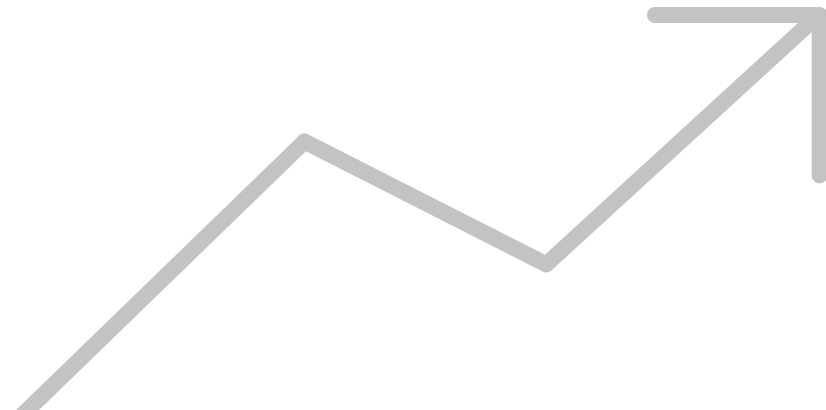


SEEA CF Update

Issue C6 - Inclusion of potentially environmentally damaging subsidies/related transfers

23 September 2025



Current Placeholder

SEEA CF 2012

- » *“Potentially environmentally damaging subsidies
4.147 The definition of environmental subsidies and similar transfers focuses on the government’s intention rather than on the effect on the environment arising from the use of the resources provided. Another perspective that may be taken is whether the size and structure of payments from governments are environmentally beneficial or environmentally damaging. A measure reflecting this perspective is the potentially environmentally damaging subsidy (PEDS), encompassing **subsidies and similar transfers** that support activities that are **considered** environmentally damaging. **In some definitions, this measure also includes so-called implicit (or indirect) subsidies**, such as preferential tax rates. A definition of PEDS is not included in the SEEA.” (SEEA CF; 2012; 4.147)”*

Motivation

- » Subsidies influence the environment as taxes do.
 - » SEEA CF currently only tracks ESST and ETEA
 - » This provides an incomplete picture of financial policy instruments.

- » To support well-informed policy decisions, there is a need for a PEDS account that is transparent and easy to communicate.
 - » transparent and good to communicate

- » Other organisations also work on defining this.
 - » Streamline the discussion and prevent multiple definitions

Research Questions (1/8)

What exactly are PEDS?

» Subsidies and similar transfers as defined in SNA

» Could be formulated as in ESST, SEEA CF 2012:

4.138 “[...]It includes those transfers defined by the SNA as **subsidies, social benefits to households, investment grants and other current and capital transfers.**”

» Explicit/direct and implicit/indirect

» **GN C6 will only focus on explicit/direct PEDS**

» GN C7 will indirectly address implicit/indirect PEDS as part of environmental tax abatements.

Research Questions (2/8)

It seems unlikely that PEDS can be assessed using the same intention- or purpose-based approach as ESST. Would a different criterion—such as effect, which is already applied to environmental taxes—be more appropriate?

Using intention/purpose as a criterion:

Pro:

- » ESST and PEDS could be modeled as two sides of a coin

Contra:

- » The potential **damage** in PEDS is **usually unintended and occurs as a side effect**.
- » Narrow scope
- » Intention is vulnerable to **greenwashing**, since everything can be framed in a positive way.
- » Mutual exclusivity.

Research Questions (2/8)

It seems unlikely that PEDS can be assessed using the same intention- or purpose-based approach as ESST. Would a different criterion—such as effect, which is already applied to environmental taxes—be more appropriate?

Using (assumed) effect as a criterion:

Pro:

- » Consistency with the SEEA CF argumentation on environmental damage, as ETEA accounts for taxes on environmentally damaging products.
- » Allows for transparency in complex/mixed ESST/PEDS cases.
- » Allows for international comparison.

Contra:

- » PEDS would not be modeled as the opposite side of the coin to ESST.

Research Questions (3/8)

What is environmentally damaging?

Could a list approach be a solution for identifying PEDS activities and products in an international comparable way? And Could the ETEA Table 1 from the Eurostat ETEA Guidelines (doi: 10.2785/730717) be a starting point for such a list?

- » **All spheres of the environment** (air, water, soil, biodiversity, and energy), not just fossil fuel usage, should be considered.
- » ETEA has the same question
- » **A list approach could be a solution.**
 - » Eurostat, for example, has built a list for their ETEA data collection, identifying tax bases of products and activities that are potentially damaging.

Research Questions (3/8)

What is environmentally damaging?

Could a list approach be a solution for identifying PEDS activities and products in an international comparable way? And Could the ETEA Table 1 from the Eurostat ETEA Guidelines (doi: 10.2785/730717) be a starting point for such a list?

Using a list approach:

» **Pro:**

- » Internationally comparable
- » Transparent
- » Easy to communicate
- » Could be updated regularly based on new knowledge, without the need for a new definition.

» **Contra:**

- » Insensitive to cases where incremental change occurs instead of leapfrogging.

Research Questions (4/8)

For what does the “potential” stand in PEDS?

- » Statisticians can't measure real-world effects.
 - » **Assumed environmental damage**

- » ETEA uses „*proven, specific, negative environmental impact*”
 - » **‘Proven’ cases should at least be included within ‘potential’ cases** to ensure consistency in the SEEA CF.
 - » PEDS could use the identified tax bases as a baseline and expand on them.

Research Questions (5/8)

How do PEDS relate to environmental taxes?

- » Environmental taxes are levied on environmentally damaging products.
 - » This could form the baseline of PEDS.
 - » The knowledge gathered there could be a good starting point for identifying PEDS

- » Implicit/indirect PEDS (tax abatements) and the ETEA account are interconnected.
 - » Tax abatements on environmental taxes already reduce the reported amount of tax.
 - » How this could be displayed and measured consistent with the SEEA CF is part of C7

Research Questions (6/8)

f) How do PEDS interacts with "Environmental Subsidies and Similar Transfers"?

ESST definition in SEEA CF 2012:

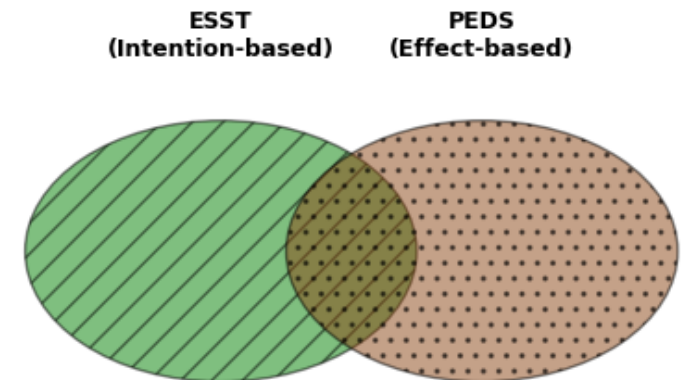
- » “4.138 An environmental **subsidy or similar transfer is a transfer** intended to support activities that protect the environment or reduce the use and extraction of natural resources. It includes those transfers **defined by the SNA as subsidies, social benefits to households, investment grants and other current and capital transfers.**”

- » “4.143 The determination of primary purpose should not be based on whether the use of the resources by the recipient of the transfer results in positive outcomes for the environment. While it is reasonable to consider that the purpose of the government in making the transfer and the purpose of the recipient are the same, **it may not be the case that the expenditure of the transferred resources results in beneficial environmental outcomes, even if this was the intent.**”

Research Questions (6/8)

f) How do PEDS interacts with "Environmental Subsidies and Similar Transfers"?

- » Mutually exclusive or not? (ESST or PEDS?)
- » **Exclusivity could lead to:**
 - » **Intransparency, poor comparability, and weak communication.**
- » **Displaying the overlap adds information to PEDS and ESST**
 - » It allows the complexity of circumstances to be shown



Research Questions (7/8)

Accounting

- » **How should PEDS be accounted for?**
- » **When should PEDS be accounted for?**

Research Questions (8/8)

Could a classification improve the communication of PEDS?

Could the classification of ETEA be a starting point for a PEDS classification?

- » Energy
 - » Transport
 - » Pollution
 - » Resources
-
- » Emissions could also be included.

Links to other SEEA CF update issues

- » A6 – Introduction of thematic accounts and strengthening the link to policy
- » C1 – Inclusion of the Classification of Environmental Purposes (revised CEA)
- » C3 – Extending the scope of environmental activities
- » C7 – Elaborating environmental tax abatements

GN C6 Draft Team:

- » Ivo Litera (Federal Statistical Office of Germany)
- » Viveka Palm (Statistics Sweden, and lead author GN C7)
- » Foyzunnesa Khatun (IMF)
- » Hennie Swanepoel (National Treasury of South Africa)

Contact

Statistisches Bundesamt
53117 Bonn
Germany

www.destatis.de

www.destatis.de/kontakt

Contact Person

Ivo Litera

LeonIvo.Litera@destatis.de

Phone +49 228 99 643 8362

