

SNA Chapter 35 : Measuring Sustainability

Annotated Outline

SNA Chapter 35: Measuring sustainability

Annotated Outline; v3.0 Sep 2022¹

(New SNA chapter)

Introduction:

- As part of the SNA revision process it has been agreed to include new chapters on the topic of measuring wellbeing and sustainability. These will be Chapter 2 providing an overview of the SNA contribution to this topic; and Chapters 34 and 35 (this annotated outline) providing more detailed discussion of measurement issues and approaches on wellbeing and sustainability respectively.
- Building on the overview and framing provided in Chapter 2, this chapter, Chapter 35: Measuring sustainability, provides a more detailed description of the relevant measurement issues concerning sustainability that can be considered using the SNA and through linkages with other statistical frameworks. Three broad areas are discussed in the chapter: (i) the asset boundary of the SNA and the potential to describe a broader range of assets beyond those already included in the SNA (including environmental assets and human and social capital) using accounting-based approaches to support the discussion of sustainability; (ii) the measurement of the environmental-economic relationship using various accounts from the SEEA; and (iii) issues in the measurement of sustainability using accounting-based approaches.
- It is not intended to consider directly in this chapter issues related to financial sustainability – e.g. concerning social security pension entitlements. However, some consideration of these issues – particularly as they concern government and household sector income, consumption and wealth – will be relevant in the new SNA and is being considered for Chapter 37.
- There will be links to be developed between this chapter and the proposed BPM Annex 10: on sustainable finance in external sector statistics.

¹ Prepared by Carl Obst and cleared by SNA/BPM Project Managers

Sections of the chapter:

1. Introduction

- This section sets the context for the measurement of sustainability using accounting-based approaches and distinguishing sustainability from the measurement of wellbeing (Chapter 34). Depending on the balance of text between Chapter 2 and Chapter 35, this introduction may include discussion of framing topics, such as strong and weak sustainability, critical natural capital, planetary boundaries and integrated systems approaches.

2. Defining asset boundaries for the measurement of sustainable growth

- Building on the introduction in Chapter 2, this section provides an articulation of the scope of assets that can be the foundation of measuring sustainable growth, since following an accounting-based logic, it is the maintenance and enhancement of the capital base that is at the heart of sustainable growth.
- The starting point is the asset boundary of the SNA as reflected in the SNA balance sheets, taking particular note of key revision issues around renewable energy assets, the distinction between produced and non-produced biological resources and the treatment of intangible assets. It is likely that the use of the current SNA asset boundary can effectively commence a structured and coherent discussion of sustainability.
- From this SNA starting point, the section will describe additional assets or associated flows of benefits that can underpin enhanced measurement of sustainability and how these might be considered in an SNA context. An overview of relevant definitional and boundary issues will be provided for:
 - Ecosystem assets and services
 - Human capital
 - Social capital

3. Measuring environmental sustainability

- The focus in this section is to summarize the various components of the SEEA that are relevant to the measurement of sustainability.
- The section includes discussion of:
 - The SEEA's accounting components and how data from the SEEA accounts can be combined with data from the SNA accounts.

- The structure of relevant tables and accounts including templates for linking to various SNA accounts such that the development of integrated datasets can be supported
- Specific treatments related to environmental sustainability from various chapters of the SNA is also proposed (e.g. wrt resource leases)
- Key measurement issues and potential approaches to the presentation of data
- Key topics for discussion include:
 - Accounting for environmental flows (water, energy, waste, air emissions)
 - Accounting for natural resources (minerals, land, soil, timber, fish, water)
 - Accounting for ecosystems (forests, freshwater, marine, wetlands, etc)
 - Accounting for economic activity related to the environment (environmental taxes, environmental protection expenditure, etc)

4. Considerations in the measurement of sustainability

- In the context of the framing of sustainability presented in the chapter, there are a range of more specific measurement considerations that need to be highlighted. They concern conceptual, implementation and application issues. The primary considerations for discussion are:
 - Aggregation and derivation of sustainability indicators, including measures of income and wealth adjusted for depletion and degradation
 - Accounting for the distribution of assets both spatially and across economic units
 - Ensuring coherence across the accounting system
 - Implementation of net present value methods (linked to proposed discussion of valuation in Chapter 3)
 - Measurement of capacity and resilience
 - Approaches to measuring sustainable finance (links to proposed BPM Annex 10: Sustainable finance in External Sector Statistics (ESS))
 - The planned focus of the BPM Annex 10 concerns the organization of additional information on financial risks associated with climate change with breakdowns and detail on: direct investments (by location and sector); financial instruments (e.g. identifying green bonds); international cooperation grants
 - Discussion in this section may be supplemented with material from the discussion of sustainable finance underway in the SEEA context.

Schematic Overview

I	Introduction
II	Defining asset boundaries for the measurement of sustainability Definition of economic assets and scope of the SNA balance sheet Conceptual treatments and challenges in establishing the asset boundary, including links to revisions in the 2025 SNA Measurement boundaries for environmental assets, human capital and social capital
III	Measuring environmental sustainability The relationship between the SNA and the SEEA Key components of the SEEA and their role in assessing sustainability <ul style="list-style-type: none">• Environmental flows• Natural resources• Ecosystems• Environmental transactions and related economic activity
IV	Considerations in the measurement of sustainability Introduction Key considerations (final set of considerations tbd, initial proposals above)

Question for the Advisory Expert Group on National Accounts (AEG)/IMF Committee on Balance of Payments Statistics (Committee)

Does the Committee and the AEG have any suggestions on the draft outline of the chapter?

Does the Committee and the AEG agree with the proposed structure and coverage of topics in the chapter presented in this outline?

Does the Committee and the AEG have any comments on how the material in this chapter is best combined with related material in other SNA chapters, e.g. on SNA balance sheets?

References:

Guidance notes: WS.6, WS.8, WS.10, WS.11, CM.2, B.6

Other materials:

- 2008 SNA chapter 10, chapter 13, chapter 20, chapter 29
- SEEA Central Framework and SEEA Ecosystem Accounting
- Wealth accounting materials – e.g. World Bank Changing Wealth of Nations
- UNECE guidance on sustainability measurement and related topics

Key Stakeholders Consulted:

- SNA/BPM editors
- Task Team Leads – Wellbeing and Sustainability
- UNSD-SEEA team