



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION
UNITED NATIONS

**SEEA Revision
Issue 8b
Cover Note**

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Issue #8b: Treatment of Emission Permits

Outcome paper for global consultation

Outcome Paper Issue #8b: Treatment of Emission Permits

Issue description

8b. Emission permits With the increased attention to climate change and different mechanisms being put in place, there is a need to discuss how to record the emission permits in the revised SEEA. The 2008 SNA recommends treating the payments for emission permits as taxes, and once acquired, as assets of the permit holder valued at their market price. A series of questions remained unanswered. They include among others: how should emission tradable permits be recorded in the SNA and SEEA context (where the atmosphere is considered an asset)? How should permits that are issued free or at a lower cost be treated? Should the SEEA include tables on the number of permits issued, surrendered, held, traded?

Background

One motivation for the development of environmental and economic accounting is the provision of information on the often unpriced use and extraction of environmental resources as input to and sinks for economic activity. The boundary between the economy and the environment contains many and varied externalities reflecting the inability of naturally forming markets to operate effectively. In this situation there is a role for governments to enact relevant policy to ensure a use of the environment consistent with societal expectations.

In these situations governments may use permits, leases and licences to grant access to use or extract natural resources and the environment. The policy mechanisms that have gained increasing currency in recent years are tradable permits that have been developed as a basis for forming markets in various environmental goods and services. Often quite substantial amounts of money are paid for various rights or indeed the government may give away for free rights known to be worth a considerable amount of money. Appropriately accounting for these schemes and permitting comparison of these schemes against other form of government action is an important element of environmental and economic accounting.

This issue here concerns the treatment of emission permits within the SEEA. Given the high level global attention paid to CO₂ emission permits and the significance of the issue from an environmental perspective it was considered important that this be separately discussed within the London Group. The treatment of emission permits has also been of ongoing interest to national accounts experts as, while general solutions were incorporated into the 2008 SNA, there were matters of detail that were not resolved.

Summary of outcomes

The revision of the SEEA has kept in contact with ongoing work under the auspices of the InterSecretariat Working Group on National Accounts (ISWGNA). Investigative work and discussion was conducted by an OECD/Eurostat Task Force who discussed two key options within the limits of the 2008 SNA asset boundary. These options are presented in the outcome paper. A third option involving the recognition of the atmosphere as an asset was discussed by the London Group and is also presented in the outcome paper.

While all three options are possible and coherent accounting solutions, the recommendation made for the SEEA is to follow the conclusion of the ISWGNA following its deliberation of the matter. This leads to the following recommendation.

Recommendation 8b.1: That in the revised SEEA the treatment of emission permits should be consistent with the treatment recommended by the ISWGNA in their clarification of the 2008 SNA where the payments to government for emission permits at the time the emissions occur are treated as payments of taxes on production on an accrual basis and the timing difference between cash received by government for the permits and the time of the emission gives rise to accounts receivable and payable (financial asset) and that the difference between the prepayment of tax and the market price of permits represents a marketable contract (a non-produced non-financial asset) for the holder.

In addition the work of the London Group led to the development of a series of tables to collect information concerning emission permits in both numbers of permits and their value. This leads to the following proposal.

Recommendation 8b.2: That the tables for recording information on emission permits as presented in the annex to the outcome paper should be incorporated into the revised SEEA.

Questions

1. Do you agree that in the revised SEEA the treatment of emission permits should be consistent with the treatment recommended by the ISWGNA in their clarification of the 2008 SNA where the payments to government for emission permits at the time the emissions occur are treated as payments of taxes on production on an accrual basis and the timing difference between cash received by government for the permits and the time of the emission gives rise to accounts receivable and payable (financial asset) and that the difference between the prepayment of tax and the market price of permits represents a marketable contract (a non-produced non-financial asset) for the holder?
2. Do you agree that the tables for recording information on emission permits as presented in the annex to the outcome paper should be incorporated into the revised SEEA?
3. Any other comments?

To submit responses to these questions please complete the accompanying comment form available on the website. You are encouraged to submit a short response to the questions (yes/no/no comment) even if you have no further comments to submit.

Deadline for responses: 15 March 2011