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Accounting for other environmental related transactions

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Background

As discussed during the preliminary meeting of the UN Committee of Experts on Environmental-Economic Accounting in August 2005, Statistics Sweden and Eurostat agreed to act as joint coordinators for the revision of the SEEA chapter six on “Accounting for other environmental related transactions”. The reason for the revision was that the use of economic instruments in the environmental field is increasing. The trading system of emission rights in Europe is now in place. Some new approaches have been taken to define environmentally motivated subsidies as parts of the economic instruments. It was therefore agreed to discuss the needs for this area, as it may be a major new use of the accounts.

The needs were spelled out in the research agenda and classified as short term issues:

1. Environmental taxes and subsidies

Environmental taxes and subsidies are broadly defined in the SEEA-2003. Recently OECD and Eurostat have tested a definition of environmental taxes in several countries. There is a further need to standardize the definitions of environmental taxes and subsidies keeping also into consideration the practical implementation of these concepts.

2. Permits to access the resources (e.g. fishing and water rights) and emission permits

There is a need for further development and standardization of concepts and methods for the recording of permits within the national accounts and balance of payments manual. The issue has to some extent been discussed by the Canberra II group but it could be useful to collect actual experiences and to add the perspective of environmental accountants and the environmental/physical dimension of permits in the discussion. The recent introduction of CO₂ emission trading scheme as a result of the Kyoto protocol will without doubt increase the users demand for this type of information, which will be used for making analysis.

3. Classification of natural resources management accounts

The SEEA-2003 presents the Classification of Environmental Protection Activities (CEPA 2000). CEPA is an agreed classification, which however does not cover natural resources management activities and expenditures, which are very important in particular for sectoral policies.

Current situation

The SEEA chapter six on “Accounting for other environmental related transactions” deals with economic instruments such as environmental taxes and property rights.

The environmental taxes are already a part of the accounts in some countries and a manual for their collection has been issued by Eurostat and the OECD. The OECD have made a nice presentation of the environmental taxes in different countries available at their database for economic instruments and Eurostat publish total revenues from environmental taxes through the ESA95 data collection.

Emissions permits part of the property rights, and are described in paragraphs 6.53-6.57, but are not yet a part that has been implemented in the accounts.

Subsidies are also mentioned in subchapter 6 E 'Locating economic instruments within the SNA'. But on this issue more information is needed to be included. Whether the issue belong in chapter 6 on transactions or in chapter 5 in the expenditure accounts can be debated.

For environmentally motivated subsidies OECD has a database with country data, but not broken down by industry. Within the accounting framework subsidies have been defined and published by Denmark, Sweden and Norway. The need for a harmonized approach is growing with increasing number of countries publishing this kind of information. First steps have been taken by Eurostat to harmonize environmental subsidies in the context of Environmental Protection Expenditure Accounts in the new handbook on data collection for the public sector and specialized producers currently in progress.

Suggestions

To some extent, chapter 5 and 6 cover related issues. In particular, Environmental Protection Expenditure Accounts also include subsidies and environmental taxes. We suggest the rearrangement of these two chapters to include Environmental Protection Expenditure Accounts and environmental taxes in chapter 5 and leave chapter 6 with the other environmentally related transactions such as emission trading, property rights etc. The chapter 5 would then be further elaborated on the issue of subsidies.

That the text already included in the manual on taxes and emission permits is sufficient for the time being.

In order to increase the comparability and align the data on environmental expenditure, environmental subsidies and environmental taxes the classification system may need some adjustment. Some new categories covering natural resources management, environmental aid and environmental health have been identified as candidates. Today, the Classification of Environmental Protection Activities (CEPA 2000) covers part of activities relating to natural resource management such as research, monitoring, and control, activities for the protection of biodiversity and landscape. However the classification does not include expenditure for minimisation of natural hazards (forest fires, landslides etc), energy savings

and other areas relating to the protection of natural resources. We propose two potential ways forward; either to extend the CEPA classification or to establish a new classification. It is important not to enter into a double counting situation with environmental protection expenditure and natural resource expenditure.

We suggest that a working group of countries is formed to write this text and also to coordinate with the needs of OECD.

Suggested timeline and process

1. To collect new experiences at this London group meeting.
2. To collect experience of the ESS community.
3. To formulate a draft text on relevant topics and send it out to the London group in October.
4. To invite the two working groups "Environmental Accounts" and "Environmental Expenditure Statistics" of Eurostat for further discussions on the draft text in May 2007.
5. To have a suggested text ready in September 2007.

Points for discussion

Are there more countries wishing to contribute to this work?

Can the timeline and the suggestions be accepted?

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