

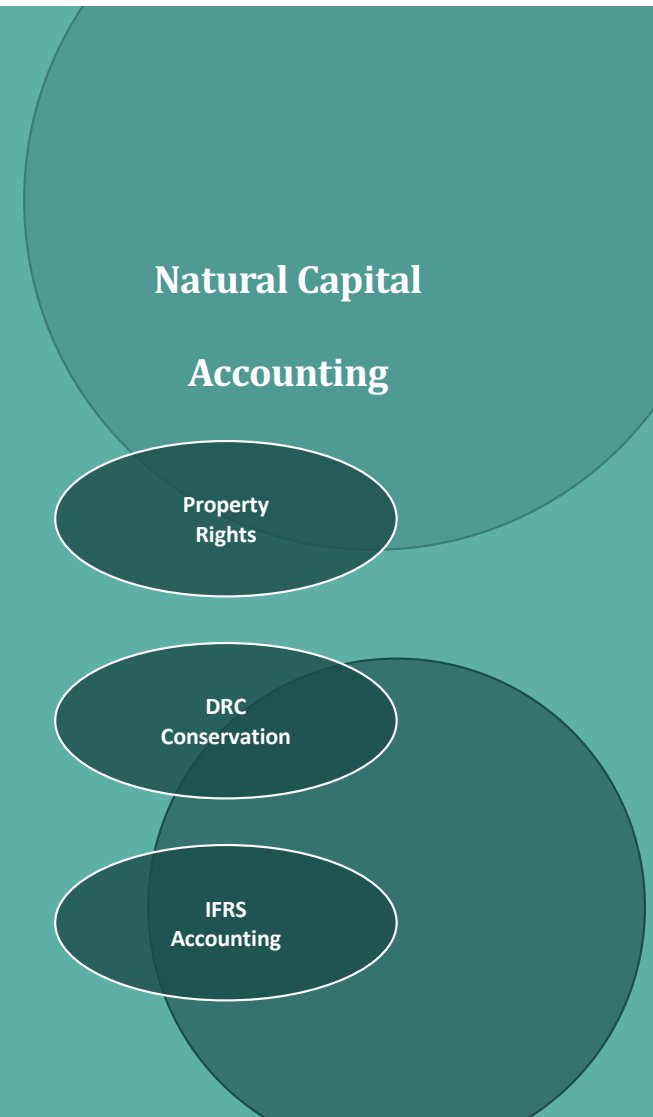
STANFORD UNIVERSITY ·
NATURAL CAPITAL SYMPOSIUM · 2026

Natural Capital & Property Rights

Property Rights and Natural Capital Accounting

*The Conservation Right (DRC)
in Chile*

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The Property Rights Lens

Barzel, Alchian & Demsetz — *Applied to Natural Capital*

A Broad Definition of Property Rights

"Property rights over assets are the rights, or the powers, to use, to obtain income, and to alienate all or part of these incidents or bundle."

(Barzel 1989; Alchian & Demsetz 1973; Honoré 1961)

Three Forms of Value for Natural Capital:

Use Value: Draw on the asset's services or products — derivative income (natural & civil fruits in Civil law tradition)

Existence-Conservation Value: Value of the mere existence and conservation of the asset, independent of use — option value, bequest value, irreversibility premium (Krutilla 1967; Arrow et al. 1993; Freeman 2003)

Exchange Value: Capture economic value through the transfer of all or a separable portion of the bundle — sale, pledge, or encumbrance

Why Property Rights & Legal Assets Matter

- Ecosystem Assets are rivalrous without clear rights → externalities and public-domain erosion
- **Property rights** can be limited rights – non-ownership rights-: the Conservation Property Right or Conservation Right is only a Conservation Entitlement over the corresponding assets – not an ownership entitlement
- **Ecosystems Assets** need to be categorized as Legal Assets to be Delineated or Defined under property entitlements to generate accountable value.
- No Property Rights → No Legal Assets → assets stay off-balance-sheet → underinvestment in conservation

The Conservation Right (DRC) Thesis

Chile's DRC (Law 20.930) operationalizes this framework in two steps:

- ① Conservation entitlement as a separable, inscribed right — legally distinct from the landowner's other incidents; a limited, non-ownership right.
- ② Legal assets: Ecosystem functions and attributes of the environmental heritage become legal assets — objects of rights, capable of valuation, capitalization, and market transfer.

This dual constitution enables both NatCap accounting (ISO 14054/BS 8632) and IFRS recognition — and coordinates the two.

Two Parallel Paths: NatCap Accounting & IFRS

ISO 14054:2025 & BS 8632:2021 run in parallel to IFRS financial accounting — bridged by the DRC

NatCap Accounting Path

ISO 14054:2025 / BS 8632:2021

- NCBS: Natural Capital Balance Sheet — Total Economic Value (VET)
- NCIS: Income statement of ecosystem impacts & dependencies
- ALL values: market + non-market, use + existence + option
- Feeds: ESG, TNFD, CSRD sustainability disclosure

DRC Bridge

Constitutes ecosystem attributes as legal assets

Assigns legal custodianship

Provides IFRS 'control' criterion

IFRS Accounting Path

IAS 38 / IAS 16 / IAS 41 / IFRS 13

- IFRS Balance Sheet — controlled assets only, at fair value
- P&L + OCI — income from DRC-constituted legal assets
- IFRS 13 fair value hierarchy (Level 1 / 2 / 3 inputs)
- Scope: Controlled fraction only — audited statements

ISO 14054:2025

International · October 2025 · ISO/TC 207

NCBS + NCIS (Natural Capital Income Statement — income-statement equivalent)

Scope 1 (directly controlled) + Scope 2 (value-chain dependencies)

Principles-based, flexible; any sector, size, country; documentation required

BS 8632:2021

British Standard · BSI · predecessor to ISO 14054

Six schedules: physical assets → condition → services → monetary flows → VET → management

More prescriptive; adopted by KPMG, PwC, eftec; includes Reconciliation Table

Aligns with SEEA-EA (UN, 2021) — connecting org-level to national NatCap accounts

Law 20.930 Chile, 2016

Enables ISO 14054/BS 8632: provides asset boundary + legal custodian for NatCap account

Enables IFRS: inscription = erga omnes 'control' (IAS 38 §10)

Coordinates both: inscription creates the legal map for the Reconciliation Table

Enables DRC carbon & biodiversity credit markets

Links BS 8632 org-level to SEEA-EA national level

Relevant IFRS Standards

IAS 38 §21-23 DRC as intangible asset — inscribed, separable right; probable future ecosystem service benefits; cost or revaluation model

IAS 16 §16(b)(c) Tangible asset — directly attributable land improvement costs; component approach §13; IFRIC 12 for concession operators

IAS 41 Biological assets at fair value less costs to sell — forests, native vegetation, living ecosystems on the encumbered land

IFRS 13 §61-65 Three valuation techniques: Income (DCF §62, Level 3), Market (observable comparables §61, Level 2), Cost (replacement §63-65, Level 3)

IFRS 9 Financial instrument if DRC generates contractual ecosystem service cash flows (PSA, verified carbon credit revenue)

IAS 37 §14 Provision at present value for legal conservation/restoration obligations arising from DRC inscription

Key Takeaways

Property rights are important to NatCap accounting

Without defined, enforceable rights, natural assets may remain in the public domain — unvalued and unmanaged.

Chile's DRC solves the assignment problem

Law 20.930 creates a real right over ecosystems assets— the legal foundation for capitalization.

DRC provides a clear accounting path

IAS 38, IAS 16, IFRIC 12, and IFRS 13 together support capitalization, maintenance, and fair-value step-up of DRC assets.

The model is replicable and scalable

From infrastructure concessions to voluntary carbon/biodiversity markets — a new institutional paradigm for Nature Positive finance.

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NATURAL CAPITAL ASSESSMENT AND LEGAL STRUCTURING

ECOSYS-NATCAP SOFTWARE PLATFORM

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