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SEEA Extensions and applications

Perspectives on environmental input-output modelling

Joe St. Lawrence

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Canada 



Overview

- Material flows from a demand perspective
- Footprints
- Aggregation effects
- Multi-regional models



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4 *A demand perspective on greenhouse gas emissions*

Table 1
Sources of industrial greenhouse gas emissions from the demand perspective, 1990 and 2002

Final demand category	1990	2002 ^P	Percentage change 1990 to 2002	Share of total 1990	Share of total 2002 ^P
	kilotonnes		percent		
Internal demand	308,276	309,485	0.4	63.6	53.9
Personal expenditure	196,193	209,787	6.9	40.5	36.6
Construction	43,853	42,490	-3.1	9.0	7.4
Machinery and equipment	11,005	10,505	-4.5	2.3	1.8
Government	42,710	41,641	-2.5	8.8	7.3
Inventories	14,515	5,062	-65.1	3.0	0.9
External demand					
Exports	176,363	264,358	49.9	36.4	46.1
Total domestic industrial emissions	484,640	573,843	18.4	100.0	100.0

Source: Statistics Canada, Environment Accounts and Statistics Division.

Industrial emissions by final demand category

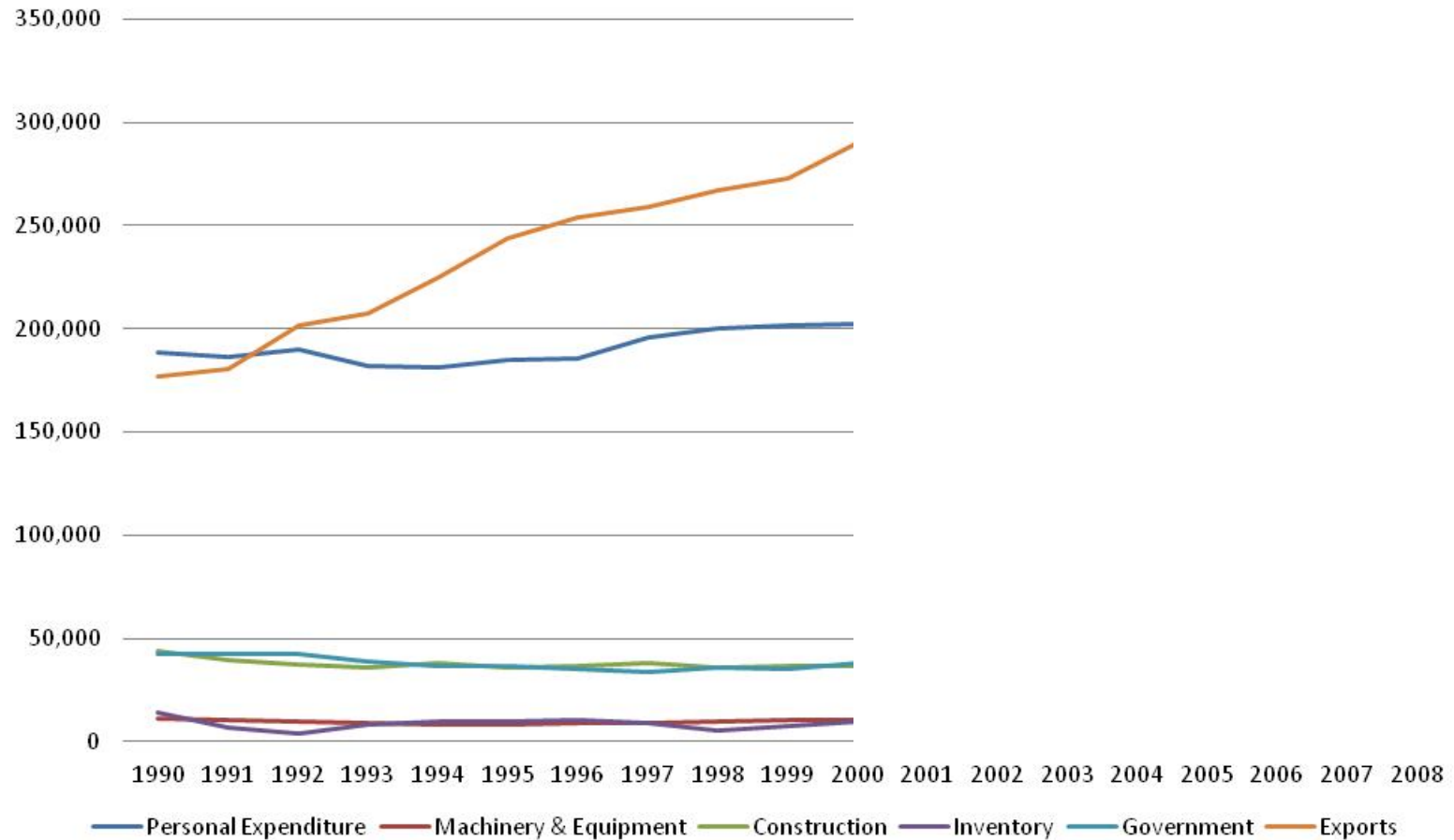
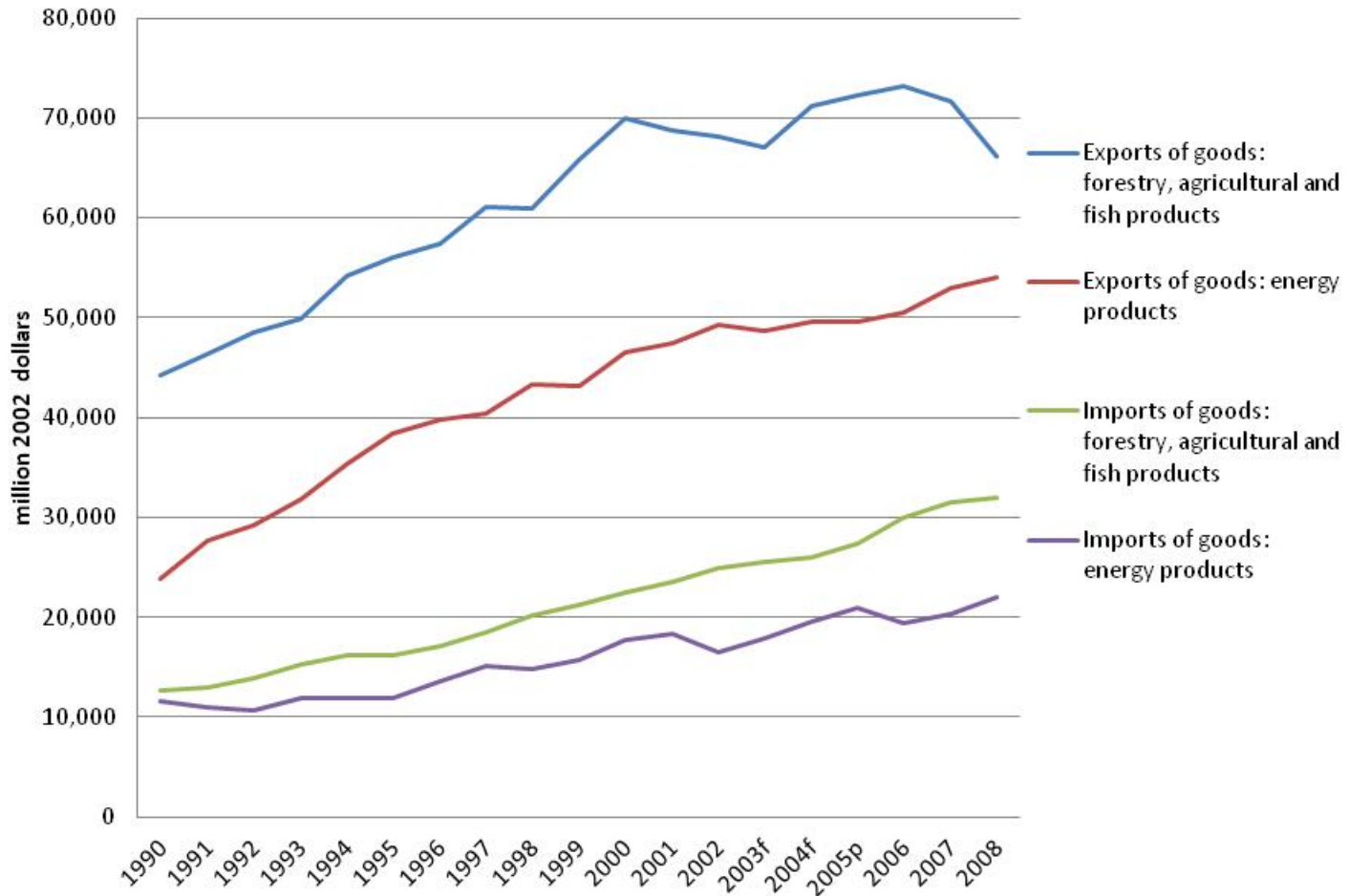


Table 2
Domestic industrial greenhouse gas emissions associated with the production of exports, 1990 and 2002

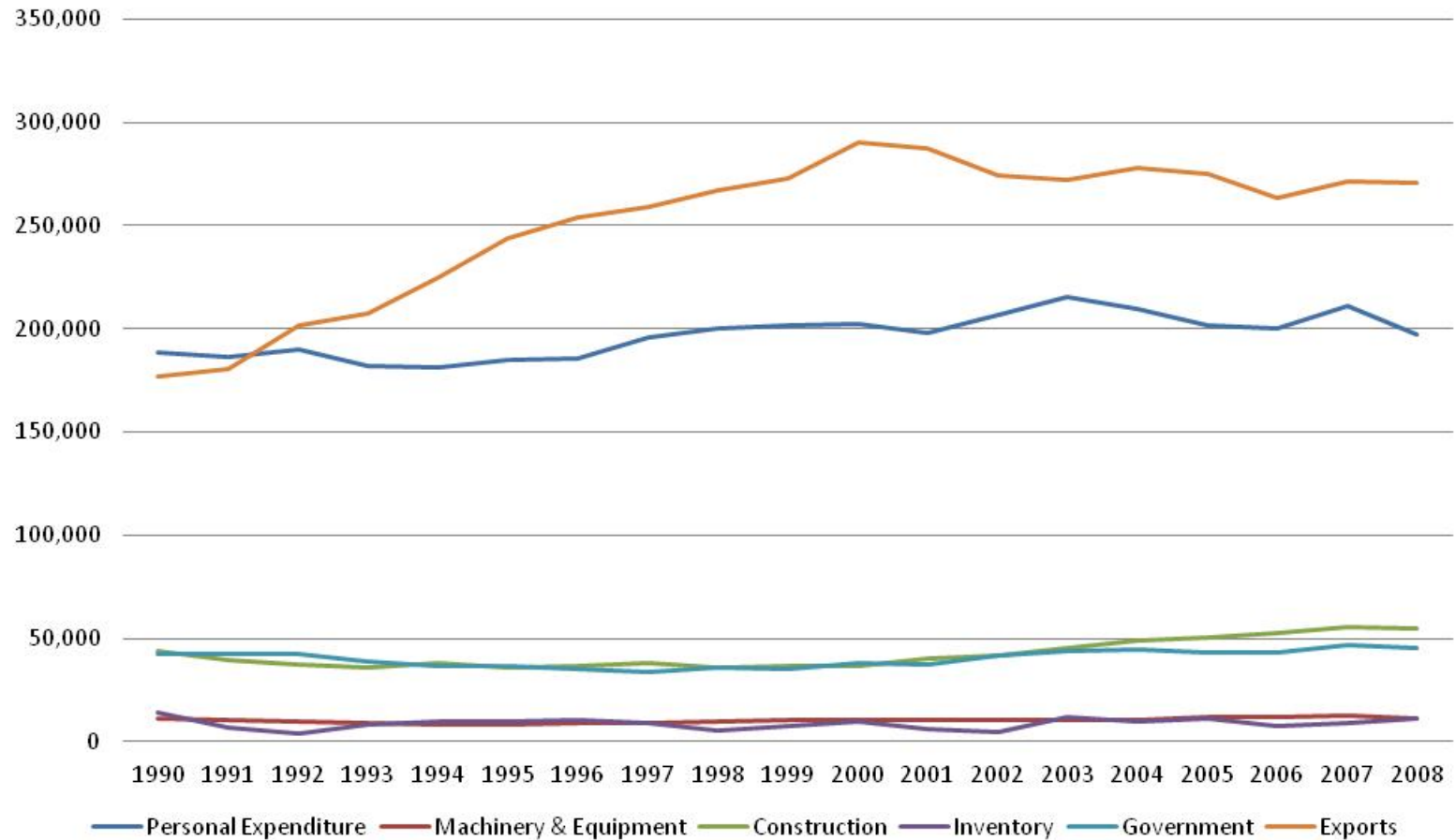
	1990	2002 ^p	Share of total	Share of total
	kilotonnes		1990	2002 ^p
			percent	
Agricultural, forestry, fishing and trapping products	20,357	23,212	11.5	8.8
Mineral fuels	26,419	61,953	15.0	23.4
Non-metallic minerals, metal ores and concentrates	6,799	5,722	3.9	2.2
Services incidental to mining	0	98	0.0	0.0
Food products	7,289	16,038	4.1	6.1
Beverages and tobacco products	787	401	0.4	0.2
Leather, rubber and plastic products	1,382	2,534	0.8	1.0
Textile products, hosiery, clothing and accessories	2,072	2,045	1.2	0.8
Lumber, wood products, furniture and fixtures	4,234	8,253	2.4	3.1
Pulp and paper products	19,603	18,986	11.1	7.2
Printing and publishing	197	571	0.1	0.2
Primary metal and other metal products	16,737	20,992	9.5	7.9
Machinery and equipment	2,278	4,134	1.3	1.6
Motor vehicle, other transport equipment and parts	10,852	15,352	6.2	5.8
Electrical, electronic and communication products	1,665	2,994	0.9	1.1
Non-metallic mineral products	1,870	3,685	1.1	1.4
Petroleum and coal products	10,241	12,836	5.8	4.9
Chemicals, pharmaceuticals and chemical products	12,876	17,159	7.3	6.5
Other manufactured products	1,378	1,561	0.8	0.6
Transportation and storage	10,067	15,901	5.7	6.0
Communications services	303	411	0.2	0.2
Other utilities	2,577	7,150	1.5	2.7
Wholesaling, retailing margins and transportation margins	11,906	15,362	6.8	5.8
Other finance, insurance and real estate services	896	1,808	0.5	0.7
Business and computer services	737	3,549	0.4	1.3
Private education services	83	175	0.0	0.1
Health and social services	12	13	0.0	0.0
Accommodation services and meals	1,933	116	1.1	0.0
Other services	780	1,220	0.4	0.5
Sales of other government services	33	125	0.0	0.0
Total	176,363	264,358	100.0	100.0

Source: Statistics Canada, Environment Accounts and Statistics Division.

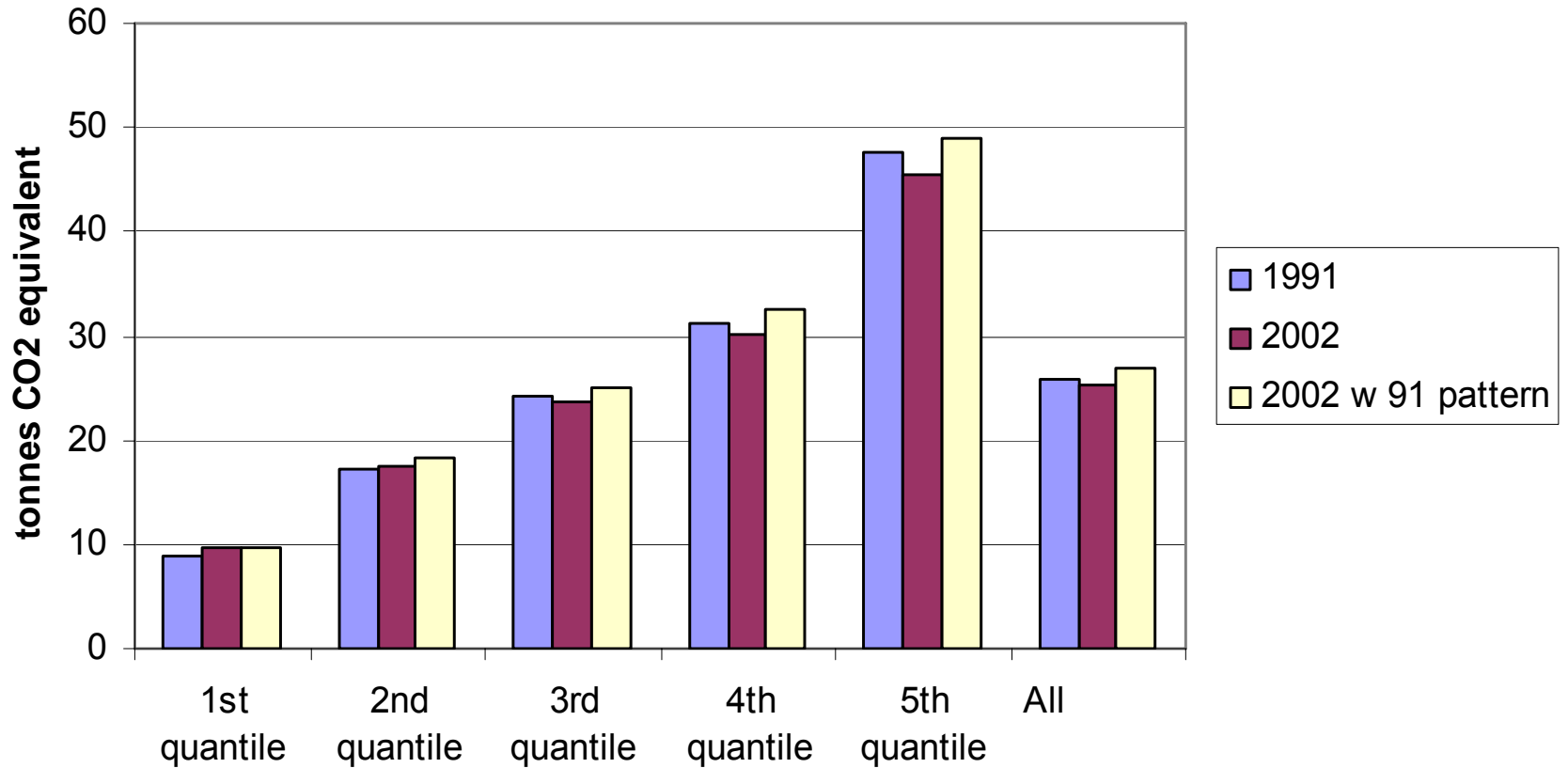
Value of emissions intensive exports and imports



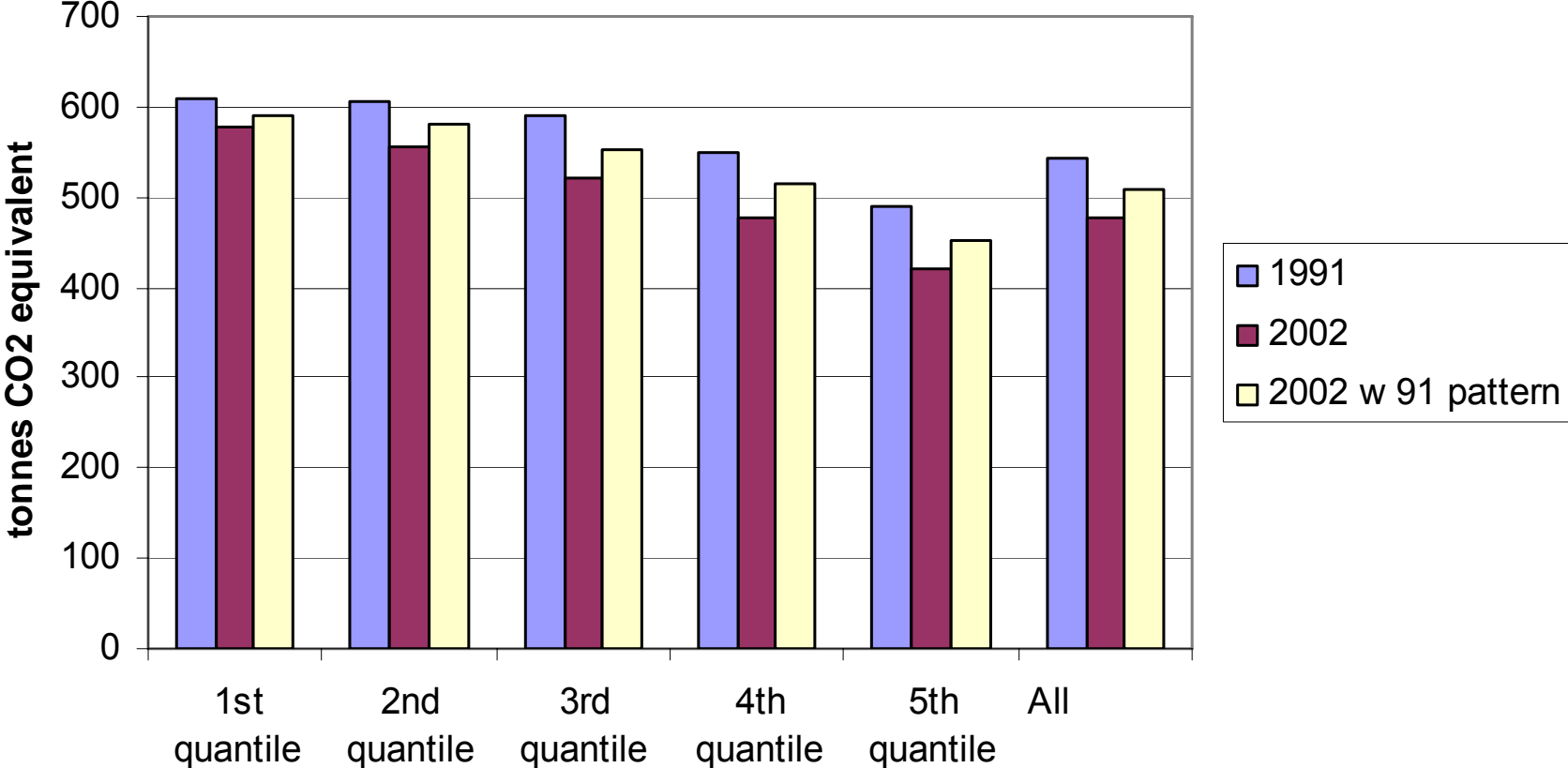
Industrial emissions by final demand category



Emissions per household

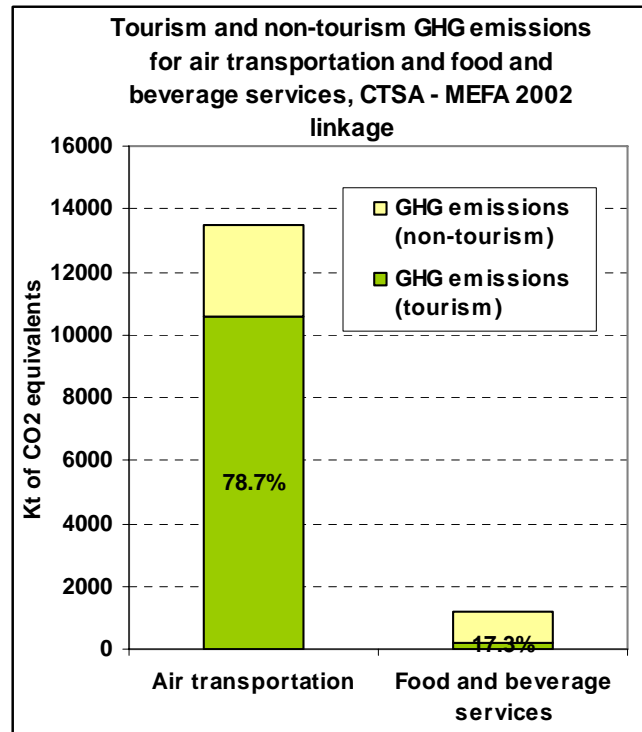


Emissions per million dollars



Economic and environmental measures of selected tourism industries, Canada 2002

Industry	Economic measures of tourism		Environmental measures of tourism	
	CTSA tourism GVA ¹ (\$ millions) (1)	Tourism ² shares of industries (%) (2)	Energy Use ³ (terajoules) (3)	GHG emissions ⁴ (Kt of CO ₂ -e) (4)
Air transportation	3,088	78.7%	151,572	10,595
Food and beverage services	2,898	17.3%	7,019	210



A demand perspective on greenhouse gas emissions

Joe St. Lawrence, Environment Accounts and Statistics Division

It is a well-reported fact that Canadian greenhouse gas emissions have risen substantially over the last fifteen years. To be specific, emissions increased 25% between 1990 and 2005 to 747 Mt,¹ a level 33% higher than the nation's Kyoto target.²

Typically, emissions are reported from this "supply" perspective, showing how much pollutant is produced and by whom. While this supply perspective is important, it is the demand for products and services that drives greenhouse gas emissions. The famous economist Adam Smith once wrote that "consumption is the sole end and purpose of all production," meaning that there would be no economic production or associated pollution, without a demand for products and services.

When demand for a good or service is sufficient, industry will meet the need. Greenhouse gas emissions are an unfortunate by-product of the associated production. This article considers the main drivers of greenhouse gas emissions during the period 1990 to 2002 from this demand perspective.

What is behind the increase in greenhouse gases from a demand perspective?

Canada is heavily integrated into the international economy and runs trade surpluses. As a result, we produce more greenhouse gases than we need to satisfy our demand for Canadian-made goods and services.

In fact, the greenhouse gas emissions created to satisfy internal demand for domestic goods and services accounted for 54% of the 574 Mt of greenhouse gases produced by industry in 2002 (Table 1). In other words, exports accounted for 46% of the industrial emissions of greenhouse gases.

1. All emission figures in this report are expressed in carbon dioxide equivalent emissions. These are calculated by emissions of individual greenhouse gases relative to the warming potential of carbon dioxide (which is assigned a value of 1) and then aggregating over all gases.
2. Environment Canada, 2007, National Inventory Report 2006: Greenhouse Gas Sources and Sinks in Canada, Greenhouse Gas Division, Ottawa.

Statistics Canada
Catalogue no. 16-002-XIE

Greenhouse gas emissions—a focus on Canadian households

Alison Clark Millito and Gabriel Gagnon, Environment Accounts and Statistics Division

Households contribute to greenhouse gas (GHG) emissions in Canada in two ways. Direct emissions from motor fuel use and residential fuel use account for about one-third of household emissions, while indirect emissions from the production of the goods and services that households consume make up the remainder (see textbox for definitions). Consideration of both types of emissions, direct and indirect, gives a more complete picture of the GHG emissions associated with household activities.

Together, direct and indirect household emissions accounted for 46% of Canada's total GHG emissions in 2004.¹ Overall, these emissions increased 13% between 1990 and 2004, from 285,884 kilotonnes (kt) to 321,727 kt.

Between 1990 and 2004, household GHG emissions intensity decreased by 22% (Chart 1). This was partly due to efficiency gains in the production of goods and services by industry and partly to energy efficiency improvements within Canadian homes. However, spending per capita increased by 25% over the same period. The increase in spending resulted in a 10% increase in indirect GHG emissions from households. This, coupled with the 16% increase in household direct emissions, offset most of the gains in efficiency. The end result of these combined effects was an insignificant change in emissions per capita between 1990 and 2004.

How much do Canadian households emit directly via household activities?

Approximately one-third of total household emissions are a result of motor fuel use and fuel use within the home.

Household emissions from motor fuel use increased by 29% between 1990 and 2004, from 55,770 kt to 71,873 kt, while emissions from fuel use in the home remained relatively stable.

1. The remaining 54% of total emissions were the result of industrial production to meet the demand for goods and services from other consumers (for example, exports to government activities).

Statistics Canada
Catalogue no. 16-002-X

Greenhouse gas emissions—a focus on Canadian households

What you should know about this study

The data used to produce this article are derived from Statistics Canada's *Material and Energy Flow Accounts* (MEFA), which integrates environmental data with the economic data from Canada's System of National Accounts (SNA). The SNA is the source of a number of Statistics Canada's most important indicators of economic activity, including gross domestic product (GDP). One of the main components of the SNA are the input-output (IO) accounts which produce highly detailed production and consumption statistics for 303 industries, 719 goods and services and 170 categories of final demand.

The MEFA follow the IO accounting framework to track the use of energy and the generation of emissions by each industry and final demand sector. The flows are linked through the common industrial and commodity classification of the IO tables. This linkage allows analysis of the interplay between economic activity and greenhouse gas emissions. This article analyses the portion of GHG emissions that are included in the MEFA. Total GHG emissions in the account increased 24% from 571,076 kilotonnes (kt) to 705,660 kt, between 1990 and 2004.

Readers may notice that the emissions estimates in this document differ from the totals that appear in the official Environment Canada submission to the United Nations Framework Convention on Climate Change. This is due to adjustments that have to be made to National Inventory Report (NIR) data to ensure consistency with the requirements of the SNA.

The accounts used for this analysis also include only the three main greenhouse gases, namely carbon dioxide, methane, and nitrous oxide, and do not include emissions from the decomposition or incineration of waste. Total GHG emissions reported in Environment Canada's National Inventory Report increased 25.4% from 592,000 kt to 743,000 kt, between 1990 and 2004.

Emissions factors from Environment Canada are applied to Statistics Canada's energy use account data, which are also based on the SNA industry and commodity frameworks. The consumption of energy survey, transportation surveys, the Report on Energy Supply-Demand in Canada and Natural Resources Canada's Census of Mines, Additional estimates of emissions that are not linked to fossil fuel consumption are taken directly from the Environment Canada greenhouse gas inventory and are applied to the appropriate industries in the SNA. Chapter 4 of the publication, *Concepts, Sources and Methods of the Canadian System of Environmental and Resource Accounts (16-505-X)*, free) describes in detail the conceptual framework, data sources and empirical methods used in this study.

Definitions:

Direct household emissions are the greenhouse gases that are emitted when people drive their vehicles for personal use and use fossil fuels to heat their homes.

Indirect household emissions are the greenhouse gases that are emitted when industries produce the goods and services that people purchase for household use.

Household emissions intensity is total direct plus indirect household emissions divided by total household spending (personal expenditure) in dollars.

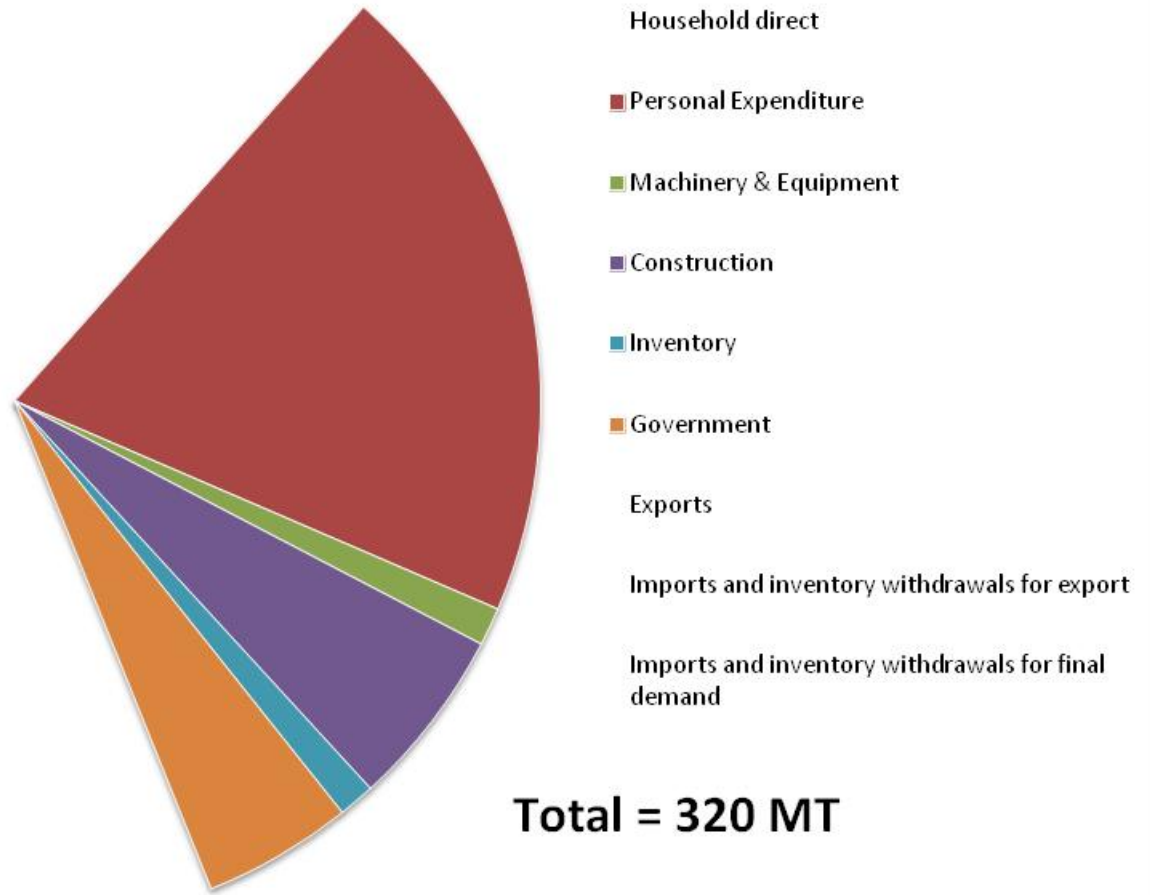
EnvironStats
Winter 2008



Overview

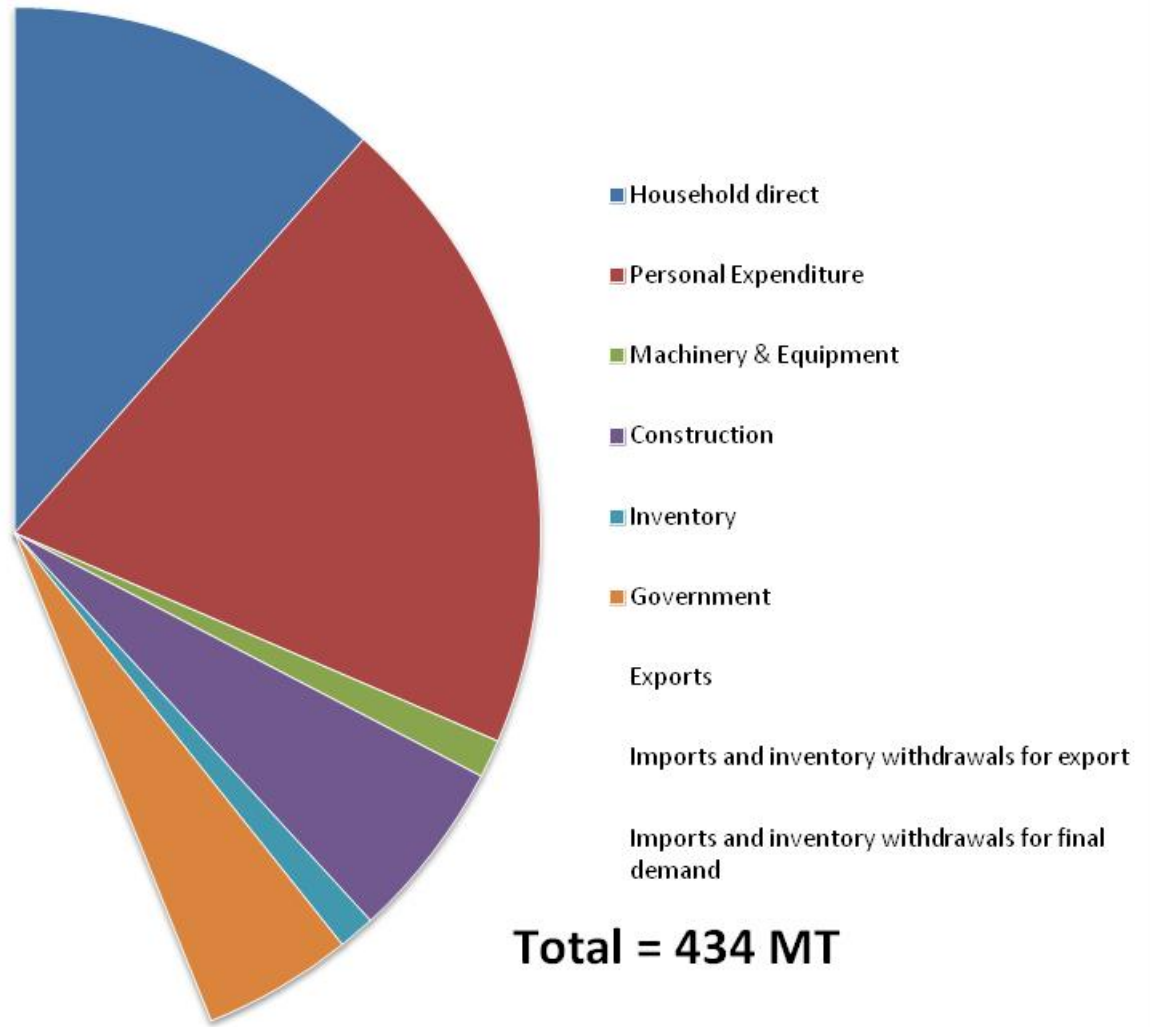
- Material flows from a demand perspective
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Canada's Emissions Footprint, 2008



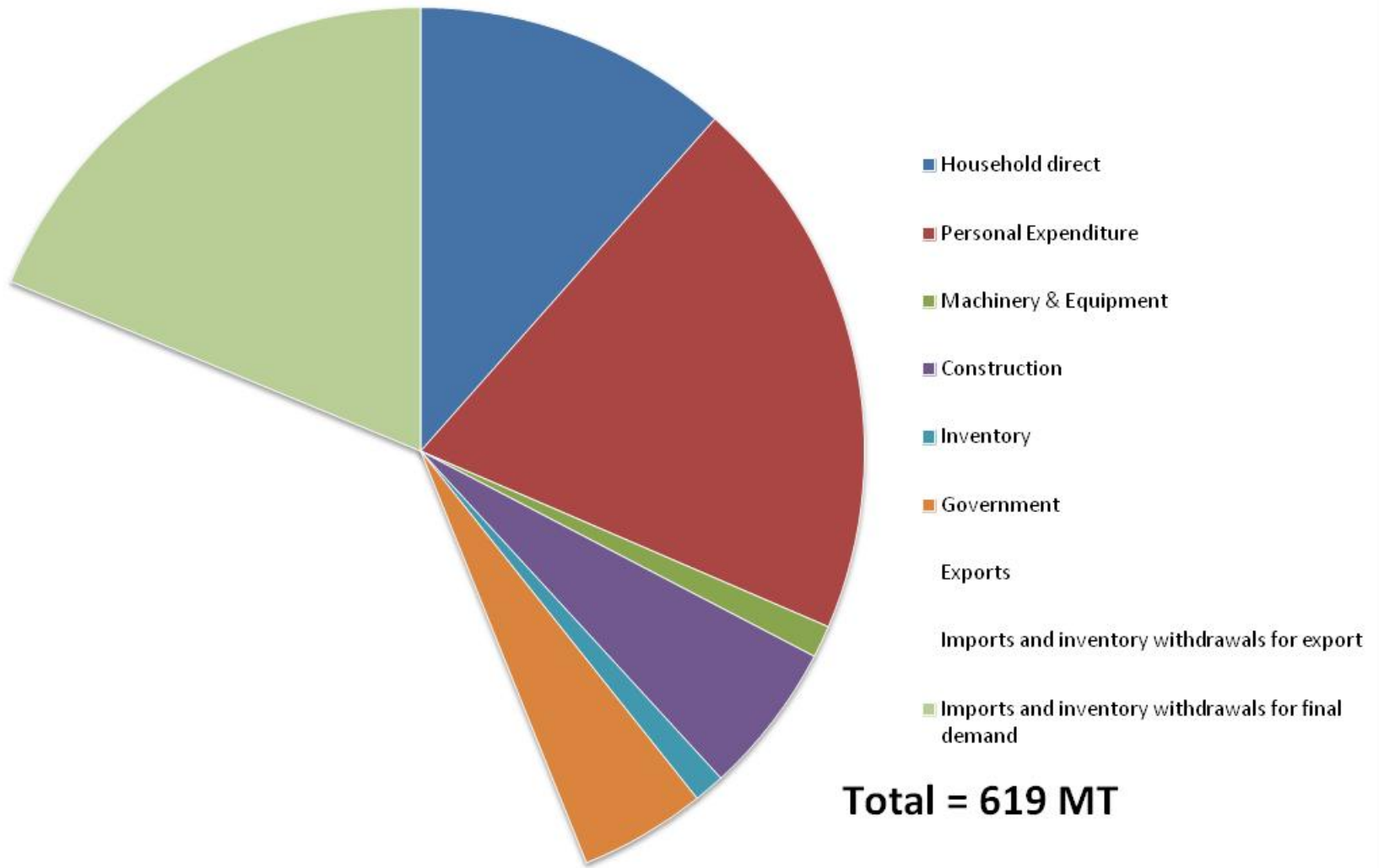
Domestic industrial emissions required for final demand

Canada's Emissions Footprint, 2008



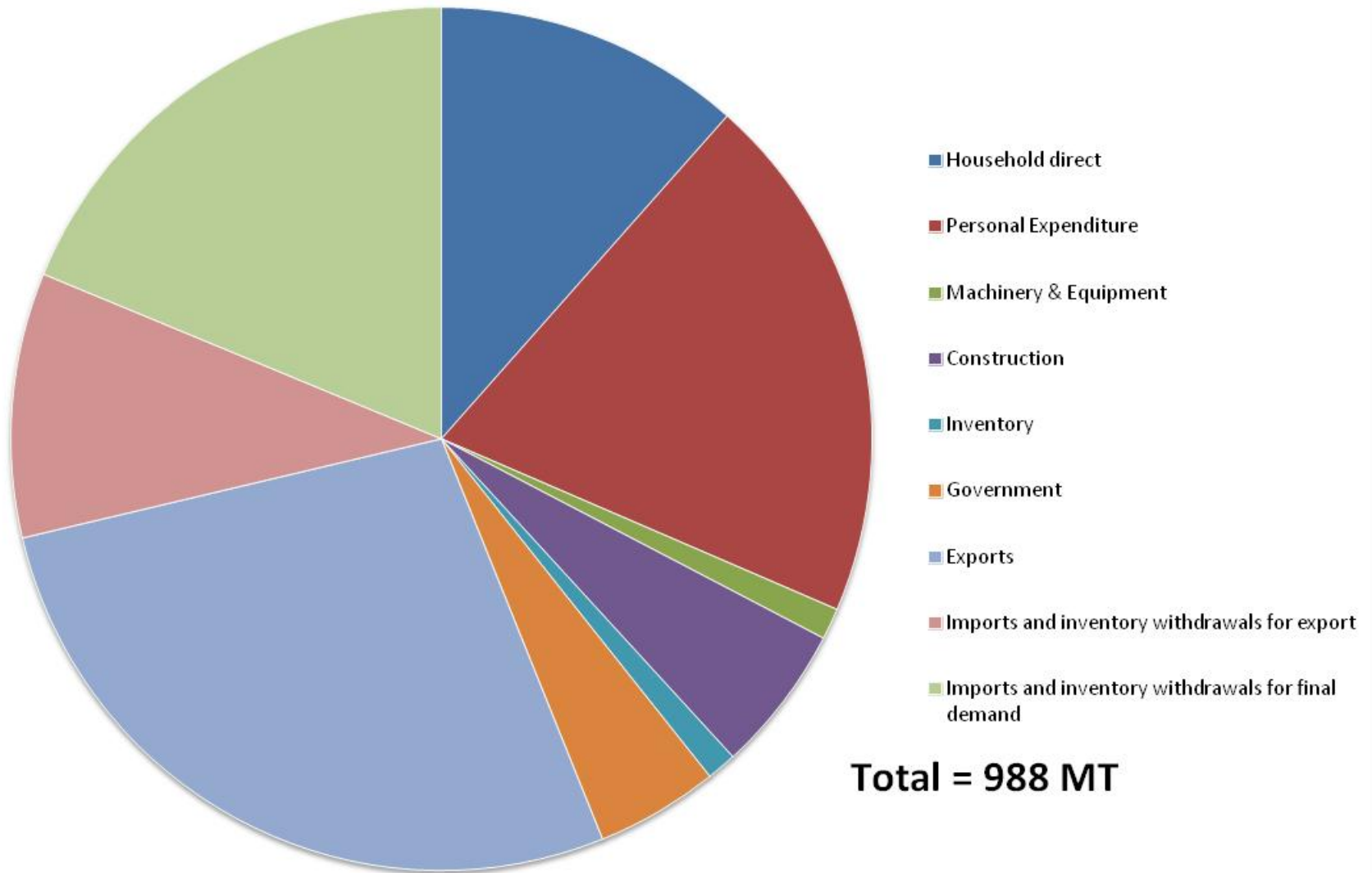
Domestic industrial emissions required for final demand and direct household emissions

Canada's Emissions Footprint, 2008



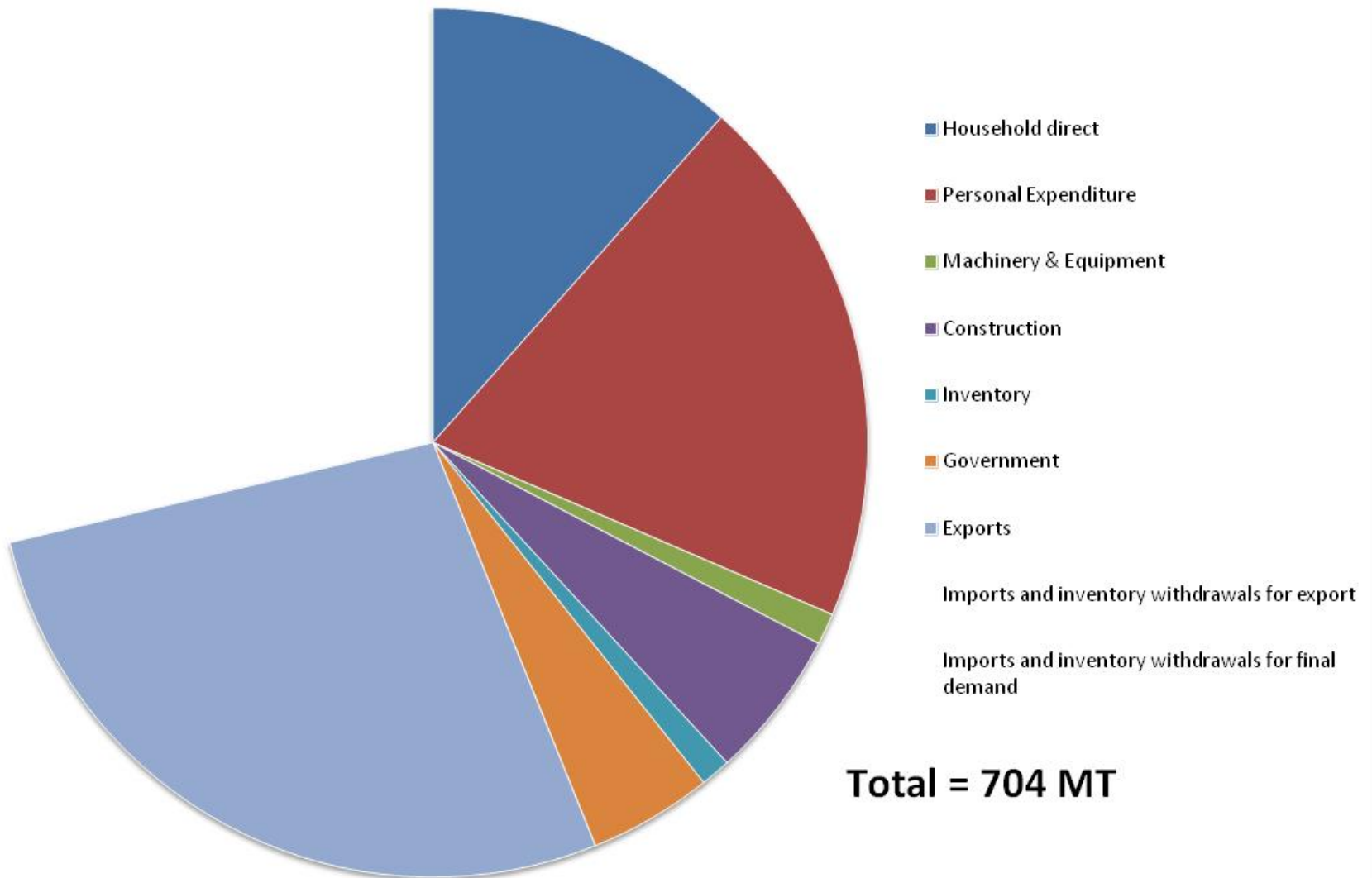
National footprint from domestic consumption in the current accounting period including emissions abroad and from previous production

Canada's Emissions Footprint, 2008



National footprint from the whole economy in the current accounting period including emissions from previous production

Canada's Emissions Footprint, 2008



Emissions following IPCC guidelines (adjusted to SEEA requirements)

Integrated
SEEA/IPCC
accounts

draft example

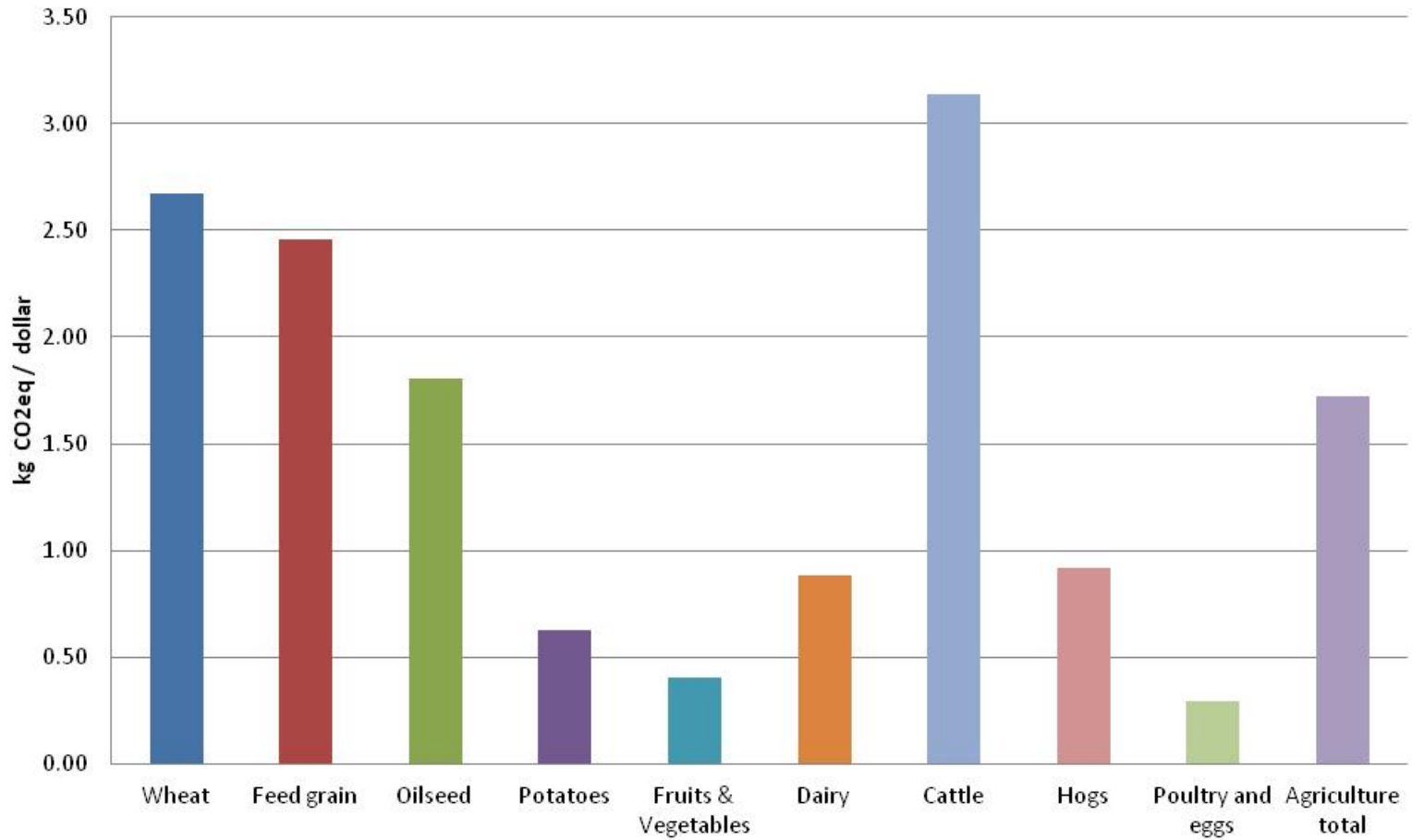
Greenhouse Gas Emissions (carbon dioxide equivalents) by Sector, 2008	
	kt
Crop and Animal Production	67,617
Forestry and Logging	3,104
Fishing, Hunting and Trapping	818
Support Activities for Agriculture and Forestry	1,164
Mining and Oil and Gas Extraction	120,656
Utilities	118,582
Construction	12,404
Manufacturing	110,548
Wholesale Trade	11,763
Retail Trade	7,953
Transportation and Warehousing	76,073
Information and Cultural Industries	1,130
Finance, Insurance, Real Estate and Renting and Leasing	19,029
Professional, Scientific and Technical Services	1,920
Administrative and Support, Waste Management and Remediation Services	3,162
Education Services	311
Health Care and Social Assistance	2,352
Arts, Entertainment and Recreation	338
Accommodation and Food Services	1,914
Other Services (Except Public Administration)	2,387
Operating, Office, Cafeteria and Laboratory Supplies	10
Travel, Entertainment, Advertising and Promotion	5,989
Transportation Margins	-
Non-Profit Institutions Serving Households	2,897
Government Sector	18,332
Household Heating, lighting and appliances	39,963
Household Motor fuels and lubricants	74,010
Total	704,426
IPCC/SEEA balancing items	
Waste	21,386
Prescribed burns	- 875
Household firewood use	2,000
Gasoline difference in MOBILE model	- 2,818
International aviation fuel purchases	- 7,583
HFC	5,500
PFC	2,200
SF6	670
Solvent use	340
Statistical difference	- 6,753
NIR total from Environment Canada	732,000



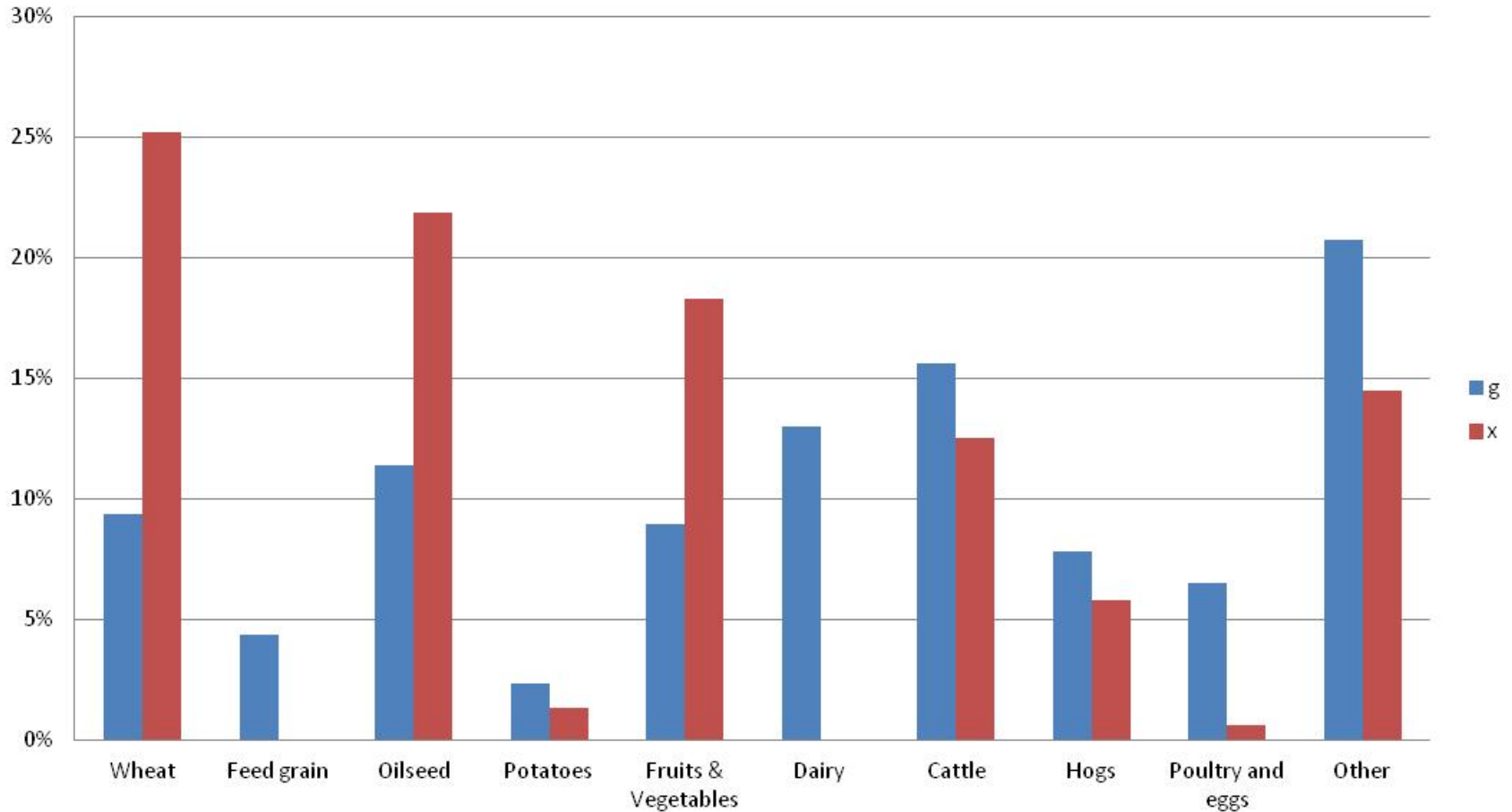
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Agricultural emissions intensities, 2007



Gross output and export shares of agricultural commodities, 2007



$$\alpha_g = 1.54, \alpha_x = 1.76, \alpha_{fd} = 1.44$$

$$\alpha_x / \alpha_g = 1.14$$

$$\alpha_{fd} / \alpha_g = 0.94$$

Emissions embodied in exports, 2007 (Mt CO₂eq)

GTAP producing industry	ENV	STD	GTAP based on ENV	GTAP based on STD
Total oil and gas	84.3	82.6	83.8	80.4
Electricity	29.4	33.0	33.3	32.1
Transport nec	30.1	30.6	24.7	24.9
Total crops	22.5	21.3	22.3	20.4
Chemical, rubber, plastic prods	18.6	18.7	16.3	16.2
Total livestock	13.6	10.9	14.4	11.6
Petroleum, coal products	10.5	10.6	10.0	10.6
Ferrous metals	10.1	10.1	9.8	9.8
All other	52.7	52.3	52.0	51.6
Total	271.9	270.0	266.5	257.6

ENV = special environmental IO aggregation (extra detail for agriculture and oil and gas)

STD = standard detailed IO aggregation

GTAP = Global Trade Analysis Project database aggregation

Emissions embodied in exports, 2001 and 2004 (Mt CO₂eq)

	2001		2004	
	Perdue GTAP	StatCan IO	Perdue GTAP	StatCan IO
GTAP producing industry				
Total oil and gas	78.5	81.2	79.2	83.3
Total livestock	13.2	12.6	10.0	10.3
Total crops	25.3	20.2	25.7	19.3
Electricity	50.8	47.3	45.5	35.7
Chemical, rubber, plastic prods	16.7	17.9	18.6	20.5
Transport nec	8.9	29.4	12.5	28.1
Petroleum, coal products	8.2	8.8	12.0	12.0
Ferrous metals	10.2	10.2	10.2	10.3
Minerals nec	6.7	5.6	7.3	5.7
Air transport	4.0	2.8	6.1	2.5
All other industries	51.3	52.0	47.1	50.3
All industries	273.8	287.9	274.3	277.8

+ 0.5 Mt

- 10.1 Mt



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Final destination of domestic emissions

Source of footprint

GHG emission related to domestic final expenditures by region, 2002					
	Canada	US	China	Rest of world	Total
	mt CO ₂ eq				
Canada	401	217	3	68	689
US	58	6,232	19	448	6,757
China	14	178	4,120	665	4,977
Rest of world	57	731	198	21,922	22,908
Total	530	7,359	4,340	23,103	35,331

Consumption-related greenhouse gas emissions in Canada, the United States and China

Craig Gaston, Environment Accounts and Statistics Division

Although the location of greenhouse gas (GHG) emissions is not important as far as their contribution to global warming is concerned, it can be useful to know how final domestic expenditures on products and services in Canada cause emissions in other countries and conversely, how final expenditures elsewhere cause emissions in Canada. This is a "consumption perspective" on GHG emissions as opposed to the production perspective by which countries normally present their GHG emissions.

GHG emissions statistics are generally compiled according to the various sources of emissions within the geographical boundaries of a country. Emissions in other countries related to Canadian expenditures are not directly observable but can be approximated using input-output models that describe the flows of goods between industries and countries.¹¹ Input-output models have a long tradition at Statistics Canada and have been used with environmental extensions to estimate the energy and GHG effects of expenditures by Canadian households.¹²

This article uses a novel multi-regional input-output (MRIO) model to trace the connections between domestic final expenditures on goods and services in one country and the resulting GHG emissions in another. The model represents the economies of Canada, the United States and China. The rest of the world is not specified explicitly; only the trade flows with the rest of the world are articulated.

The model was built for the year 2002 because that is the most recent year for which detailed input-output tables are available for all three countries. There has been rapid growth of China's economy since then and additional analysis has been done here to provide some insight into the effect of increased Canadian expenditures on Chinese goods since 2002. A more recent MRIO model would be necessary to capture the fine-grained changes in the world economy over the last decade.

When using a single-country input-output model (unlike the MRIO model that has been used here), the simplifying assumption that imports have the same embodied emissions as similar goods produced in Canada is required. The Canada-U.S.-China MRIO model addresses this shortcoming. While a substantial improvement on single-country models for this reason, constructing the MRIO model requires a number of assumptions and considerable manipulation of the individual countries' input-output tables. The results presented here should, therefore, be considered experimental and taken as illustrative rather than final (see the textbox below for further details).¹³

11. Statistics Canada, 2008, *Guide to the Income and Expenditure Accounts*, Catalogue no. 13-017-X.

12. A. Clark Millto and G. Gagnon, 2008, "Greenhouse gas emissions—a focus on Canadian households," *EnvironStats*, Vol. 2, no. 4, Statistics Canada Catalogue no. 16-002-X2008004/0748.

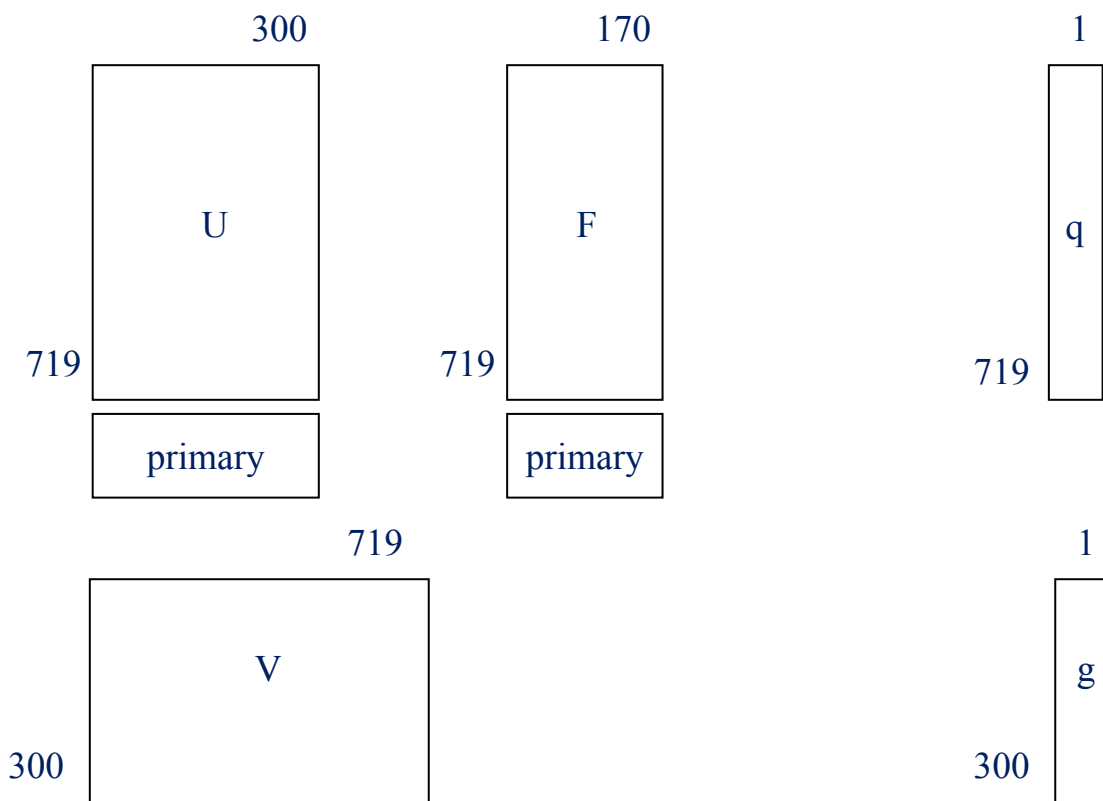
13. Documentation on the MRIO model used in this study can be obtained by contacting the Information Officer, Environment Accounts and Statistics Division (613-951-0297; environ@statcan.gc.ca).



Summary

- Linking of environmental and economic data can provide valuable alternative perspectives
- Defining analytical and data boundaries is very important
- Aggregation of heterogeneous industries must be done with care

Statistics Canada's approach to environmental IO modelling: Our IO tables



Statistics Canada's approach to environmental IO modelling: model derivation

- ***Basic identity: supply = demand***

$$q + inv_- + m = u + fd + x + inv_+$$

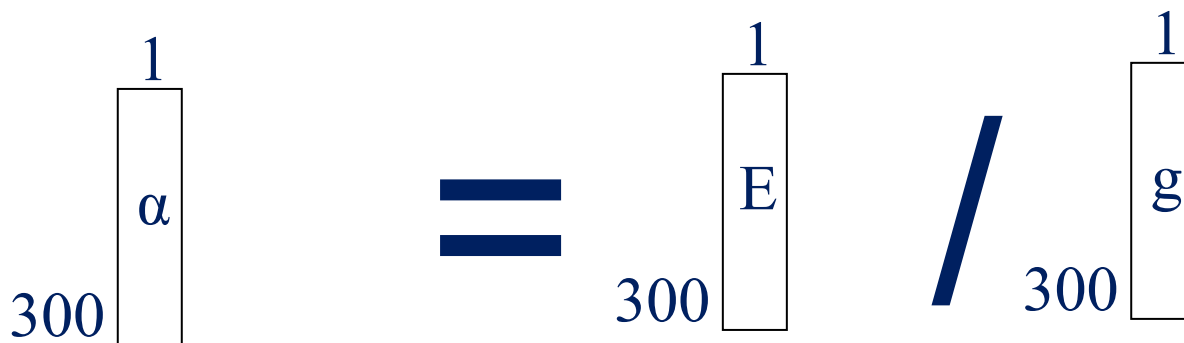
By substituting for market share ($D=V/q$) and technology ($B=U/g$), we get:

$$g = (I - DB)^{-1}Df$$

- ***Allows an estimate of the gross production (g) required from each industry to satisfy a given final demand (f) based on pre-defined relationships of market-share (D) and technology (B)***

Statistics Canada's approach to environmental IO modelling: environmental vectors

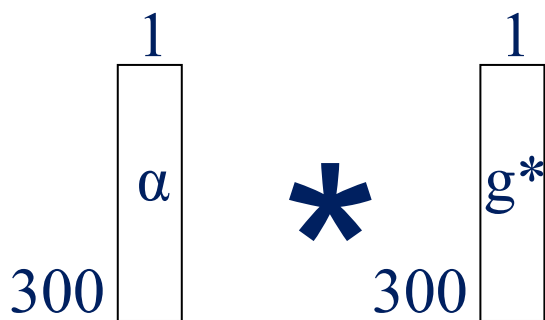
$$\alpha = E/g$$



Statistics Canada's approach to environmental IO modelling: combining the two

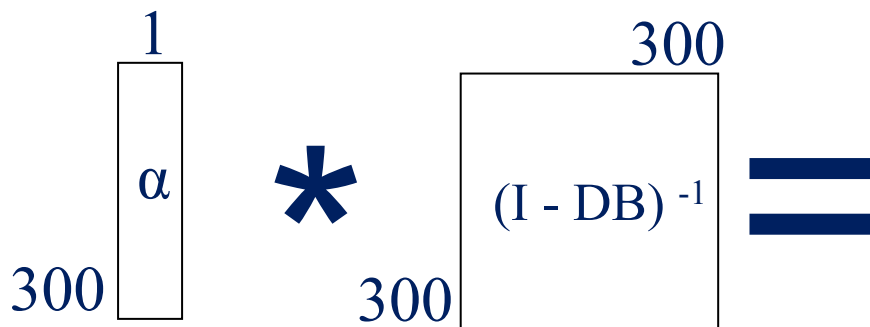
$$g^* = (I - DB)^{-1} Df_{pe}$$

Greenhouse Gas Emissions (carbon dioxide equivalents) attributable to household purchases and consumption, 2002



	kilotonnes	%
Indirect emissions		
Motor vehicles, parts & repairs	5,023	1.6%
Furniture and household appliances	3,066	1.0%
Other durable goods	3,741	1.2%
Clothing and footwear	4,750	1.5%
Other semi-durable goods	5,521	1.7%
Food and non-alcoholic beverage	38,874	12.1%
Motor fuels and lubricants	15,554	4.8%
Electricity	43,343	13.5%
Natural Gas	7,315	2.3%
Other fuels	2,281	0.7%
Other non-durable goods	10,781	3.4%
Gross rent (imputed and paid)	14,555	4.5%
Restaurants & hotels	15,972	5.0%
Other services	39,011	12.2%
Sub total, indirect emissions	209,787	65.3%
Direct emissions		
Heating, lighting and appliances	41,719	13.0%
Motor fuels and lubricants	69,557	21.7%
Sub total, direct emissions	111,276	34.7%
Total GHG emissions attributable to households	321,064	100.0%

Statistics Canada's approach to environmental IO modelling



Direct plus indirect energy intensity by industry, 1990-2007

Industry ¹	1990	1991	1992	1993	1994
1	18.70	20.57	21.63	19.70	18.68
2	11.80	11.96	12.24	10.73	10.48
3	11.81	12.56	11.41	9.60	13.57
4	11.78	10.91	11.30	10.83	10.53
5	32.49	37.12	36.93	33.72	31.93
6	18.18	19.21	18.80	16.99	17.24
7	17.78	19.49	18.76	20.00	17.93
8	22.87	23.82	22.70	22.37	21.75
9	14.87	14.42	17.02	16.09	13.54
10	62.63	57.47	57.87	51.07	49.54
11	12.34	10.67	12.06	13.52	11.65
12	8.94	9.37	9.69	9.41	9.12
13	7.87	8.37	8.57	8.65	8.26
14	18.63	19.36	18.94	18.08	17.64
15	11.59	12.26	12.87	11.95	11.17
16	6.97	7.12	7.27	7.14	6.70
17	7.58	8.66	8.57	8.48	8.21
18	8.17	8.69	9.14	8.80	8.11
19	8.06	8.33	8.56	8.19	7.92
20	9.53	10.40	10.42	10.41	10.02
21	15.57	16.16	16.44	15.73	15.32
22	9.74	11.03	10.23	9.58	9.54
23	13.12	12.54	12.71	12.50	12.57
24	15.46	16.25	16.98	15.88	15.43
25	15.87	16.67	17.11	16.34	15.67
26	10.45	11.13	11.42	10.25	11.21
27	12.04	10.82	11.24	11.31	11.45
28	10.73	11.12	10.26	10.97	11.45
29	8.95	8.09	8.46	8.08	7.55

Statistics Canada's approach to environmental IO modelling

Direct and Indirect Household Greenhouse Gas Emissions, 1990-2007

Year	Direct	Indirect	Total	Emissions per unit of expenditure
	megatonnes			1990=100
1990	95	280	375	100.0
1991	92	278	371	100.3
1992	95	297	392	104.5
1993	99	287	386	101.2
1994	102	287	389	98.9
1995	101	286	387	96.4
1996	106	288	394	95.6
1997	104	299	403	93.6
1998	100	310	410	92.7
1999	103	309	412	89.6
2000	105	306	411	86.0
2001	103	307	410	83.9
2002	108	316	424	83.7
2003	111	322	432	82.9
2004	110	313	424	78.6
2005	111	305	415	74.4
2006	109	303	412	70.7
2007	115	317	432	71.0

Direct emissions include all greenhouse gas emissions due to energy use in the home and for private motor vehicles. Indirect emissions are those business-sector emissions due to the production of the goods and services purchased by households. An estimate of the emissions from foreign companies due to the production of the imported goods purchased by Canadian households is included.

Total emissions are the sum of direct plus indirect emissions.

Source:

Statistics Canada, Environment Accounts and Statistics Division.
CANSIM Table 153-0046

Statistics Canada's approach to environmental IO modelling

Water use by demand category, 2005

Final Demand	Water Intake		Including precipitation for forestry and agriculture	
	Mm3	%	Mm3	%
Personal Expenditure	18,003	47.0	98,727	15.8
Machinery and Equipment	731	1.9	6,890	1.1
Inventories	1,732	4.5	71,107	11.4
Construction	483	1.3	19,417	3.1
Government	3,169	8.3	14,927	2.4
Exports	14,169	37.0	414,857	66.3
Total	38,287	100.0	625,925	100.0

Virtual water content of exports, 2005

Exports	Water Intake		Including precipitation for forestry and agriculture	
	Mm3	%	Mm3	%
Food (incl. accommodation and meal services)	1,525	10.8	52,796	12.7
Other manufactured goods	9,304	65.7	349,203	84.2
Utilities	2,496	17.6	2,682	0.6
Other services	844	6.0	10,176	2.5
Total	14,169	100.0	414,857	100.0

Statistics Canada's approach to environmental IO modelling

