



# UPDATE ON EXPERT GROUP ON NATURAL CAPITAL

26TH MEETING OF THE ADVISORY EXPERT GROUP

ON NATIONAL ACCOUNTS

BRAM EDENS



# Outline

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- Process
- Outline of handbook
- Key issues and recommendations
- Next steps



# Membership and process

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## Expert Group members

- Austria, Bulgaria, Canada, Chile, Colombia, Costa Rica, Egypt Germany, France, Japan, Korea, Mexico, Norway, Sweden, South Africa, United Kingdom, United States, Indonesia
- Eurostat, IMF, IPSASB, UNECE, UNSD, World Bank, UNECA
- UNCEEA, GFS, OECD/UNECE Seminar
- International experts in relevant fields

## Process

- Topical subgroups have been formed that meet regularly
- Role of the EGNC itself to discuss outcomes of the subgroups as well as cross-cutting issues
- In several instances clarifications sought from the SNA editorial team



# Subgroups

- 4 topical subgroups
  - Combined subsoil and depletion subgroup
  - Excellent participation
- Discussion notes + workbooks
  - Updated based on testing + discussion

	<b>RENEWABLE ENERGY</b>	<b>TIMBER</b>	<b>FISH</b>	<b>SUBSOIL &amp; DEPLETION</b>
1	CAN	CAN	CAN	CAN
2		FRA		
3		BUL	BUL	BUL
4		NOR		NOR
5		MEX		MEX
6	COSTA RICA	COSTA RICA		
7	GER	GER		GER
8	CHI	CHI		CHI
9	AUSTRIA	AUSTRIA		
10			UK	UK
11	KOR			
12	INDONESIA			INDONESIA
13	S. AFRICA		S. AFRICA	S. AFRICA
14	UNCEEA/NL	UNCEEA/NL		UNCEEA/NL
15		IPSASB	IPSASB	IPSASB
16	IMF			IMF
17	UNSD	UNSD	UNSD	
18		Carl		Carl
19	Rob	Rob		Rob



# Guide: draft outline

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## **Title: Measuring natural capital in the national accounts: a compilation guide**

1. Introduction
2. Measuring natural capital
3. Valuing natural capital
4. Mineral and energy resources
5. Biological resources
6. Recording natural capital

References

Annexes

## Specific features

- Distinguish between different Tiers to address differences in data availability between countries
- Accompanying workbooks for educational purposes and to facilitate compilation
- Country examples
- Materiality thresholds
- (Global) data sources



# Cross-cutting issues and recommendations (1)

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- Discounting
  - Conducted a survey amongst members
  - Developed issues note
  - It was agreed:
    - A common, stable discount rate which serves as central rate and could also be applied by countries that wish to use this discount rate (2% real)
    - For countries wish to select their own rate(s), recommendations on acceptable methods for selecting rates
    - If choosing a different rate, countries would need to do sensitivity analysis in relation to the common rate
    - Common rate to be reviewed every 5 years under auspices of ISWGNA
- Rate of return of fixed capital for deriving resource rent
  - Conducted a survey amongst members
  - Developed issues note
  - It was agreed to recommend “economy wide minus natural resource activities” rate as default, with activity specific rate of return as advanced method



## Cross-cutting issues and recommendations (2)

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- Constant price estimates
  - Capital has two sides: role of assets as store of value versus role of assets in production.
  - When deflating, the former is best served by using a common price deflator, the latter (which will be recommended for the SNA) by constructing a volume index based on the evolution of physical volumes.
- Taxes / subsidies in deriving rent
  - Agreement to stick to the SNA definition of taxes / subsidies, but need to assure consistency in treatment of valuation of renewable and non-renewable assets
  - Clarifications on definition and operationalization of specific tax / subsidy
- Split asset approach
  - Agreement to use following elements for estimating government share:
    - Specific taxes less subsidies on products, specific taxes less subsidies on production; rent (royalties); dividend payments; specific taxes on income
  - Support to average over same number of years as used in smoothing of resource rents.



# Topic specific issues and recommendations (1)

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For each of the 4 topics – guidelines will cover:

- What to include in the national accounts
- Compilation stages
  - Identifying types of assets
  - Collecting physical data
  - Valuation (flows and stocks)
  - Integration in sequence of accounts
- Additional compilation issues
- Modifications to the standard approach
  - Basic and advanced methods



## Topic specific recommendations (2)

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- Subsoil assets
  - Checklist in case of negative resource rents
- Renewable energy resources
  - Clarifications on scope (including heat, biomass excluded)
  - Research for 6 months by OECD intern
    - Least Cost Alternative method -> not used in SNA context as based on counterfactual analysis
- Biological resources - timber
  - Alignment with Eurostat process to update European Forest Account (EFA) handbook
- Biological resources – aquatic resources
  - Challenging: stocks generally not observable; straddling and migrating stocks; non-resident; subsistence + artisanal fishing
  - Physical asset account not realistic in standard approach



# Next steps towards finalisation

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- June – September
  - One more round of subgroup meetings to agree on remaining issues + discuss draft chapters
  - First comprehensive draft ready by 13 Sept
- October – November
  - 7-8 October: 4<sup>th</sup> EG NC meeting
  - EG NC review -> develop revised draft
- December 2024 to early Jan 2025
  - Wider consultation including to OECD WPNA, ISWGNA and AEG, and the UN Committee of Experts on Environmental-Economic Accounting
- February 2025
  - (Interim) version ready (as white cover – prior official editing) in time for UNSC
- Later in 2025
  - Global consultation
  - Final sign-off by AEG
  - Publication final version