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Open questions related to the structure of the revised SEEA

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Paper prepared for the 12th London Group meeting

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A. Introduction

1. The London Group discussed at its 11th meeting in Johannesburg the new structure of the revised SEEA-2003 on the basis of the paper *A Proposed Structure of the Revised SEEA*. It agreed that in order to elevate the SEEA-2003 to the level of an international statistical standard, changes to the structure of the SEEA-2003 were found necessary.
2. At its second meeting, the UNCEEA discussed a paper (UNCEEA/2/7) presenting the recommendations of the London Group on the structure of the revised SEEA. In addition, the Chair of the London Group presented the results of a written consultation of the London Group on two open issues, namely the order of chapters and the presentation of hybrid accounts in the revised SEEA. The discussion on the SEEA structure led to the following conclusions.
3. The UNCEEA agreed with the proposal of the London Group to structure the revised SEEA into three parts: Part I Statistical Standard; Part II Non-standard Accounts and Part III Applications. It also agreed that: (a) the discussion on indicators be limited to Part III – Applications; and (b) country examples and compilation issues be excluded from the revised SEEA.
4. The UNCEEA agreed that the order of presentation of stocks and flows was merely an issue of presentation and not a conceptual matter. It reiterated that the SEEA is a multipurpose information system which should not embrace a particular school of thought. The UNCEEA requested the London Group to proceed with the current structure of flows before stocks, until an agreement is reached on the strategic questions on the revision of the SEEA-2003.
5. The UNCEEA did not take a decision with regard to the presentation of hybrid accounts; that is, on whether they should be presented in the chapter on physical flows or as a separate chapter. It requested the London Group to look further into this issue as well as to prepare a proposal on the structure of Part II and Part III of the SEEA-2003.

6. The Chair of the London Group offered to draft a paper on open questions related to the structure of the revised SEEA. A first version of this paper will be discussed by the London Group at its 12th meeting in Rome. This preliminary version takes stock of all the arguments made in previous meetings and consultations. A subsequent version of the paper, taking into consideration the recommendations of the London Group, will be submitted for approval to the UNCEEA. The purpose of the paper is to, firstly, identify the necessary structure changes needed to elevate the SEEA to a statistical standard and, secondly, to distinguish those areas where additional work is needed to formulate concrete structure proposals. Structure questions related to SEEA Part II are not included in this paper. The scope of the revision process of those parts of the SEEA addressing valuation of environmental degradation is at this moment still subject to a strategic discussion in the UNCEEA.

B. A list of open questions related to structure

7. The proposed list of unresolved SEEA structure questions is the following:

i. *Ordering of chapters*

A large majority of those London Group members that responded to the written consultation in June 2007 argued in favour of not changing the current SEEA-2003 ordering of chapters. The UNCEEA found it difficult to agree on a final recommendation without having a more in-depth discussion of the fundamental questions driving the SEEA revision. The UNCEEA requested the London Group to proceed with the current structure of flows before stocks.

Since this strategic discussion takes place in the UNCEEA, at this point no further action from the London Group is being required.

ii. *Presentation of hybrid accounts*

The presentation of hybrid accounts in the SEEA was also subject to the written consultation of London Group members. The outcome on this particular topic was however less conclusive. Five representatives argued in favour of presenting hybrid accounts in the chapter of the physical flow accounts. Three representatives argued that hybrid accounts may deserve a chapter on their own, possibly in connection to hybrid asset accounts which seem potentially useful but remain largely unexplored in the current SEEA. The importance of hybrid accounts was by one respondent being emphasised by quoting the SEEA: “it is the bringing together of environmental accounts and economic accounts which is the motivation of this entire handbook”. No London Group representative argued in favour of presenting hybrid accounts in the chapter on monetary flows.

Main arguments provided pro and against the various options were the following. The presentation of hybrid accounts in combination with physical flow accounts serves certain user needs, especially for modelling purposes. While there is a close link between physical flow accounts and hybrid accounts, this link is far less obvious for environmental expenditure and management expenditure. The latter linkage might lead to wrong and misleading conclusions by simply juxtaposing environmental protection expenditure with physical flows.

Further, it was argued that hybrid accounts deserve a more romantic name. Finally, it was emphasised that hybrid flow accounts have important relationships with ecosystem assets and their services (cf. hidden costs of maintenance/restoration of ecosystems).

The UNCEEA requests the London Group to prepare a paper on a recommended presentation of hybrid accounts in the SEEA. The London Group has to consider whether it is in the possibility to provide such a recommendation.

iii. *Streamlining*

The London Group endorsed the streamlining of the SEEA-2003 by removing country examples in the text and by placing relevant parts of specific resource accounts (now presented in chapter 8 of the SEEA-2003) in the relevant chapters. It also recommended that agreed definitions and classifications be developed and be included in a glossary. The London Group also noted the importance of presenting the System's architecture of accounts and tables to emphasize the logic of the system of the revised SEEA-2003.

At this point of time no action from the London Group is being required. It is expected that input from the London Group on streamlining will be needed at a later stage to support the editor in redrafting the SEEA chapters.

iv. *SEEA-land dataset*

Streamlining the SEEA implies that, at least in Parts I and II, country examples will be removed. Further, it is expected that the presentation of the SEEA will systematically follow the sequence of accounts in a similar way the SNA is being organised. As a logical consequence the importance of the SEEA-land dataset for illustrative purposes will increase. This requires an update and extension of the current SEEA-land dataset.

At this point of time no action from the London Group is being required. It is expected that input from the London Group concerning the SEEA-land dataset update will be needed at a later stage to support the editor in redrafting the SEEA chapters.

v. *Presentation of indicators*

At the Johannesburg meeting, the London Group considered indicators an important outcome of the compilation of the accounts. The London Group recommended environmental-economic indicators to be introduced in the revised SEEA along the following lines. Key aggregates, as defined in the various accounting identities, should be identified in the Standard (Part I). They represent the building blocks for indicator compilation purposes. The discussion on indicator compilations will typically take place in Part III. This discussion will for example address aggregation issues and the construction of ratio indicators, such as resource productivity measures. These guiding principles are also according to the conclusions of the UNCEEA at its second meeting.

The London Group already accepted the indicator discussion in its work program. Statistics Netherlands will lead this work. UNSD will contribute to indicators related to water, ABS to indicators related to depletion, Statistics

Sweden to indicators on environmental protection expenditures, Statistics Finland to those on forest accounts and the Federal Statistical Office of Germany to indicators on globalization and climate change. Istat offered its support to the indicator group as well.

vi. *Organization SEEA Part III on Applications*

At its 11th meeting the London Group discussed possible ways to organize Part III of the SEEA. The London Group discussed how to link policy themes to the discussion of indicators. In this regard, the London Group considered sustainable development and global warming two important policy themes that should be explicitly addressed in Part III of the SEEA.

The United Kingdom Department for Environment, Food and Rural Affairs (DEFRA) offered to prepare a proposal on the organization of Part III on Applications. In a subsequent stage it is important to align work in the area of SEEA indicators with the proposed structure of SEEA Part III.

C. Questions to the London Group

8. Does the London Group agree that the list of SEEA structure questions presented in Section B of this paper should be part of the SEEA revision process? Are there other questions related to the SEEA structure that need to be taken into consideration?