

Environmental accounting in public administration

Completing the picture: Environmental accounting in practice

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Contents:

1. Link progress in economics with environmental accounting
2. Link public administration with environmental accounting
3. Conclusions

Part 1:

ADVANCES IN ECONOMICS – IMPACT ON ENVIRONMENTAL ACCOUNTING

National accounts and the environment

National Accounts

- Markets define the boundary for National Accounts

Environmental Accounts

- Missing markets

Status of environment in National Accounts

| Environmental stock/flow | Information status | Status in NA |
|--|-------------------------------|--------------------------------------|
| Economic flow (transactions) | Revealed values | Included in NA |
| Environmental flow (e.g. species preservation) | Not valued (public good) | Not included in NA |
| Stock (e.g. land/water) <ul style="list-style-type: none"> Productive land/water Habitat stock | Revealed values Not valued | Included in NA Not included in NA |

Developments in microeconomics

Evolved institutions

- Markets

Designed institutions

- Market-based instruments
- Economic design
- Designed institutions: Spectrum auctions, electricity dispatch markets

Markets for environmental goods and services

| Institution | Example |
|--------------------------------|----------------------------|
| Tradeable emission permit | EU carbon market |
| Smart markets | Native Vegetation Exchange |
| Auction conservation contracts | BushTender ecoTender |

Part 2:

PUBLIC ADMINISTRATION – THE ROLE OF ENVIRONMENTAL ACCOUNTING

Strategic directions in DTF

DTF's Strategic priorities:

1. Leaders in financial and performance management
2. Enhance productivity through market-based policy instruments
 - Economic design approach to create market-based policy mechanisms
 - Centre for Market Design

Phase 1: Create markets for environmental G&S

- Design and pilot markets for environmental goods and services
 - Auction conservation contracts (BushTender/ecoTender)
 - Native Vegetation Exchange (field pilot)

- Create selected environmental accounts (SEEA)
 - Markets reveal information needed for Environmental Accounts

 - Trial Accounts from field trial results

Environmental asset accounts:

Terrestrial Habitat Asset Account: Corangamite

| Land class | Agriculture | Natural | Forestry | Other | Total |
|-----------------------|-------------|---------|----------|--------|---------|
| Opening stock | 134,173 | 116,922 | 96,144 | 28,409 | 375,955 |
| Change (transactions) | | 12,700 | | | 12,700 |
| Additions | | | | | |
| Deductions | | | | | |
| Other changes | | | | | |
| Closing stock | 134,173 | 129,622 | 96,144 | 28,409 | 388,605 |
| % change | | 10.9 | | | 3.3 |

Environmental assets: Corangamite – long-term

| Environmental stock | Change in stock (pre-European to 2009) |
|------------------------|---|
| Terrestrial | -71% |
| Surface water | +160% |
| Carbon (in vegetation) | -89% |

Phase 2: Scale-up environmental accounts

- ❑ With ABS scale-up environmental asset accounts to State level
 - ❑ Land Account (Victoria): 2012

 - ❑ Selected State-level Environmental Asset Accounts

 - ❑ Integration of Environmental and National Accounting systems
 - ❑ Accounting concepts
 - ❑ Account architecture
 - ❑ Data architecture

Phase 3: Integrate environmental accounts with budget process

Goal:

- To develop environmental accounts to support budget and financial systems in the environment domain
 - Resources allocation
 - Monitoring and reporting
 - Environmental transaction accounts

- Project team (ABS, DTF, DSE)

Part 3:

CONCLUSIONS

1. New capabilities in economics

- Markets can be created for environmental goods and services

2. Where environmental markets created

- Information revealed facilitates environmental accounting
- SEEA provides the architecture and conceptual foundations

3. In Victoria:

- Significant capability in designing and creating markets
- Developed selected environmental accounts (SEEA)
- With ABS aim to create the systems needed to scale-up environmental accounts
- Link environmental accounts with budget and financial management
- Integrate data architecture with National Accounts