

Update on WSTT work on environmental economic accounting

Group of Experts on National Accounts, 23 May 2022

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General objectives

- **Environmental sustainability major issue in policy and research**
- More focus on **accounting for natural resources**
- **Better alignment between SNA and SEEA Central Framework**
- **Provide clarifications on recording and measurement, where needed**
- **New chapter on (environmental) sustainability**, emphasising what the SNA does (not) measure, and how the SEEA can function as a complementary system to the SNA when it comes to monitoring and analysing environmental sustainability

Area Group on Environmental-Economic Issues

Nine Guidance Notes:

- WS.6: **Economic ownership and depletion of natural resources** (with a focus on mineral and non-renewable energy resources)
- WS.7: **Emission permits**: the atmosphere as an asset
- WS.8: Accounting for **biological resources**
- WS.9: **Recording of provisions**
- WS.10: **Valuation methods** (with a focus on mineral and non-renewable energy resources)
- WS.11: **Renewable energy resources**
- WS.12: **Classifications**
- WS.13: **Recording of losses (dropped)**
- WS.14: **Distinction between taxes and services (no major changes foreseen)**

WS.6: Economic ownership and depletion of natural resources

- Deals with mineral and (non-renewable) energy resources
- **Splitting (economic ownership of) the relevant assets, based on proportion of resource rents appropriated**
- Accounting for **depletion as a cost of production**
- Increased **emphasis on net measures**, adjusted for depreciation and depletion
- Much better **alignment with SEEA Central Framework**
- Note: Quite some discussion on the appropriateness of the “split-asset approach”, also questioning the validity of measuring assets according to the Net Present Value of future resource rents

WS.7: Emission permits: the atmosphere as an asset

- **Current recommendation:**
 - (Prepaid) **taxes on production at auction prices**
 - Subsequent **differences between market prices and auction prices to be recorded as non-produced non-financial asset** (contracts, leases and licenses)
- **Discomfort with this recommendation**, which is, at least in part, driven by the convention that the permits do not involve the use of a natural asset (i.e., **atmosphere is not an asset**)
- **Alternative options** put forward:
 - **Acquisition/disposal of contracts, leases and licenses**
 - **Resource leases (financial asset, i.e., prepaid resource rents), with resource rents** (payable for the right to use a non-produced asset) **recorded at surrender**
 - **Taxes on production at auction prices, with emergence of contracts, leases and licenses** via other changes in the volume of assets
 - (Prepaid) **taxes on production, with taxes payable recorded at surrender**

WS.8: Accounting for biological resources

- Rethinking the SNA **asset boundary in physical terms** => not agreed, considered as complimentary information already included in the SEEA
- Discussion on need for **distinction between cultivated versus non-cultivated biological resources**
- **Splitting (economic ownership of) the relevant assets, based on proportion of resource rents appropriated**, similar to mineral and (non-renewable) energy resources
- Accounting for **depletion (cost of production) and regeneration of biological resources (capital formation)**
- Clarifications of the current guidance in the 2008 SNA
- Much better **alignment with SEEA Central Framework**
- More general discussion on the recording of rents (on natural resources)

WS.9: Recording of provisions

- Started with a discussion on accounting for **provisions in view of damages caused by exploitation of natural resources**
- Later on, the Guidance Note has been revised significantly, to address the **recording of provisions more generally**, e.g., also provisions for costs of clearing sites, decommissioning costs, and loan losses
- Proposal for adding **supplementary information on provisions affecting net worth**

WS.10: Valuation methods

Clarifications on the **application of the methodology for valuing natural resources with the Net Present Value of future resource rents**, focusing on **mineral and (non-renewable) energy resources**, with reference to chapter 5 of the SEEA:

- **Delineation of resources**, distinguishing three classes, in line with UN Framework Classification 2009
 - Class A: commercially recoverable resources
 - Class B: potentially commercially recoverable resources
 - Class C: noncommercial and other known deposits
- Recommendations to compile, if possible, **estimates at detailed levels**
- How to deal with **fluctuations in commodity prices** and its impact on forecasting future resource rents
- Use of **discount rate**
- Etc.

WS.11: Renewable energy resources

- **Renewable energy resources** becoming more and more prominent, with **growing economic importance**
- Examples: wind and solar energy
- Having **access to these resources can generate resource rents**
- However, up to now, **renewable energy resources have not been recognised as assets of their own**, assumed to be included in the value of land
- The latter **assumption** shows to be **incorrect** in many cases
- Recommendation to **include renewable energy resources in the SNA asset boundary, with measurement using NPV of future resource rents**
- **Split-asset approach**, in line with mineral and (non-renewable) resources

WS.12: SEEA classifications

- **Review of current classifications** used in the context of SNA (and SEEA):
 - General classification of assets => Need for a separate class of environmental assets?
 - COFOG-classification
 - Etc.

State of affairs and way forward

- **WS.6 (ownership and depletion of natural resources)**

Global consultation finalised (majority agreed with the proposals); however, concerns from the GFS-community

- **WS.7 (emission permits)**

Discussed at the AEG, in the process of being approved by the AEG for global consultation

- **WS.8 (biological resources), WS.10 (valuation) and WS.11 (renewable resources):**

Discussed at the AEG, still needs to be approved by the AEG for global consultation using a combined questionnaire

- **WS.9 (provisions):**

In the process of being approved by the AEG for global consultation


- **WS.11 (classifications):**

Work-in-progress

More information:

<https://unstats.un.org/unsd/nationalaccount/towards2025.asp>

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Towards the 2025 SNA - Information on the process of updating the 2008 SNA

About the Updating Process

A three-pronged approach is envisaged for the update of the 2008 SNA:

- (a) undertaking technical research in prioritized and other national accounts;
- (b) engaging in a broad consultation on the issues related to the thematic areas; and
- (c) ensuring overall consistency with other statistical standards in the system of economic statistics.

Dedicated task teams were established to undertake the technical research and draft guidance notes. For overlapping issues in the research agendas identified for the SNA, BPM, GFS, MFSM, SEEA, ISIC and CPC etc., joint task teams were established consisting of subject matter experts from relevant Committees of Experts and other groups.

2008 SNA Update Issues

The [issues](#) to be considered for updating the 2008 SNA.

Advisory Expert Group

The [Advisory Expert Group](#) page contains all available information (agenda, papers, presentations, background information, reports, etc.) available for each of the AEG meetings.

Task Teams

- Joint Globalization Task Team (GZTT)
- Digitalization Task Team (DZTT)
- Wellbeing and Sustainability Task Team (WSTT)
- Joint Communication Task Team (CMTT)
- Joint Islamic Finance Task Team (IFTT)
- Joint Informal Economy Task Team (IETT)
- Joint Financial and Payments Systems Task Team (FITT)
- BPM6 Update

Consultations

Information about [consultations](#) on current research issues.

Project Management

The [Project Management](#) page contains all documents (workprogramme, governance arrangements, progress reports of the project manager, reports to the UNSC, minutes of ISWGNA meetings, etc.) relevant to the management of the update project.

Thank you for your attention!

