DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION
UNITED NATIONS

**SEEA Revision Chapters 1-6**

**Comment Form**

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# 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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|---|---|
| Your name: | Torstein Bye |
| Your country/organization: | Norway / Statistics Norway |
| Contact (e.g. email address): | tab@ssb.no |

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.

(1) The current draft claims that SEEA is relevant in many different policy areas – including sustainable development (§1.10-1.14). In reality the scope of the SEEA central framework is NOT including all aspects of the environment but is limited to only natural resources which have market prices. With this very reduced definition/scope of "environment", to claim that the SEEA is relevant to such a broad range of policy applications is to grossly overstate what can be achieved or is covered with this central framework system. It is recommended that this volume be renamed, "Natural resources and economic accounts." More precisely it would be "use of natural resources which have a market price" which would also include the emissions side of the use of these resources.

(2) If what is meant by the "SEEA framework" includes more than natural resources then this larger framework needs to be presented before this document can be considered for adoption. The relationships between the SEEA central framework (§1.93), the implied "SEEA framework" (section 1.3.1) and the Framework for the Development of Environmental Statistics (FDES) need to become clearer before adoption of any of these documents can be considered.

(3) The word "environment" is not being used consistently – sometimes it is used when the term "natural resources" is actually being discussed, other times it is referring to eco-systems and includes a broader concept. The FDES is using a broad concept of environment. These differences in the use of the word "environment" need to be identified in the text and the more narrowly defined term "natural resources" used when appropriate. The word "environment" needs to be used consistently in these documents.

(4) The topic of renewable energy is covered very poorly and is scattered in different places and dealt with in inconsistent ways. This is a serious problem and needs to be consolidated and corrected. See our technical comments below.

**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.

(1) The pros and cons of alternative definitions of governmental (environmentally related) taxes and other payments should be discussed – setting the current recommendation into context. Why the current recommendation was chosen needs to be better explained.

The SEEA definition of Environmental related taxes is a practical definition and disregard theoretical considerations of what should be called an Environmental tax – cf a Pigou tax.

We appreciate that some practical considerations must be taken into account when developing the statistics (guide), but are worried that what is actually proposed does not cover the purpose and may lead to misinterpretation of the statistics or even providing answers to the wrong questions.

For instance,
(a) "Environmentally related taxes" is abbreviated into "environmental taxes". Less tongue twisting, but to a user outside the inner circles this implies something entirely different than what the figures actually mean.
(b) The use of a tax list (tax bases) implies that the polluter pays principle is enforced in the sense that polluting agents have to pay. Whether this is in the capacity of being a polluter or as an object for raising fiscal income is lost. Some published papers suggest that environmental taxes therefore are overestimated. Comparability among countries then makes no sense.
(c) Also, there is no immediate connection to the environment in terms of effect, i.e. whether taxing the polluter brings about any environmental improvement or behaviour change, which should be part of the ultimate purpose of the statistics.

Extensive comments to Section 4.4 are included in an attachment that also includes a proposal for theoretical consistent approach to environmental taxes. These comments are relevant especially to §4.147 onwards and the terminology and definition of "environmental tax."
We suggest using "Environmentally related taxes" when using environmental taxes in SEEA.

(2) Chapter 5 – Assets – See attachment for further discussion.
(a) Treatment of renewable resources – hydropower
The treatment of renewable energy resources is not treated consistently in the current draft of the SEEA. On the one hand it is recommended that the resource rent stemming from renewable energy production (wind, solar, tidal, geothermal, hydro) is accruing to land but then hydropower is to be accruing to the water resources – so the treatment for hydropower is not clear.

The current treatment in the category of "mineral and energy resources assets" clearly excludes renewable energy resources so this category appears to include "energy resources" but then excludes major portions of some countries' energy resources – for example such as Norway, where over 98% of electricity production is from hydropower.

(b) Measuring stocks and value of the mineral and energy resources
The current SEEA proposal will lead to severely underestimating the amount of a non-renewable resource.

(c) It should be mentioned that the SEEA has other difficult measuring challenges as e.g. measuring the asset life of an aquatic resource with the aid of biological models (5.455-5.457).

(d) Comments regarding NPV calculations:

5.63 Revaluations should incorporate changes in Net Present Value calculations as …"assumptions regarding future rates of extraction and natural growth, and length of asset/resource life".

It is important to avoid double counting. New discoveries increase future rates of extraction and/or asset life, but belong to "A2) Discoveries" and not "Revaluation" in Table 5.3.2.

§5.123 In the estimation of resource rents subsidies should be deducted from the operating surplus, according to 5.123. It should be emphasized that this concerns subsidies on products. However, there are other types of taxes/subsidies that enter into the estimation of resource rent, but this is not mentioned in the SEEA. Non-industry specific subsidies should be added to the operating surplus. Likewise, taxes on product should be added and non-industry taxes should be deducted, when estimating the resource rent. This should be emphasized in Table 5.4.1 and other places where the estimation of the resource rent is described (e.g. 5.150).

§5.132 "In the absence of any additional information on future price change or likely changes in extraction rates,"…"the estimates of expected resource rents should be set equal to current estimates of resource rent thus assuming no price change beyond the general inflation and a realistic rate of resource extraction". The words in italics should be a constant rate of resource extraction as constant rents imply constant prices, costs and extraction.

§5.205 In estimating future resource rent it is very important to emphasize the assumptions made about future prices and costs (incl. subsidies/taxes). If different countries make different assumptions comparability is lost – i.e. this should be reflected.

§5.487 That the resource rents for water resources (incl. water used for hydroelectric power generation) are commonly negative is not true. The hydropower rent in Norway is steadily increasing and this sector is the clearly most important contributor to the total renewable Norwegian resource rent.

(3) Chapter 3 - Energy:
(a) Good that there is a close relationship with IRES – including terminology
(b) Table 3.4.1 and the associated text (§3.166-3.170) on physical flow accounts for energy does not appear to include or clearly explain "own use of energy". In the draft version of the SEEA-Energy used at the Expert Group Meeting in October, table 5.4 shows 'own use of energy' as a separate category. How "own use" is included in the SEEA Table 3.4.1 needs to be clearly explained since §3.160 says that is also useful to record energy for own use separately - but own use is not clearly included in the table 3.4.1. Consider also including table 5.4 from SEEA-Energy in SEEA chapter 3.4,
(c) Consider also (or alternatively) to write something around the fact that energy accounts can be expressed and presented in many different ways, that shows different aspects which are useful for different purposes.
(d) §3.176 states that energy accounts "consistently use national accounts classifications and definitions" is not consistent with §3.146 where the use of SIEC is recommended whereas SNA uses CPC. Also there is a question regarding "own use" – whether this is consistent between the two systems.
(e) Suggested change in paragraph 3.171 (underlined text):
*"The concept of final consumption of energy in the SEEA differs from concept of final consumption <u>in the energy balance as</u> defined in IRES. In IRES final consumption <u>in the energy balance</u> relates to the total end-use of energy by industries and households (excluding change in inventories and exports). It is therefore a broader measure than final consumption in the SEEA which relates only to end-use by households."*
**Reason for suggested change:** Both final consumption in the energy balance and final consumption in the energy accounts are defined/explained in IRES. IRES does not

necessarily equal the energy balance. It should be clarified that final consumption is defined in different ways within different "structures" such as the energy balance and the energy accounts. The way the sentence is written now I as a reader get the feeling that the two manuals give different definitions for the same variable, which is not the case.

(4) "Purpose" classifications §1.110 – used in environmental activities (4.12-3.13) and again in EGSS, EPEA – are problematic and difficult to delineate. Even though the borderline between "environmental" and "non-environmental" activities is possible to define on a principal basis it is almost impossible to implement it in a statistically proper manner. Data providers simply do not have any objective information that make it possible to separate out the environmental element in embodied investments in a way that accords to the statistical code of practice. See attached document for further discussion.

(5) Adapted goods – several locations such as § 4.75-4.79, 4.64 and 4.100 (definition), Sections 4.3.2 and 4.3.3 do not adequately describe the measurement of EGSS and EPEA because there are inherent measurement problems related to "adapted goods." In Section 4.3.4 it adequately describes the differences between EGSS and EPEA, but it would seem to be advantageous to get these two groupings to have fewer differences. With this goal in mind, we would suggest that "adapted goods" be dropped from both EPEA and EGSS. The inconsistent way that the same product is included in the different groupings (EPEA (additional cost) and EGSS (entire cost)) would thus be eliminated.

In EPEA the "additional cost" is not observable so this also argues in favour of elimination (§4.64). In addition, §4.100 and §4.17 discuss cleaner goods as part of adapted goods and adapted goods can only exist if there are actually comparable products available to that consumer. If there are no available alternatives then it cannot be considered an "adapted product" and is therefore simply "standard equipment" and should not be included in EGSS or EPEA.

The proposed approaches for including adapted goods in EGSS and EPEA are not feasible and should simply be eliminated. Theoretically we can understand the desirability of including these types of products but there are too many measurement problems to realistically include them in official statistics. The statistics will be based on odd "guestimates" rather than proper statistical measures.

(6) Environmental technologies – integrated technologies §4.103, §4.32
Similar arguments can be raised in relation to integrated technologies as were described for adapted goods. Integrated technologies should also be eliminated due to measurement and definitional ambiguities.

(7) Timber resources (section 5.8) – cultivated / natural is not part of the terminology used in forestry statistics and although national decisions can be made regarding what to include in these two categories this may result in non-comparability issues between countries.