

Short Report
Meeting of the London Group on Environmental-Economic Accounting
19-21 June 2006
United Nations, New York

DRAFT

Governance of the London Group

1. The London Group discussed the draft note presenting the proposed governance structure of the Group in response to the request of the UN Committee of Experts on Environmental-Economic Accounting (UNCEEAA).
2. The London Group agreed with the proposed governance structure. However, it recommended the following additions and clarifications in the paper:
 - a. The Chair should have a limited tenure of 3 years. It was suggested that the chair is elected for a three-year period renewable once for an additional 3 years. It was also recommended that the Chair of the UNCEEAA and of the London Group be elected in different years to ensure continuity;
 - b. Upon completion of resolution of the accepted issues on the research agenda for the revision of the SEEA, the mandate and governance structure of the London Group should be reviewed;
 - c. The Chair, when formulating the project management structure, should seek a broad-based consensus with the members of the Group keeping in mind the past management style of the Group;
 - d. The Chair, in working out the program of work of the LG and setting priorities for the Group, should strike a balance between the short-term research agenda of the London Group in meeting the time line in updating the SEEA 2010 and the long-term perspective of the Group;
 - e. The Chair should seek input from leading developing countries to ensure appropriate developing countries' participation in the activities of the Group;
 - f. The Chair should coordinate activities with the Chairs of other statistical entities to ensure consistency, coordination and cooperation in the realization of the SEEA 2010.
 - g. The Chair should consult the members of the LG on regular basis and develop an appropriate mechanism of reporting and consulting if necessary.
3. The London Group elected Mark de Haan, Statistics Netherlands, as the Chair of the London Group, by acclamation.
4. The London Group proposed that UNSD take the role as Secretariat, after consultation with the appointed Chair.

5. The London Group thanked Statistics Canada for its dedication in providing leadership the London Group and in particular in realising the Handbook on Integrated Environmental Economic Accounting (SEEA 2003).

SEEA 2010 revision process

6. The London Group agreed that the SEEA should remain as close as possible, when possible, to the 1993 SNA Rev.1. When other approaches exist, which differ from the basic national accounts principles, the SEEA should develop bridge tables, if absolutely necessary, which would link the SEEA with those approaches to meet the users' needs.
7. The London Group recommended that classifications, tables and accounts should be developed for those resources, for which practical experiences and methodology is well advanced, to warrant international comparability.
8. The London Group recommended that the SEEA 2010 should develop tables and related classifications that clearly present how to compile time series.
9. The London Group agreed that case studies and implementation issues should not be included in the SEEA 2010 in order to meet the general requirements of an international statistical standard. The London Group reiterated the importance of country practices and fully supported the initiative of UNSD, undertaken under the auspices of the UNCEEA, to develop a searchable archive with publications classified by modules of the accounts.
10. The London Group recommended that the fundamental accounting identities and aggregates of the accounting system should be clearly presented in the handbook. However, the criteria of choice and level of detail of these should be further explored. In this regard, it looks for advice to the UNCEEA. A consensus was reached that a standard should not take any position in terms of school of thoughts.
11. The London Group recommended that a reference should be included to the desirability of presenting sectoral accounts such as for transport, agriculture or tourism.
12. The London Group agreed that the present structure of the Handbook might be subject to revision when revising this document into a standard. However, it was recommended that the present order should be maintained in presenting the aspects of flow accounts (physical, hybrid and monetary) followed by the presentation of stocks and asset accounts.
13. The members of the London Group requested the Chair to seek guidance from the UNCEEA in ensuring that sufficient resources are available to meet the deadlines for delivering the services as required.

Physical flow accounts and hybrid accounts

14. Statistics Denmark and Statistics Netherlands will lead the overall update of Chapters 3 and 4 of the SEEA 2003. Specific issues in Chapters 3 and 4 will be addressed by other groups and organizations.

MFA

15. The London Group agreed that Material Flow Accounts should be adequately reflected and addressed in the SEEA 2010. The OECD and Eurostat will lead the research agenda for the

update of the SEEA, including the preparation of definitions, classifications and tables in consultation with China and the Philippines to ensure developing countries' experience.

16. The London Group noted that there are several on-going activities in the development of methodological and compilation guides and noted that the updated SEEA should capitalize on these initiatives. Further, it requested OECD, assisted by Eurostat and Statistics Sweden, to prepare a paper identifying the differences between the approach of the OECD group and the SEEA-2003.
17. The London Group recommended that the presentation of the MFA focus on the compilation of accounting tables allowing users to derive a broad set of policy relevant indicators, if desired.

Energy

18. The London Group agreed that the energy accounts should prominently figure in the SEEA 2010. In this regard, it welcomed the proposal of the Oslo Group to lead the research agenda in energy accounts (flows) for the SEEA 2010. It also noted that coordination between the Oslo Group and the Sub-group of the London Group on Mineral and Energy Asset Accounts was necessary.
19. The LG recommended that the Chair of the London Group would ensure close coordination with the Chair of the Oslo Group and attend the meeting of the Oslo Group when appropriate.
20. Noting that the time line of the Oslo Group to deliver its end-products is 2010, the LG recommended that the Chair of the UNCEEA works out the time frame for delivering resolution of issues with the Oslo Group for the SEEA 2010. The key outcome is that stocks and flows can be accounted for in a consistent manner for SEEA 2010 and the handbook on mineral and energy accounts.
21. The London Group requests the Oslo Group to prepare a paper on energy accounts issues to be included in the research agenda. A LG sub-group has offered to support the Oslo Group in preparing the paper. This sub-group composed of Denmark, Germany, Netherlands, Norway and Philippines will contribute to the activities of the Oslo Group, including participation in its Electronic Discussion Groups.

Waste

22. The LG group did not reach an agreement on the inclusion of the waste accounts. Further considerations are required in terms of maturity of the methodology and the internationally availability of data in the foreseeable future.
23. Statistics Netherlands will prepare an issue paper for discussion at the next London Group meeting proposing the coverage of the issues to be addressed in the SEEA-2010.

Accounting for other environmental related transactions

24. The London Group agreed to address the issue on taxes, subsidies and permits. Statistics Sweden will take the lead in preparing an issue paper for discussion at the next London Group meeting. China, Denmark, Eurostat, OECD, Netherlands, Philippines and UNSD will contribute to the preparation of the paper.

25. The London Group welcomed the collaboration with the Eurostat Task Force on the Environment Industry to identify the unresolved issues that can be addressed between now and 2008. Eurostat has agreed to prepare a paper describing the unresolved issues for discussion at the next London Group meeting.

Asset accounts and the valuation of natural resource stocks

Classification of assets links between 1993SNA and SEEA-2003

26. The London Group welcomed the AEG recommendation to reconcile the asset classification of the 1993 SNA Rev.1. and the SEEA. Moreover it welcomed the consideration of an Annex in the 1993 SNA Rev.1 linking the SEEA natural resources classification with in the asset classification of the 1993 SNA Rev.1
27. It agreed to drop the item “recreational land” from the SEEA asset classification to align it with the 1993 SNA Rev.1.
28. It further noted that it would be useful that the 1993 SNA recognized that in the SEEA there exists a classification of ecosystems which allows for classifying services rendered by natural resources.
29. The London Group noted that it would be useful to further discuss the alignment of the classification of assets in the SEEA 2010 with the 1993 SNA Rev.1, in particular for what concerns the order of presentation of the categories in the asset classification. It requested UNSD to prepare a paper for the next London Group meeting. ABS and EEA will also contribute to the issues on land classification.

Mineral and energy asset accounts

30. The London Group discussed the list of issues in the research agenda and concluded that the issue list is rather comprehensive and recommended the Group to start working on the solution of the issues, as many of them imply alignment of the SEEA with the 1993 SNA Rev.1.
31. The London Group discussed the draft outline of the handbook on Mineral and Energy Asset Accounts developed on the basis of the text available in the SEEA-2003 and the Eurostat handbook on mineral and energy asset accounts.
32. The Group recommended that it was important that flows in addition to stocks (assets) be presented in a single handbook, as it considered very important to advance an integrated compilation approach for the stocks and the flows. The Group noted that the flow accounts are the responsibility of the Oslo Group. Therefore, it was recommended to reach an agreement with the Oslo Group about the contributions to this handbook. Moreover, it should confirm with the Oslo Group whether the mandate of the Oslo Group in preparing international recommendations on energy statistics and balances would be in line with the 1993 SNA Rev.1 and the SEEA.
33. The LG agreed that the Subgroup on mineral and energy asset accounts should initially focus on the stock accounts awaiting the agreement with the Oslo Group.
34. The London Group recommended that the United Nations Framework Classification for Fossil Energy and Mineral Resources developed by UN Economic Commission for Europe should be examined keeping in mind its possible inclusion in the SEEA-2010 and the

handbook on Mineral and Energy Asset Accounts. The London Group recommended that Statistics Denmark, moderator of the Subgroup on Mineral and Energy Asset Accounts contact UNECE to obtain further information and ensure cooperation.

35. Statistics Denmark offered to devote in the next ½ year resources in the preparation of the draft of the handbook and addressing selected issues on the research agenda. Canada, Philippines, South Africa and UNSD offered to contribute to the activity of the sub-group.

Forest Accounts

36. The London Group identified as main issues to be addressed in the research agenda, classification and valuation of timber resources and other forest products and the valuation of forest ecosystem services.
37. Statistics Finland agreed to lead the research agenda on forest accounts and suggested the creation of a group formed by national accountants, environmental accountants and a forest expert, possibly from FAO. Australia, EEA, Germany, Moldova, Sweden and the Philippines possibly volunteered to be part of the group. Statistics Finland with the assistance of UNSD will seek FAO's contribution.
38. The Subgroup will coordinate with the subgroup on Land and Ecosystem Accounts.

Valuation

39. The London Group considered it important to address the issue of how to calculate valuation of stocks in constant prices, in particular in light of the current discussion on considering the total value of capital as an indicator of sustainability.
40. The London Group noted that the valuation is the most controversial topic on the research agenda and recommended that the issue be discussed by the UNCEEA. It agreed with the proposed list of issues, however, it expressed concerns regarding their classification as "short term". It noted that Chapters 9 and 10 of the SEEA have to be substantially re-written to better reflect the economic valuation and its relationship with the 1993 SNA valuation.
41. The London Group recommended focusing efforts on addressing the issue of depletion, which seems to be close to a solution.
42. It welcomed the proposal of the World Bank to create a subgroup to address all issues related to valuation and recommended that more detailed issue papers be prepared for discussion at the next London Group meeting. Canada, Germany and the Earth Institute at Columbia University volunteered to be part of the Group.

Application of environmental-economic accounting

43. The London Group found the paper from Italy on education and policy uses of environmental-economic accounting very useful and recommended its discussion at the next UNCEEA.

Land and ecosystems

44. The London Group welcomed the establishment of a sub-group on Land and Ecosystem Accounts coordinated by the European Environment Agency. Australia, Canada, Eurostat, Germany, Moldova, Philippines, United Kingdom, Columbia University, UN Division of Sustainable Development, UNSD volunteered to be part of the Group.

45. The Subgroup of the LG would seek participation from experts from other communities beyond national statistical offices.

Future work

46. Participants in the London Group agreed to provide the Chair and the Secretariat revised text for the issues included in the research agenda describing in greater detail the issues to be addressed, the process to address the issues and suggested timeframe.

47. The London Group welcomed the offer of Statistics South Africa to host the next London Group meeting in South Africa in early 2007. The exact date of the meeting will be communicated to the London Group member shortly after consultation with the newly appointed chair.

Annex I

The table below outlines the detailed time schedule agreed at the London Group meeting and the tasks of countries and organizations.

	Tasks	Countries/organizations	Deadlines
<i>Governance of the London Group</i>			
1.	Revise paper on governance structure (para.2)	UNSD and Chair	August 2006
<i>SEEA 2010 revision process</i>			
2.	Issue paper on the scope of the SEEA (paras. 7,8,10)	Chair and LG members	LG 2007
<i>Physical flow accounts and hybrid accounts</i>			
3.	Coordination of issues in Chapters 3 and 4 of SEEA-2003	Statistics Denmark and Statistics Netherlands	On-going
<i>Material Flow Accounts:</i>			
4.	Leading issues in the research agenda	OECD in cooperation with Eurostat and Statistics Sweden	On-going
5.	Preparation of an issue paper on differences between OECD MFA Group and SEEA-2003	OECD in cooperation with Eurostat and Statistics Sweden	September 2006
<i>Energy accounts</i>			
6.	Leading issues in research agenda on energy flow accounts	Oslo Group, with support from a LG sub-group on Mineral and Energy Asset Accounts	On-going
7.	Preparation of a paper listing issues to be solved, proposed strategy to solve them and timeline	Oslo Group, in cooperation with the LG sub-group on Mineral and Energy Asset Accounts	For discussion at the Oslo Group meeting in Nov. 2006 and LG meeting in early 2007
8.	Participation of LG members to the Oslo Group meeting	Chair of LG, Statistics Denmark and others	November 2006
<i>Waste</i>			
9.	Preparation of an issue paper on waste accounts	Statistics Netherlands	Next LG meeting
<i>Accounting for other environmental related transactions</i>			
10.	Preparation of an issue paper on taxes, subsidies and permits	Statistics Sweden in cooperation with China, Denmark, Eurostat, OECD, Netherlands, Philippines and UNSD	Next LG meeting
11.	Preparation of an issue paper on the environment industry	Eurostat in cooperation with the Task Force on Environment Industry	Next LG meeting
<i>Asset accounts and the valuation of natural resource stocks</i>			
<i>Classification of assets</i>			
12.	Issue paper on aligning of the classification of assets in the SEEA 2010 with the 1993 SNA Rev.1	UNSD in cooperation with ABS and EEA (for land classification)	Next LG meeting

<i>Mineral and energy asset accounts</i>			
13.	Leading research agenda and Sub-group on Mineral and Energy Asset Account	Statistics Denmark in cooperation with UNSD	On-going
14.	Starting work on draft of the handbook on mineral and energy accounts (focus on stock accounts)	Statistics Denmark in cooperation with Canada, Philippines, South Africa and UNSD	On going – progress report at next LG
15.	Preparation of issue papers on the research agenda.	Sub-group	Next LG meeting
16.	Establishment of contacts with UNECE on framework classification for fossil energy and mineral resources	Statistics Denmark	As soon as possible
17.	Cooperation with the Oslo Group	Statistics Denmark and Subgroup	On-going
<i>Forest accounts</i>			
18.	Leading issues on the research agenda	Finland	On-going
19.	Prepare an issue paper on forest accounts	Finland in cooperation with Australia, EEA, Germany (Forest Ministry), Moldova (Forest Ministry), Philippines and Sweden (Forest Ministry)	Next LG meeting
20.	Cooperation with FAO to ensure contribution on forest accounts	Finland in cooperation with UNSD	As soon as possible
<i>Valuation</i>			
21.	Leading the research agenda	World Bank and Sub-group on valuation	On-going
22.	Preparation of issue papers on valuation	World Bank in cooperation with Canada, Germany, Earth Institute and UNSD	December 2006
23.	Preparation of an issue paper on the valuation of stocks at constant prices	Earth Institute in cooperation with the Subgroup on valuation	Next LG meeting
<i>Future work</i>			
24.	Revising text for the description of the issues in the research agenda (for submission to the LG Chair and Secretariat)	Participants in the London Group	August 2006
25.	Finalization of the dates of the next London Group meeting and organization of meeting	Chair of LG, South Africa and Secretariat	On-going
26.	Development of programme of work for LG including time schedule	Chair LG	September 2006