



System of
Environmental
Economic
Accounting

Addressing environmental issues in ISIC: research agenda

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Overview

- Several revision efforts are ongoing, opportunity to make 'environment' more explicit in statistical classifications
 - > ISIC
 - > CPC
 - > SIEC
 - > COFOG
 - > SNA relevant classifications
 - > SEEA classifications: Classification of Environmental Functions
- The SEEA community participates in this revision process :
 - > Identify a list of additional SEEA-relevant classification issues for consideration
 - > Providing input to existing classification issues
 - > Making proposals for additions, extensions and links to other classifications

International Standard Industry Classification (ISIC)



Several proposals were made to better reflect the emerging environmental activities were prepared

- Better reflection of climate change mitigation activities
- Add further detail on the type of electricity generation
- Distinction of the manufacture activities of cars according to the types of car (electric, thermal hybrid)
- **Construction sector:** Identification of construction of low energy building; Identification of activities for the Installation of solar panels and other installation to generate renewable energy; Identification of activities for the insulation and other energetic refurbishment activities
- Creation of a new group/class for Ecosystem conservation, management and restoration activities
- Creation of a new class for “Public administration activities on environmental protection and resource management, including ecosystem conservation, management and restoration and climate regulation”
- Split activities in 9103 “Botanical and zoological gardens and nature reserve activities”

Outcome

- Although the ISIC revision process recognized the importance of these activities, **no changes were proposed** at the Section, Division or Group level
- Moving forward the efforts will focus in making environment related activities visible by either making them explicit in **the explanatory notes** of existing classes or possibly **creating separate classes**

Proposals	Outcomes
Climate change mitigation activities	No new classes created; improve explanatory notes
Breakdowns on the type of electricity generation	New classes created; split by renewable and non-renewable sources
Electric vs non-electric car production activities	No new classes created; improve explanatory notes
Proposal on construction activities	New class for solar panel installation; No new classes for other proposals; improve explanatory notes
Ecosystem conservation, management and restoration activities	Outstanding issues to be resolved
Public administration activities on environmental protection and resource management,	A new class has been created
Split activities in 9103 “Botanical and zoological gardens and nature reserve activities”	The ISIC Rev 4 class 9103 was split in <ul style="list-style-type: none"> • Botanical and zoological gardens activities • Nature reserves activities

Reflections

- Considering the tight revision timeline, there was not enough time to properly discuss and go in depth, the outcome is not what we were hoping for considering that this area of the economy is expected to grow substantially in the near future.
- In most case, the decision is to improve the explanatory notes without creating distinct categories in the ISIC structure on environmental activities
- Improving the description of explanatory note ensures that ISIC is exhaustive, that there are places to classify environmental activities.
- However, in many case there are no distinct categories for environmental activities (top-level aggregation, and low-level sub-category). Hence, the objective to allow report and analysis for activities on environmental sector using ISIC structure has not yet been achieved. This is illustrated by the problem in classifying ecosystem management activities

Issues in classifying ecosystem conservation, management and restoration activities in ISIC Rev. 5

Division	Class	Activities
01 – Crop and animal production, hunting and related service activities	0161	Support activities for crop production
02 – Forestry and logging	0210	Silviculture and other forestry activities
03 – Fishing and aquaculture	0330	Support activities on fishing and aquaculture
81 – Services to buildings and landscape activities	8130 (or a new class 8132)	Landscape services activities
84 – Public administration and defense; compulsory social security	8414	Public administration activities on environmental protection and resource management, including ecosystem conservation, management and restoration and climate regulation”
91 – Activities of membership organizations	9142	Nature reserves activities

- > Ecosystem conservation activities mixed with activities that are not considered as environmental protection
- > Activities are scattered across different divisions
- > The improvement of explanatory note only ensure that there is some place to classify respective ecosystem management activities, but it does not allow direct report and analysis for environmental sector as there are no distinct sub-category.

Consideration for future research agenda on environmental issues

Reasons for not having separating category on some of the environmental issues	Consideration for the future research agenda
Break in time series/altering the scope of current category (e.g. ecosystem management)	The issue is unavoidable when there is a revision of classification. The objectives of ISIC revision were formulated in terms of improving and strengthening its relevance and comparability with other classifications, while considering its continuity. Effort should be made to compare the benefits in terms of relevance or comparability and the costs in terms of changes made to the previous versions of the classification
Statistical insignificance/not enough units (e.g. climate change mitigation, ecosystem management)	Establish a clear guideline at the international level (applicable to all countries) on the threshold and metrics, taking into account of both the perspective of supply (data availability) and demand (forward-looking policy needs); Incorporate pilot/experimental categories on emerging sectors in establishment survey/data collection questionnaire to assess the issue of statistical significance
Unit engages in multiple activities (e.g. Mining activities on extraction and carbon storage activities)	Two fundamental issues on classification: i) statistical unit and ii) treatment of secondary activities, to be addressed in the future research agenda

Consideration for future research agenda on environmental issues

Reasons for not having separating categories on some of the environmental issues	Consideration for the future research agenda
<p>Same activity cannot be separated (e.g. electric vs non-electric car production activities, planting of trees for timber production vs carbon retention)</p>	<p>Consideration of environmental concept and reporting requirement/demand as a principle for delineating sub-category in ISIC. This can be done and has already been used for delineating some categories (e.g. renewable vs non-renewable energy production)</p>
<p>Definitions are not clear/no international standard on some concepts on environment</p>	<p>Greater alignment on concepts currently used in ISIC and in the emerging field of environment (e.g. landscape, remediation, etc.). Mainstreaming the latest concept on SNA and SEEA in ISIC.</p>
<p>Not within the scope of ISIC (better to consider in other type of classification, e.g. in CPC)</p>	<p>Research on the scope of production/transformation activities on environmental protection and natural resource management activity to be considered within the scope of ISIC. Statistical information on these sectors (e.g. value added, employment, turnover, etc.) is essential for further policy and data analysis.</p>

Summary

- A need to update the structure for technological developments and innovation in the field of environment
- Develop new category to address emerging environmental needs such as economic activities on biodiversity conservation, climate change mitigation , sustainable finance, circular economy, etc.
- A need to make the breakdowns more granular to specifically cover important environmental activity for further analysis and map policy need
- Develop special environmental aggregation structures for ISIC which allow users to better analyze environmental-economic activity
- A need to increase the invisibility of environmental activities in the ISIC structure
- Treatment of environmental protection and resource use activity as a secondary activity
- Need to ongoing research and work plan to advance the research agenda to keep the institutional memory on mainstreaming environmental issue on ISIC

THANK YOU

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