



Joint Forty-first Meeting of the
IMF Committee on Balance of Payments Statistics
and Twenty-third Meeting of the Advisory Expert
Group on National Accounts

Inter-secretariat
Working Group on
National Accounts

Remote Meeting

July 13, 2023

BOPCOM VM2—23/02_02

SNA/M2.23/12_02

Dealing with Guidance Note WS.7 Emission Permits

Dealing with Guidance Note WS.7 Emission Permits

Prepared by the SNA/BPM update teams for discussion at the joint AEG/BOPCOM meeting 13 July 2023

Background

1 Following global consultation, the Advisory Expert Group on National Accounts (AEG) discussed GN WS.7 Emission Permits at its October 2022 meeting.

2 The AEG meeting observed that the global consultation revealed no clear consensus on the preferred option for recording emission trading schemes. The meeting discussed the various options and generally supported option 4 (Emission Permits recorded as a financial asset with taxes on production recorded at surrender) but noted that (a) a minority of AEG members saw option 4 only as the second-best option; and (b) the feasibility of the sub-options (a) and (b) of option 4 would need to be further discussed, also with the Balance of Payments community by way of consultation with the Balance of Payments Committee of Experts (BOPCOM).

3 Following BOPCOM consultation, the GN would be updated, and endorsement sought from AEG and BOPCOM.

4 Following the AEG meeting, the GN was updated to address issues regarding the sub-options of option 4 and circulated to BOPCOM for consultation in March 2023.

5 Several BOPCOM members provided comments. Two BOPCOM members explicitly disagreed with option 4. Other BOPCOM members, while not expressing a concern with option 4, considered that the GN would benefit from a better elaboration of the sub-options for option 4, and some members expressed concerns about the practicality of implementation.

Response

6 The GN Drafting Team has prepared a note address the comments raised by BOPCOM members. This note (along with the version of the GN that was circulated to BOPCOM) are provided for AEG and BOPCOM's consideration at their joint meeting on 13 July 2023.

7 Regarding the preferred treatment of emission permits, it is not considered that the concerns expressed by BOPCOM about the conceptual appropriateness of option 4 are sufficient to overturn the current preference for option 4. The preferred treatment of emission permits is one that has been significantly debated and there are differences of view on this. However, no new issues have been identified in the consultation with BOPCOM that would cause the AEG decision to be revisited, recognizing that a significant

majority of AEG members supported option 4 and that most BOPCOM members also either explicitly or implicitly supported option 4. Furthermore, being a borderline case, any solution may be seen as a convention.

8 Regarding the feasibility of implementation, it is proposed that a workshop be held to provide practical guidance on the measurement issues identified. More generally, it is suggested that treatment of emission permits be added to the list of implementation issues that will be dealt with in the lead-up to the endorsement of the updated SNA and BPM in 2025.

9 This leaves determining the appropriate sub-option under option 4. The AEG and BOPCOM are invited to consider the note that has been prepared and to provide guidance on the way forward. The editorial teams recommend that the GN be updated based on the BOPCOM consultation and discussion at the joint AEG/BOPCOM Meeting – in particular the sub-options for option 4 -- and then circulated to AEG and BOPCOM for final endorsement via written procedure (as originally proposed). This approach would avoid keeping the issue open for longer, and thus impacting on the drafting of the updated SNA and BPM, for which the timetables are already very tight.