

ANNEX 2

Classification requirements

The classification of environmental purposes (CEP) has been developed by Eurostat, which is the identified custodian for it. It is proposed as an international reference classification.

CEP is a generic, multi-purpose, functional classification used for classifying activities, products, expenditure and other transactions related to environmental protection and management of natural resource.

The primary use is for the collection, reporting and organization of data on environmental activities and transactions within monetary environmental accounts, both mandatory and not mandatory. Indeed CEP is used to classify activities, products, expenditure and other transactions related both to **environmental protection** (prevention and reduction of pollution or any other degradation of the environment as well as restoration of the environment after it has been degraded) and **management of natural resource** (preservation, maintenance and enhancement of the stock of natural resources and therefore the safeguarding of those resources against depletion).

The CEP uses the purpose to classify environmental economic activities, environmental products and environmental expenditures. The classification units are activities, products and expenditures. In practical application, the classification unit is often determined by the units of the primary data sources that are being classified and by the presentation formats used for results.

The CEP is based on the pre-existing functional classifications used for monetary environmental accounting:

- classification of environmental protection activities and expenditure (CEPA 2000)¹;
- classification of resource management activities and expenditure (CReMA 2008)².

CEP has been built up to fulfil time series reconciliation with existing environmental classifications (CEPA and CReMA as separate classification) as used to classify environmental activities, products, expenditure and other transactions. This is particularly important in Europe to preserve data time series built over the last decade, in particular about products and activities of the environmental sector (EGSS account), environmental expenditure (EPEA account) and environmental subsidies (ESST account). A Table of correspondence between CEP and existing functional classifications used for monetary environmental accounting (CEPA and CReMA classification) has been drafted and included in an Annex (Annex1); the correspondence has been also tested in the context of a dedicated task force of European

¹ The International Family of Classifications primarily contains those classifications that have been reviewed and approved as guidelines by the United Nations Statistical Commission or other competent intergovernmental bodies, covering broad statistical areas such as economics, demographics, labour, health, education, social welfare, geography, environment, and tourism, among others.

² CReMA 2008 (or CReMA for short) has been developed consistently with the structure and classification principles of the CEPA by Eurostat and used in Europe for data collection and analysis of statistics on the Environmental Goods and Services Sector (EGSS)

countries established by Eurostat to assist in the review of the classification of environmental purposes (CEP).

CEP has hierarchic structure; it is structured into 3 levels. The level 1 structure of CEP (the first two-digits) are the CEP divisions; the level 2 structure of CEP (the third and fourth-digits) are the CEP groups and the level 3 (the fifth and sixth-digits) are the classes.

CEP divisions group together “homogeneous” environmental protection and/or resource management categories, i.e. categories that are linked together and represent borderline cases, such as for example in the case of activities related to biodiversity and forest or waste and materials recovery. At the second level split (group), the environmental protection or resource management categories are singled out, also to ensure a bridge with existing functional classifications used for monetary environmental accounting (CEPA and CReMA).

At the third level split (class), in almost all cases, an extra level of granularity is offered with regard to the activities, actions, expenditures that are object of the classification.

At each level, categories are mutually exclusive and they have been labelled to be informative and clear for the users about the specific environmental activities, products and expenditures included.

CEP divisions have been designed to ensure statistical balance safeguarding, at the same time, symmetry, coherence and homogeneity in the structure of classification and kind of activities, products and transaction included in each level. E.g. noise and radiation are environmental domain that have been kept together at the first level split of CEP based also on the consideration of ensuring statistical balance compared to the other 1-digit CEP division.

Several consultation on CEP have been done in the context of a dedicated Eurostat task force on the classification of environmental activities, Eurostat Working Group on Monetary Environmental Statistics and Accounts and London Group of experts on environmental accounts.