Methodology for Environmental Taxes & Subsidies accounts

Joint OECD/UNECE Seminar on Implementation of SEEA
March 2023 – Session 7

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Outline

- Framework for environmental accounts
- Environmental taxes accounts
- Environmental subsidies and similar transfers accounts
- EU practice
Framework for environmental accounts

National Accounts methodology

System of Environmental Economic Accounting Central Framework (SEEA CF)

Taxes and subsidies - accounts next to others

Classifications (CEPA 2000, CReMA) for environmental protection and resource management activities; activity classifications (ISIC – NACE)

Concept of environmental primary purpose (technical nature or legislative motive)
Environmental taxes and subsidies accounts

- Environmentally related taxes by economic activity (ETEA)
- Environmental Subsidies and Similar Transfers (ESST)
- References: SEEA CF section 4.4; Eurostat manuals environmental taxes (ETEA) and environmental transfers (ESST)

- Both environmental taxes and transfers: measurement tool and monetary instrument for governments to influence the behaviour of producers and consumers with respect to the environment
Environmentally related taxes by economic activity (ETEA)

• Definition: A tax whose **tax base** is a physical unit (or a proxy of a physical unit) of something that has a proven, specific **negative impact on the environment**, and which is identified in **national accounts** as a tax.

• Tax bases grouped by four main categories (energy, transport, pollution and resources + carbon taxes and government revenues (taxes) from Emission Trading Systems auctions)

• National accounts taxes definitions: D.2 (taxes on production and imports), a few D.59 (other current taxes) and very few D.91 (capital taxes)
Environmental taxes (ETEA)

• Four categories of tax bases:
  ✓ Energy taxes (including fuel for transport) of which: CO 2 taxes - emissions trading system
  ✓ Transport taxes (excluding fuel for transport)
  ✓ Pollution taxes
  ✓ Resource taxes

• Tax payer = unit using the tax base

• Economic activities paying the taxes – 64 activities

• Environmental areas (CEPA, CReMA) (ex: Protection of ambient air and climate, waste management etc.)
Environmental taxes - Framework

- Identify environmental revenue taxes; make a list
- Classify into categories
- Collect using data sources (tax statistics, government finance statistics and the national accounts)
- Allocate revenue tax to environmental tax categories, to activities (supply and use tables, allocation using tax bases data, micro data)
- Dissemination
Environmental Subsidies and Similar Transfers (ESST)

- Current and capital transfers intended to support activities that protect the environment or reduce the use and extraction of natural resources (D3, D6, D7, D9)

- Unit of observation: the institutional units and groupings of units as defined in national accounts

- Classified by type of transfers / environmental areas / activities
Environmental transfers Framework

- Transfers paid by general government for environmental protection purpose
  - Governement statistics using COFOG
    - Identify environmental subsidies and similar transfers in COFOG division 05 (‘Environmental protection) mainly – possible others
  - Budget lines (many…)
  - Environmental protection expenditure accounts (EPEA)
  - Multi-purpose subsidies to different environmental areas – Rio marker approach
  - At least subsidies (D3) broken down by industries receiving
EU practice

• Annual data transmission according to EU regulation

• Environmental taxes
  • 35 countries reporting; 1995 to 2020; deadline T + 16 months
  • Energy, transport, pollution, resource taxes + Carbon taxes and government revenues (taxes) from ETS auctions
  • Breakdown 64 activities
  • Online dissemination (env_ac_taxind2)

• Environmental subsidies (not yet mandatory requirement to EU countries)
  • 14 countries reporting; (mostly) 2014 – 2020; deadline official to come T + 24 months
  • Breakdown
    • transfers;
    • institutional sectors;
    • environmental objectives – CEPA, CReMA;
    • Activities (10)
  • Online dissemination (env_esst_gg, env_esst_ggcp, env_esst_rw)
Environmental tax revenue by type and total environmental taxes as share of TSC and GDP, EU, 2002-2020
(€ million and % TSC and % GDP)

Total current and capital transfers received by the national economy (GG and RoW) as percentage of GDP (%)

From Rest of the World - 2020

Source: Eurostat (env_esst_gg), (env_esst_rw)

(1): Data on some environmental domains for Lithuania are not available
To know more

• Eurostat dissemination database

• Statistics Explained articles

• Methodology and questionnaires
  - https://ec.europa.eu/eurostat/web/environment/methodology
Thank you