



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION
UNITED NATIONS

**SEEA Revision
Chapters 1-6**

Comment Form

Global Consultation Comment Form

Revised SEEA Chapter 1 - 6

Deadline for responses: 7 December 2011

Send responses to: seea@un.org

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To submit responses please save this document and send it as an attachment to the following e-mail address: seea@un.org.

The comment form has been designed to facilitate the analysis of comments. In Part I general comments on the general style, content and coverage of the chapter are sought. In Part II any technical and other comments should be included.

Relevant documents

Before submitting responses you are encouraged to read the accompanying papers available on the website.

Revision of the SEEA: Draft Version for Second Round of Global Consultation, October 2011 – Chapters 1 – 6

Reading guide for the SEEA Revision Second Round of Global Consultation

Supporting material for selected classifications and lists in the revised SEEA

Part I: General comments

This is the first global consultation based on the complete set of chapters for the SEEA Central Framework. In this section please provide general comments on the drafts chapters. You may like to consider providing comments on the style and tone, the content and coverage, and the general accessibility of the material.

In comparison to the first draft versions of the different chapters, the text has significantly improved. The structure has become clearer and many parts are now explained more precisely. However, two important types of incoherence have remained in the text.

The first one has to do with the statement in chapters 1 and 2 that tables containing demographic and employment data are part of the SEEA. If this were true, then the SEEA ought to contain a chapter on these tables, as it does for the flow accounts, the asset accounts and the functional accounts, or at least a more extended section like for the full sequence of accounts. The tables should be presented somewhere. The fact that this is not the case shows that these tables are not part of the SEEA, as rather of the SESEA (System of Environmental Socio-Economic Accounts). Paragraph 2.74 correctly states: *"The usefulness of information within the SEEA can be enhanced by relating different environmental and economic data to estimates of population and various demographic breakdowns such as by household income levels and other detailed information by household characteristics related to material well-being."* No doubt about that. But this does not imply that these social data are part of the SEEA. The latter is acknowledged by paragraph 6.1 which states: *"...a primary motivation of the SEEA is the effective integration of the vast amount of environmental and economic data. It also assists with the integration of social data, such as demographic and labour statistics."* This statement clearly illustrates the difference between economic and environmental data on the one hand, and social data on the other hand in the context of the SEEA. The SEEA does not effectively integrate social data with economic and environmental data. It merely assists in doing so. The addition of social data to the SEEA is an extension of the SEEA, which turns the SEEA into the SESEA.

The second incoherence has to do with the typology of physical flow accounts. The SEEA stresses that there are three types of physical flow accounts, one for energy, one for water, and one for materials. It would be more coherent to classify physical flow accounts on the basis of the unit of measurement. The three types (sub-systems) of physical flow accounts which have been developed are physical energy content flow accounts (of which energy accounts are an example), physical volume flow accounts (of which water accounts are an example), and physical mass flow accounts (of which air emissions accounts are an example). Why is this more coherent? Because depending on the questions which need to be addressed by a specific account, materials can be expressed in different units of measurement. Physical volume flow accounts are not limited to water. Timber is often expressed in volume, just like gaseous energy resources. Physical energy content flow accounts are also not limited to energy accounts. One can imagine physical energy content flow accounts for food for instance in the context of health issues.

Part II: Technical and other comments

In the box below please supply any additional comments including those of a more technical nature. As this is the first consultation where the complete 6 chapters have been released, comments on the consistency of the technical content across the chapters would be appreciated.

Please reference your responses with the relevant paragraph number or section number.

Par 1.18:

I was quite surprised to read the following sentence: "*The economy is defined by the production, consumption and accumulation activity undertaken **within the economic territory** by the relevant economic units*". This is not in line with the SNA, which states that "*The total economy is defined as **the entire set of resident institutional units***". It doesn't matter where the activity of the resident units takes place (as correctly explained in section 2.6.4). Most of the activities will of course take place within the economic territory of the country, but certain production and consumption activities take place abroad. An example of a production activity by resident units which does not take place within the economic territory of the home country is the production of international transport services. An example of a consumption activity by resident units which does not take place within the economic territory of the home country is the consumption of food and drinks by home country tourists in the country they are visiting. This implies the sentence should read something like: "*The economy is defined by the production, consumption and accumulation activity undertaken by **the entire set of resident institutional units***".

Par 1.19:

This paragraph seems to continue making a case for a territorial approach instead of a residence approach: "*The relevant scope of the environment is also bounded by these territorial considerations.*" However, the environmental data should also abide by the residence principle, as correctly explained in chapter 2. Emissions by resident units within the confines of a foreign territory should be accounted for in the environmental accounts of the resident units' home country. An example of this type of emissions, are emissions from the burning of fuel for transport purposes by tourists and international transport companies.

Par 1.21+1.41+1.42:

Tables containing demographic and employment data are said to be part of the SEEA. If that is true the SEEA should really be called the SESEA: System of Environmental Socio-Economic Accounts. When household income levels and other household characteristics are included, we are dealing with data from a SAM (Social Accounting Matrix). This refers to the third pillar of sustainable development, next to the environment and the economy. It goes beyond the relationship between the environment and the economy.

Par 1.105:

It's quite strange to find a description of chapter one at the end of chapter one. Is chapter one really part of the SEEA Central Framework ? Wouldn't it be better to consider chapter one as an introductory chapter to the SEEA in general ? The description of the SEEA Central Framework seems to start with chapter 2.

Par 1.110:

In this paragraph making more efficient use of natural resources is mentioned. Resource Management Expenditure Accounts (RMEA, RUMEA without the U) should consequently be added to the EPEA and the EGSS.

Figure 2.2.1

The title of figure 2.2.1 only covers part of what the figure shows. The figure also shows flows within the economy, while the title only refers to flows between the economy and the environment. Suggestion for the title: "Physical flows in the SEEA".

Par 2.26:

It would make things much clearer if "*(iii) a sequence of economic accounts showing all economic flows between economic units*" were replaced by "*(iii) a sequence of depletion adjusted economic accounts*". This immediately explains the purpose of this part of the

SEEA. The formulation as it stands in the text is just too vague.

Par 2.38:

“The focus of PSUTs is on flows of energy, water or materials.” As becomes clear further in the text of the SEEA, there seems to be no reason to separate water from other materials, unless of course in the construction of water accounts as a specific example of a material account. If there is a general reason to separate water from other materials, it should be clearly explained in the text. Paragraph 2.46 says *“physical flows are generally measured in different units depending on the material”*. Water is then just a material measured in m³. Logically, the distinction between water and materials should thus be deleted throughout the text.

Sections 2.3.4 and 6.2.4:

In the sections on the full sequence of economic accounts it remains unclear why environmental taxes, environmental subsidies and other environmental current and capital transfers need to be distinguished from total taxes, total subsidies and the total of other current and capital transfers. The identification of the environmental part of National Accounts variables is achieved by means of functional accounts, like environmental tax accounts. The value added of adding this extra information to the full sequence of economic accounts is unclear. It doesn't change anything to the calculation of the depletion adjusted variables. If there is any sense in making the distinction between environmental transfers and total transfers in the sequence of economic accounts, it should be clearly and thoroughly explained what it is.

Par 2.60:

“The full sequence of accounts also provides the information required for an assessment of the full economic costs and benefits of environmental activity”. How is this possible? The full sequence of economic accounts shows values related to **all** activities. It does not single out the environmental activities from the rest. The latter is done in the functional account called EGSS.

Section 2.3.6:

As mentioned earlier, tables with demographic and employment information are not really part of the System of Environmental Economic Accounts, as rather of the System of Environmental **Socio**-Economic Accounts.

Par 2.87:

Water should not be mentioned separately, since water is also a material.

Par 2.88:

It would be helpful if a reference to section 3.2.2, where the different types of natural inputs are clearly defined, was made in this paragraph.

Par 2.92:

Water should not be considered as a separate category next to materials. If gases like CO₂ are considered to be materials, there is no reason why water should not. Water accounts are a specific type of material account.

Par. 2.121:

According to this paragraph **all** activities of households are added to likewise activities of other institutional units. It should be made clear that only their **production** activities are concerned.

Chapter 3, table of contents:

Section 3.5 “Physical flow accounts for water” ought to be presented as an example of

“Physical volume flow accounts”, while section 3.6 “Physical flow accounts for materials”, had better be changed into “Physical mass flow accounts”.

Par 3.9 + 3.10:

These paragraphs pertain that material flow accounts are expressed in terms of mass, while water accounts are expressed in m³. The distinguishing feature is thus the unit of measurement. However, paragraph 2.46 says “*physical flows are generally measured in different units depending on the material*”, while paragraph 2.43 mentions the measurement of the material timber in cubic metres. This clearly contradicts the statement that material flow accounts are always expressed in terms of mass, and once more illustrates that water accounts are a specific type of material accounts, since we can hardly defend that timber accounts expressed in cubic metres are water accounts.

Material flow accounts are measured in different units depending on the materials. Both mass flow accounts (expressed in tonnes) and volume flow accounts (expressed in m³) are material flow accounts. They account for flows of different types of materials. Depending on the issue investigated a choice is made between the different types of material flow accounts.

Par 3.113:

The last words of this paragraph should be deleted: “*and the treatment of losses.*” This is now treated in section 3.2.4.

Par 3.142:

Even with footnote 16 the sentence “*Energy resources may come in the form of mineral and energy resources, natural timber resources...*” remains odd. In fact, the energy resources do not come in the form of **mineral and energy** resources as defined in table 3.2.2, but only in the form of the **energy** resources defined in that table. Consequently, the text would gain in clarity if these energy resources were spelled out: “*Energy resources may come in the form of oil resources, natural gas resources, coal and peat resources, natural timber resources...*” Of course, in section 3.4.3 “Physical supply and use tables for energy” the same replacement needs to be made in order to clarify the text and table 3.4.1.

Par 3.269:

“*Discarded materials sold for significant value – for example the sale of a second hand car or furniture - should be treated as flows of products and not treated as solid waste*”. This sentence suggests that solid waste cannot be a product. However, paragraph 3.268 shows just the opposite: “*...scrap metal sold to a recycling firm, this flow is considered a product flow of solid waste.*” Consequently, the sentence in paragraph 3.269 ought to be changed into something like: “*Discarded materials sold for significant value – for example the sale of a second hand car or furniture - should be treated as flows of such products (cars or furniture) and not treated as a product flow of solid waste*”.

Par 4.45:

Insert words in bold: “*The reason to establish accounts for environmental protection **expenditure** is to...through the supply **of** and demand for...*”

Par 4.54 and table 4.3.1:

“*Non-specialist producers are those establishments that produce environmental protection specific services as secondary or own-account output...*” This does not correspond with table 4.3.1, in which own-account producers are placed next to non-specialised producers, at the same classification level. In this table they ought to be placed at the same level as government producers and other specialist producers, while secondary producers have to be added at this level as well. Then there will be two types of specialist producers and two types of non-specialist producers in table 4.3.1.

Par 4.115:

“*The EPEA follows a more complete functional accounting structure.*” This sentence contains two ideas, if I analyse the contents of the paragraph correctly:

- 1) EPEA follows a more complete accounting structure, in the sense that a balance is established between supply and use
- 2) EPEA is a more complete functional account, in the sense that it contains a more complete set of national data for which the environmental part has been singled out.

Idea 1) is true only for environmental protection services. The inclusion of expenditure on connected products and adapted goods in the EPEA is a “non-accounting structure” element in these tables, since the supply of these products is excluded. Consequently, the connected products and adapted goods cannot be used as an argument why the EPEA follow a more complete accounting structure.

Idea 2) is supported by the argument that taxes and subsidies play a role in the EPEA. However, many of the taxes which are singled out in the functional environmental tax account, should not be included in the EPEA, because their proceedings are not earmarked for environmental purposes. Furthermore, in theory it is possible that all taxes in EPEA are non-environmental taxes. Non-environmental taxes might indeed be earmarked for environmental purposes. As a consequence, only subsidies can be used as an argument to support idea 2).

Par 4.146:

Add words in bold and underlined : “*Other current taxes consist of recurrent taxes on capital **not used for productive purposes** (such as taxes on land, buildings and net wealth) and miscellaneous recurrent taxes...*” If the taxes are not recurrent they will not be considered to be current taxes, and if they are used for productive purposes they will be considered as other taxes on production.

Par 4.151:

Replace “*paragraph 4.150*” by bold words in sentence “*iv. Resource taxes ...For detail on the treatment of rent see **paragraphs 4.156-4.159.***”

Par 4.171:

“*Payments of rent are discussed in Section 4.4. and...*” This paragraph is a part of section 4.4 itself. It would be better to refer to the discussion of rent by means of the paragraph numbers. “*Payments of rent are discussed in **paragraphs 4.156-4.159 and...***”

Par 6.32:

“*Differently from the SNA, the SEEA also accounts for own account environmental protection services (see Chapter 4). This leads to recording higher levels of output and intermediate consumption...*” This is not true. Paragraph 4.81 states that own account production is valued as the sum of the costs of producing the output. These costs are of course already part of the SNA measure of intermediate consumption (and thus of output) of the enterprises performing this own account production. What the SNA doesn’t tell us, is for what purpose the intermediate consumption takes place, for the production of its primary or secondary output or for its own account production. EPEA singles out that part of production of enterprises which is own account production (for environmental protection). It does not add any intermediate consumption or output to what is recorded in the SNA. The reference to own account production in paragraph 6.85 should also be deleted. Estimates of own account production are normally incorporated in the SNA.

Table 6.2.3:

The full sequence of accounts presented in table 6.2.3 is only correct for the corporations. For the government, for instance, taxes need to be marked with a “plus” in the generation of income account, and subsidies with a “less”. As concerns households, all production activities in the supply and use tables are allocated to the corresponding industry. Is this also

the case in this full sequence of accounts ? Or is the column for the households to be filled with the production activities by the households ? In that case, the output and intermediate consumption of the corporations will of course be different from the total in the supply table. This is a point which needs to be cleared out.

Par 6.103:

Decoupling type indicators are always measured over time. Consequently, the economic aggregates should always be measured in volume terms. The addition “*for time series purposes*” in the last sentence of the paragraph is superfluous.

Table 6.5.1:

This table contains “Employment” under the heading “MONETARY SUPPLY AND USE FLOWS (currency units)”. I guess that should read “Payment to employees”, since employment is not a monetary flow.

Par 6.117:

This paragraph, describing the contents of table 6.5.2, ends with the words “*and on air emissions*”. In table 6.5.2 air emission are not mentioned, however.