

Results of the AEG e-discussion on Water as an Asset in the SNA

Introduction

1. The coverage of water in the SNA is partial. The treatment of water in the SNA needs amplification to allow for the greater recognition of the value of water as an increasingly scarce resource. To meet this need, the following recommendations have been made.

It is proposed that the definition of water resources be extended to cover rivers, lakes, artificial reservoirs as well as other surface catchments in addition to aquifers and other groundwater resources. The intent of the proviso “to the extent that their scarcity leads to the enforcement of ownership and /or use rights, market valuation and some measure of economic control” would stand though some changing of this wording will be needed arising from other discussions on the interpretation of ownership and control.

It is recommended that the SNA include guidance that water bodies should in principle be valued in a manner parallel to the valuation of mineral resources but with an indication that more pragmatic alternatives may have to be used such as estimates based on access fees.

The phrase “and associated surface water” should be added to land under cultivation.

It may be that the surface land associated with a water body is relatively small and of little value separately from the water body. In keeping with the recommendation on buildings and land under buildings, land and associated surface water should be allocated to either a category of land or to water resources depending on which element has the greater value.

The value of an artificial reservoir full of water may exceed the cost of building and maintaining the reservoir but this addition represents the value of the water per se. In principle this addition should be recognised as the value of the non-produced water resource but as noted in connection with land, it may not be possible to separate these in practice and in that case the allocation should be made between the reservoir and the water resource according to which has the greater value.

By extension of the treatment of carrying water as the production of a good and similar treatment of bottling and branding water, distribution of main water should be treated as the production of a good (water) and not just a service of moving water from one place to another. This is also consistent with the move to charge for mains water on a volumetric basis.

Where fees are levied for permission to deposit waste water into a body of water the fees should be treated in the same way as other fees to use natural resources, noting that the exact modalities for this are yet to be agreed by the Canberra II Group.

2. These recommendations were referred (document no. SNA/M1.05/23.1) to the AEG members soliciting their opinions through a questionnaire. The following questions were asked of AEG members:

Question 1: Do you agree with the following recommendation: It is proposed that the definition of water resources be extended to cover rivers, lakes, artificial reservoirs as well as other surface catchments in addition to aquifers and other groundwater resources. The intent of the proviso “to the extent that their scarcity leads to the enforcement of ownership and /or use rights, market valuation and some measure of economic control” would stand though some changing of this wording will be needed arising from other discussions on the interpretation of ownership and control.

Question 2: Do you agree with the following recommendation: It is recommended that the SNA include guidance that water bodies should in principle be valued in a manner parallel to the valuation of mineral resources but with an indication that more pragmatic alternatives may have to be used such as estimates based on access fees.

Question 3: Do you agree with the following recommendation: The phrase “and associated surface water” should be added to land under cultivation.

Question 4: Do you agree with the following recommendation: It may be that the surface land associated with a water body is relatively small and of little value separately from the water body. In keeping with the recommendation on buildings and land under buildings, land and associated surface water should be allocated to either a category of land or to water resources depending on which element has the greater value.

Question 5: Do you agree with the following recommendation: The value of an artificial reservoir full of water may exceed the cost of building and maintaining the reservoir but this addition represents the value of the water per se. In principle this addition should be recognised as the value of the non-produced water resource but as noted in connection with land, it may not be possible to separate these in practice and in that case the allocation should be made between the reservoir and the water resource according to which has the greater value.

Question 6: Do you agree with the following recommendation: By extension of the treatment of carrying water as the production of a good and similar treatment of bottling and branding water, distribution of main water should be treated as the production of a good (water) and not just a service of moving water from one place to another. This is also consistent with the move to charge for mains water on a volumetric basis.

Question 7: Do you agree with the following recommendation: Where fees are levied for permission to deposit waste water into a body of water the fees should be treated in the same way as other fees to use natural resources, noting that the exact modalities for this are yet to be agreed by the Canberra II Group.

Response received

The response received to these questions have been summarised in the following table

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6	Question 7
Yes	13	11	14	14	14	13	9
No	-	2	-	-	-	1	1
No Opinion	1	1	-	-	-	-	4

Conclusions

3. The consultation showed that majority of the AEG members participating in the e-discussions supported the proposed recommendations.

A summary of comments is annexed.

Summary of Comments Made by Members in the Questionnaire

The original response and full comments are available on the UN website¹. The objective of this annex is only to give limited extracts to entice readers to read the full comments of the AEG members.

Question 1

Though members have overwhelmingly supported the proposal but have observed that

- it would be difficult to establish ownership and control on rivers and how ownership and control is going to be reworded would be crucial for a final decision.
- attention should be given to the harmonised application of this concept, as the economic value of water differs significantly across countries.
- while valuation might be difficult initially, it is likely that values will become available in future as governments move toward an economic valuation of water resources.

Question 2

Members disagreeing with the proposal have observed that there may be practical problems for implementation. There are several problems regarding ownership (e.g. rivers), access fees to be included, etc. and suggested to include the results from the research for the handbook on water resource accounting.

Members agreeing with the proposal observed that fees are mostly not related to the scarcity of water. Using fees to value the asset water is a good proposal but this can bring about problems of comparability between countries. One member suggests that may be instead of using the term “access fees”, it would be better to use “water rights”. Access fee imply that there is a service charge, whether in this case we are talking about resource rent.

Question 5

One member suggests that land stored in an artificial reservoir would seem to be produced water, in the same way that water carried to a user is a produced good.

Question 6

Disagreeing with the proposal one AEG member argues that in general the production of water involves the purification. In some places this is done by a separate unit that distribute the water. Like electricity, the generation can be separated from the distribution.

Two members agreeing with the proposal suggests that

- it might be worth considering whether water transferred from man-made reservoirs to the point in which it enters the mains system should also be treated as produced,
- the activity of collection, purification and distribution of water (ISIC 41) is a mixture of good and service producing. This activity should be classified as a good or service producing activity depending on the highest value activity. Since in most countries purification and distribution of water are the highest value activities as compared to extraction, it preferable prefer to leave the ISIC 41 as a service activity.

¹ <http://unstats.un.org/unsd/sna1993/viewquestions.asp?tID=12&stID=0&sstID=0>

Question 7

Disagreeing with the proposal one AEG member suggests that a recording in line with other waste disposals seems to be more logical.

Agreeing with the proposal one member observes that there is a symmetric treatment between using the resource for abstraction and emission. He argues that in the case of right to use, if the asset is owned by the government the payment to use the asset is resource rent. If it is not owned by the government, the owner pays other taxes on production or other current taxes according to whether the payment is by enterprises or households. In the cases of permission to emit wastewater, the economic agent who emit pays either a tax to the government if there is little regulation or a fee if the pollution site is managed.