.³¹ According to a Biden administration official at OSTP involved in drafting the Updated Circular No. A-4, the updated guidance integrating natural capital accounting and ESV into BCA analysis will have a "tremendous influence over what government agencies consider, how they consider it, when they make regulatory decisions, and also over the ability of the government to defend or be challenged in court over those decisions."³²

Overall, it is clear that Federal agencies have followed the directives from OMB to develop and enact policies that incorporate natural capital and ecosystem services into Federal decisions and actions. Thus, to help the Committee learn more about OMB's longstanding role in developing and implementing policies to incorporate natural capital accounting and ESV into Federal decision-making and Federal actions, on January 31, 2024, the Committee invited you, or your designee, to testify before the House Committee on Natural Resources during a Subcommittee on Oversight & Investigations hearing on the National Strategy for Natural Capital Accounting (Committee's Natural Capital Accounting Hearing).³³

During the subsequent week, Committee staff and OMB staff discussed OMB's potential participation in the Committee's Natural Capital Accounting Hearing. On February 6, 2024, and much to the Committee's disappointment, OMB declined to participate in the Committee's Natural

²⁶ See *What Is a Benefit-Cost Analysis (BCA)?*, U.S. DEP'T OF TRANSPORTATION, <https://www.transportation.gov/grants/dot-navigator/what-is-a-benefit-cost-analysis> (last updated Jan. 23, 2024).

²⁷ Office of Information and Regulatory Affairs, *Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis*, OFFICE OF MANAGEMENT AND BUDGET (Aug. 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/08/DraftESGuidance.pdf>.

²⁸ Office of Information and Regulatory Affairs, *Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis*, OFFICE OF MANAGEMENT AND BUDGET (Feb. 28 2024), <https://www.whitehouse.gov/wp-content/uploads/2024/02/ESGuidance.pdf>.

²⁹ *Circular No. A-4*, OFFICE OF MANAGEMENT AND BUDGET (NOV. 9, 2023), <https://www.whitehouse.gov/wp-content/uploads/2023/11/CircularA-4.pdf> [hereinafter Updated Circular No. A-4].

³⁰ *YSE Professors Help Federal Government Account for Environment in Regulatory System*, YALE SCHOOL OF THE ENVIRONMENT, <https://environment.yale.edu/news-in-brief/yse-professors-help-federal-government-account-environment-regulatory-system> (last visited Feb. 21, 2024).

³¹ Updated Circular No. A-4, *supra* note 29.

³² YALE SCHOOL OF THE ENVIRONMENT, *supra* note 30 (statement of Eli Fenichel, Assistant Director of Natural Resources and Accounting, OSTP).

³³ Invitation on file with Committee.

Capital Accounting Hearing.³⁴ Specifically, OMB claimed that it only “has a technical role” in the National Strategy for Natural Capital Accounting and “is not in a position to discuss the overall goals of the strategy, the implementation process, or provide a status update.”³⁵ Understandably, the Committee was skeptical of OMB’s claim that OMB only had a “technical role” in the National Strategy for Natural Capital Accounting, given OMB’s longstanding position directing the implementation of natural capital accounting and ESV in Federal decision-making and Federal actions.

The Committee is interested in learning more about OMB’s historical, ongoing, and integral work to incorporate natural capital accounting and ESV into Federal decision-making and Federal actions, including, but not limited to, the development and implementation of the National Strategy for Natural Capital Accounting, the Ecosystem Services BCA Guidance, and the Updated Circular No. A-4. To assist the Committee with learning more about OMB’s work—and to ensure effective management of public lands, conservation of wildlife habitat, and responsible utilization of America’s natural resources—please provide the following documents and information by March 22, 2024:

1. All drafts, and any corresponding communications, of the National Strategy for Natural Capital Accounting exchanged between OMB and OSTP.
2. All drafts, and any corresponding communications, of the National Strategy for Natural Capital Accounting exchanged between OMB and DOC.
3. All drafts, and any corresponding communications, of the National Strategy for Natural Capital Accounting exchanged between OMB and the Council on Environmental Quality.
4. All documents and communications regarding DOI’s compliance with OMB directives on natural capital accounting and/or ecosystem services, including but not limited to, M-16-01 and the OMB Natural Capital Memo.
5. All documents and communications—from January 20, 2021, to the present—between OMB and DOI regarding natural capital accounting, ESV, and/or the National Strategy for Natural Capital Accounting.
6. All documents and communications—from January 20, 2021, to the present—between OMB and the Bureau of Land Management regarding natural capital accounting, ESV, and/or the National Strategy for Natural Capital Accounting.
7. All documents and communications—from January 20, 2021, to the present—between OMB and NOAA regarding natural capital accounting, ESV, and/or the National Strategy for Natural Capital Accounting.

³⁴ Email declining invitation on file with Committee.

³⁵ *Id.*

8. All documents and communications—from January 20, 2021, to the present—between OMB and OSTP regarding the Draft Ecosystem Services BCA Guidance and/or the Ecosystem Services BCA Guidance.
9. All documents and communications—from January 20, 2021, to the present—between OMB and OSTP regarding the Updated Circular No. A-4.
10. All documents and communications—from January 20, 2021, to the present—regarding NACs.
11. Did OMB and other involved Federal agencies provide adequate notice of the proposed National Strategy on Natural Capital Accounting in a manner that complies with the Administrative Procedures Act requirements, allowing interested parties sufficient time to prepare and submit comments? If so, please describe how.
12. How were public comments considered in the final formulation of the National Strategy for Natural Capital Accounting?
13. Please describe how input from various stakeholders, including nonprofits, influenced the formulations, development, and of the National Strategy for Natural Capital Accounting.

An attachment to this letter provides additional instructions for responding to requests from the Committee on Natural Resources. Please contact the Majority staff for the Oversight and Investigations Subcommittee at (202) 225-2761 or HNRR.Oversight@mail.house.gov with any questions. Under House Rule X, the Committee on Natural Resources has “general oversight” of any matter relating to its jurisdiction, including management of public lands, conservation of wildlife habitat, and responsible development of America’s natural resources. Thank you for your cooperation.

Sincerely,



Bruce Westerman
Chairman
Committee on Natural Resources



Paul A. Gosar, D.D.S.
Chairman
Subcommittee on Oversight and Investigations



Cliff Bentz
Member of Congress



Jerry Carl
Member of Congress



John Curtis
Member of Congress



Russ Fulcher
Member of Congress



Harriet M. Hageman
Member of Congress



Doug Lamborn
Member of Congress



Dan Newhouse
Member of Congress



Ralph Norman
Member of Congress



Matt Rosendale
Member of Congress



Daniel Webster
Member of Congress

Enclosure