

Approval Process for the Classification of Environmental Purposes (CEP)

This document takes the Classification of Environmental Purposes (CEP) through the approval process of the UN Committee of Experts on International Statistical Classifications (UNCEISC) for the classification to become an international standard.

The process is applied by the UNCEISC when considering endorsing a classification for adoption by the UN Statistical Commission or a similar governing body, and for the classification to become a member of the International Family of Classifications.

The custodian/developer of the classification needs to comply with the requirements of three documents. These documents are the:

- Best Practice Guidelines for Developing International Statistical Classifications (as detailed in Section A of this document)
- Criteria to become a Member of the international Family of Classifications (as detailed in Section B of this document)
- Grading Criteria for International Statistical Classifications (as detailed in Section C of this document)

Based upon the application of this process the classification may/may not be endorsed by UNCEISC.

Final recommendation:

The Classification of Environmental Purposes is recommended for approval by the UNCEISC as an international standard. CEP represents a significant advancement in the environmental domain as it replaces two outdated systems, CEPA and CReMA, and includes new categories that align with the System of Environmental-Economic Accounting Central Framework (SEEA-CF). It is also recommended that CEP is recommended for endorsement by the UN Statistical Commission.

A. Does the classification meet the best practice requirements for developing an international statistical classification?

For a classification to be considered for membership of the International Family of Classifications, the classification must meet the best practice requirements. The following questions need to be answered and documented by the custodian or organization seeking approval for the classification.

- Does the classification have an identified custodian?
The custodian is Eurostat.
- Is there a well-defined conceptual basis?
The conceptual basis is well-defined and derived from related concepts found in the SEEA CF and SNA. CEP evaluates the technical nature of an activity or product to determine its environmental purpose. Technical nature is a neutral approach that does not rely on evaluating post-facto outcomes or effects which can be difficult to measure. Instead, CEP encourages using inputs, production processes and output to determine the technical nature of a product or output. CEP is designed to classify activities, products, and expenditures.
- Does the classification have a flat or hierarchic structure?
CEP is a hierarchic classification containing three levels: divisions, groups, and classes.
- Is the classification proposed as an international reference classification or an international derived or related classification?
The classification is proposed as an international reference classification. While it is derived in part from other classifications, i.e., CEPA and CReMA, it is intended to replace them.
- Are the classification categories mutually exclusive?
Yes. The categories are intended to be mutually exclusive. The explanatory notes helpfully address cases of ambiguity.
- Is the classification exhaustive for all possible values of the variable which the classification represents?
Residual classes are offered throughout the structure.
- Is the classification statistically balanced?
Yes, CEP is statistically balanced. The division and groups align with definitions recognized in other contexts like SEEA CF, CEPA, and CReMA.
- Is the classification statistically feasible? In other words, is it possible to effectively, accurately and consistently distinguish between the categories in the classification based on the information available?
Yes. The European Union has experience collecting data using similar approaches.
- Does the classification have clearly defined classification or statistical units?

CEP takes a novel approach by applying a single structure to activities, products, and expenditures that have environmental purposes. Therefore, the statistical unit subject to classification will vary depending on how CEP is being used. For example, in classifying activities, the statistical unit will normally be an enterprise. Conversely, products are consumed, produced, and invested in by corporations, governments, and households so the statistical units will not be uniform, but this feature is clearly addressed in the introduction.

- Has consideration been given to time-series comparability?
Yes, the links with CEPA and CReMA reflect the consideration given to time-series comparability.

Recommendation: CEP satisfies all the above requirements. The recommendation is to advance the classification to the next stage of the process.

B. Does the classification meet the criteria to become a member of the International Family of Classifications?

For a classification to be considered for membership of the International family of Classifications, the classifications must meet all the requirements as specified.

1. Is there a custodian for the classification?

Yes, Eurostat is the custodian.

2. What is the primary use of the classification?

CEP is used to classify activities, products, and expenditures according to environmental purpose. Relevant policy areas include climate change mitigation, biodiversity, environmental protection, and resource management.

3. What are the underlying concepts used in the classification?

The conceptual basis is derived from related concepts found in the SEEA CF and SNA. CEP evaluates the technical nature of an activity or product to determine its environmental purpose. Technical nature is a neutral approach that does not rely on evaluating post-facto outcomes or effects which can be difficult to measure. Instead, CEP encourages using inputs, production processes and output to determine the technical nature of a product or output. CEP is designed to classify activities, products, and expenditures. Typologies include reduction and control of greenhouse gases, energy from renewable sources, energy savings and management, wastewater and water resources, biodiversity, research and development, etc.

4. What is the scope of the classification?

CEP has the same scope as the environmental activities and related transactions in the SEEA CF. CEP also aligns with changes agreed to in the scope of SEEA CF (in 2021), namely the inclusion of non-characteristic activities. CEP is not used to classify natural resources or the economic contributions of ecosystems, which are outside the scope of the SNA production boundary and therefore outside the scope of CEP.

5. What are the statistical units being measured?

The statistical units for CEP are the same as the economic units in SEEA CF and SNA, i.e., corporations, government and NPISH, and households that make decisions about production, consumption, and accumulation of goods and services. The statistical unit varies by how CEP is being used. When CEP is used to:

- classify activities, the statistical units are typically enterprises, which corresponds to institutional units in SEEA CF.
- classify environmental products, the statistical unit is the actor that produces, consumes, or invests in them, i.e., corporate, government, and households.
- classify expenditures, the statistical units are the institutional units engaged in expenditure..

6. How many classification levels are required?

Three.

7. Are the category names precise, unique and reflective of the category scope?
Yes, the categories are defined for precise and mutually exclusive classification. However, some classification determinations will require interpretation of available data and may involve a degree of uncertainty; for example, when an activity, product, or expenditures crosses multiple purposes. The explanatory notes helpfully anticipate potential borderline cases and offer extensive examples of inclusions and exclusions. *Division 08 Cross-cutting and other environmental purposes* is limited to indivisible actions, e.g., training covering all environmental issues, or when information is insufficient to classify elsewhere.
8. Is the classification code structure logical and sequential?
Yes. Furthermore, the classification code pattern allows flexibility for growth and subsequent revisions with the need to reuse codes when content changes.
9. Is the classification statistically balanced?
Yes.
10. Has there been a consultation process with users of the classification?
Yes.
11. Has the classification been tested?
No. However, Eurostat drew upon over a decade of data collection experience of its member countries using CEPA and CReMA in developing CEP.
12. Are there correspondences between previous versions and the current classification?
Annex 1 provides a concordance with the antecedents of CEP, i.e., CReMA and CEPA, mostly at the group level. As a new classification, CEP does not concord with a previous version of itself.
13. Is there an implementation plan for the classification?
Yes, Eurostat seeks to implement CEP in the European environmental accounts, replacing the classifications CEPA and CReMA. These accounts are mandated by regulation in the European Union. An amendment of this regulation is necessary in the European Union to adopt CEP. This will take 2 or 3 years for the legal procedure and implementation. No global implementation yet exists but the UNCEISC could consider this in the future.
14. Is there a maintenance schedule available?
No.
15. How will the classification be disseminated?
Electronically.

Recommendation: While the classification does not meet all the above requirements, it can be moved to the next stage of the process.

C. Applying the grading criteria to ascertain the classification's status within the International Family of Classifications?

For the CEP to be considered for the next stage of the approval process it must have passed the criteria stage before entering the grading stage.

Is the classification to be considered as an international reference classification?

For a classification to be considered as an international reference classification it must comply with the following definition.

“A reference classification is one developed by an international agency. It provides a common framework for collecting and organizing information about a particular statistical system, concept or variable. Their use, either directly or through national adaptations, facilitates the exchange and comparability of statistics and other information between countries. These classifications have generally been developed through extensive international consultation and have achieved broad acceptance and official agree for use.”

Recommendation: The classification generally fulfils the requirements of the definition and meets a need for environmental statistics that align with SNA and SEEA CF principles. CEP should be considered an international reference classification.