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New Estimates of Natural Capital for the Index of Economic Well-being

In the early 2000s, the Centre for the Study of Living Standards developed the Index of Economic Well-being as a composite indicator of the economic well-being of Canadians (Osberg and Sharpe. 2002). The IEWB consists of four domains, namely consumption, stocks of wealth, inequality, and economic security and 28 separate indicators making up these domains. The IEWB estimates are updated on an annual basis for the Government of Alberta. The most recent report on the IEWB, which was commissioned by the Ontario Ministry of Finance is being released in January 2025 (Sharpe and Suuronen, 2025).

The wealth domain of the IEWB consists of the stocks of physical capital, both residential and non-residential, R&D, human capital, the international investment position, and natural capital which included estimates of the cost of environmental degradation. While the IEWB estimates for Canada currently include estimates for natural capital from Statistics Canada, IEWB estimates for OECD countries have not included natural capital because of lack of data. Now that international organizations including the World Bank and the United Nations Environmental Program produce estimates of human capital, the natural capital of the wealth domain can be added to the IEWB for OECD countries.

The objective of this project is to assess the current state of the natural capital estimates produced by international organizations such as the UNEP and the World Bank to identify appropriate natural capital estimates for the IEWB.

The project will consist of two parts. The first part will be a review of the literature on estimates of natural capital produced by international organizations such as the World Bank (2024) and the United Nation (UNEP, 2023), . This review will include both the methodology used to estimate natural capital, the different types of natural capital covered, and trends in the estimates for selected OECD countries, including Canada

The second part of the project will discuss which of the estimates of natural capital produced by international organizations would be most appropriate for the IEWB. If time permits, the student can add these natural capital estimates to the IEWB database and calculate new IEWB estimates for OECD countries that include natural capital.

This Directed Research project will provide the student an opportunity to acquire detailed knowledge on the concept of natural capital including the compilation and analysis of natural capital statistics. It will also give the student familiarity with the methodological issues that must be addressed in the estimation of natural capital as well as the public policies that affect natural capital.

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References

Osberg, Lars and Andrew Sharpe (2002) "An Index of Economic Well Being for Selected OECD Countries," *Review of Income and Wealth*, September

<https://www.roiw.org/2002/291.pdf>

United Nations Environment Program (2023) *Inclusive Wealth Report 2023; Measuring Sustainability and Equity*

World Bank (2024) *The Changing Wealth of Nations 2024: Revisiting the Measurement of Comprehensive Wealth*