System of Environmental-Economic Accounting 2012 – Experimental Ecosystem Accounting Revision

First Global Consultation on:

Chapter 8: Principles of valuation for Ecosystem Accounting
Chapter 9: Accounting for ecosystem services in monetary terms
Chapter 10: Accounting for ecosystem assets in monetary terms
Chapter 11: Integrated and extended accounting for ecosystem services and assets

Comments Form

Deadline for responses: 6 July 2020
Send responses to: seea@un.org

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<tr>
<th>Name:</th>
<th>Jonathon Khoo, Peter Meadows, Steve May, Michael Smedes</th>
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<tbody>
<tr>
<td>Organization &amp; country:</td>
<td>ABS, Australia</td>
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NOTE – These comments reflect our personal expert views on the questions and should not be considered ABS positions.

The comment form has been designed to facilitate the analysis of comments. There are twelve guiding questions in the form, please respond to the questions in the indicated boxes below. To submit responses please save this document and send it as an attachment to the following e-mail address: seea@un.org.

All documents can be also found on the SEEA EEA Revision website at:
https://seea.un.org/content/seea-experimental-ecosystem-accounting-revision
In case you have any questions or have issues with accessing the documents, please contact us at seea@un.org
Questions related to Chapter 8

Question 1: Do you have comments on the principles proposed to underpin monetary valuation for the revised SEEA EEA, including the use of exchange values and net present value approaches?

Linkages between SEEA EEA, SEEA CF and the SNA rely on the use on consistent principles. To this end, the use of the exchange values as the underlying valuation concept is critical to ensure that linkage.

While it is important to acknowledge that other valuation principles that consider wider economic benefits, such as welfare measurement, are important for certain economic analysis, it is also important to ensure that the core principles and boundaries in the National Accounts are clearly explained and articulated, but perhaps not debated. For example, the discussion in Annex 8.1 may be better placed as a discussion paper outside of the standard, particularly given the issues that are proposed for discussion are likely to be considered in the next SNA update. Another potential way to address this is to discuss welfare valuation in the extensions chapter.

Net present valuation is one of the core valuation principles for assets in the cases where these are not traded, and this approach makes sense. That said, some countries may have data available to more directly measure the value of ecosystem assets, and in those cases direct exchange values (or near market exchange values) should be used.

Question 2. Do you have any suggestions for topics to include in Annex 8.1?

While the issue of exchange and welfare values in a national accounting context is important, the outline of Annex 8.1 is currently too general and could be interpreted as applicable to the core System of National Accounts. We would find it difficult to support the ecosystem accounting standard if it made general statements that could be linked back to the core National Accounts, particularly as these issues are under consideration in the next SNA update process.

As noted above, the issues discussed here may be better placed in a supporting paper, or in a chapter that discusses extensions to the core ecosystem accounts rather than in this specific chapter.

Question 3. Do you have any other comments on Chapter 8?

Para 8.32 notes the potential use of the GDP deflator to create nominal exchange values. In the context of the paragraph it appears that this is an example of a general deflator that could be used (such as the CPI, PPI or other general price deflator). If this is the case we suggest to clarify that a general deflator should be used and give a few examples. If not then this advice could be taken literally, and the GDP deflator would be used in circumstances that are not appropriate (e.g. Australia’s GDP deflator is greatly impacted by our terms of trade, which would likely make it not the best deflator to use).
Questions related to Chapter 9

Question 4. Do you have comments on the range of valuation methods proposed for use in estimating exchange values of ecosystem services?

Chapter 9 outlines the range of valuation techniques very clearly. If the range of valuation methods becomes contentious then this section could easily have less detail, and the detail could be included in a compilation guide.

Question 5. Do you have any other comments on Chapter 9?

Nil

Questions related to Chapter 10

Question 6. Do you have comments on the definitions of entries for the ecosystem monetary asset account including ecosystem enhancement, ecosystem degradation and ecosystem conversions?

The definitions of ecosystem enhancement, degradation and conversions are clear. However, this definition is likely to be narrower than what potential users of our accounts may consider degradation, as it is likely that some “negative” ecosystem conversions could be considered as “environmental degradation” in a general sense.

To this end, there is a strong link between the boundary between changes in extent and condition, and how these are then linked to changes in monetary valuation.
Question 7. Do you have comments on the recommendations concerning the selection of discount rates for use in NPV calculations in ecosystem accounting?

Section 10.3.7 presents sound advice on the selection of discounting rates which brings in previous advice in the SEEA CF and specific advice around types of services.

Question 8. Do you have comments on Annex 10.1 describing the derivation and decomposition of NPV?

Nil

Question 9. Do you have any other comments on Chapter 10?

Nil
Questions related to Chapter 11

Question 10. Do you have comments on the proposed structure of the extended balance sheet that integrates the monetary values of ecosystem and economic assets?

We believe that Ecosystems should form their own institutional unit in the extended balance sheet and extended supply and use tables. This is for two reasons:

- Conceptually, extending ecosystems to be a sector outside the core economic model would be similar to other sectors, such as General government and the rest of the world. Each of these sectors transact with other units in the economy in specific ways, and the impact of these sectors can be easily identified through accounting aggregates.

- Practically, including ecosystem transactions and assets in general government as a caretaker unit may make it difficult for governments to use and accept. Often these accounts will need to be reconciled to financial accounts, which will not record these transactions and assets. In Australia we have had these challenges with recognition of subsoil assets on the general government’s balance sheet.

Question 11. Do you have comments on the approaches to assigning the ownership of ecosystem assets that underpins the structure of the extended sequence of institutional sector accounts?

Establishing a system of rights, such as outlined in the London Group paper drafted by Meadows and Khoo (attached) may give an ownership approach which could be adopted. In this model attribution of depletion and degradation would be attributed to the owner of the right once it has been passed from the ecosystem.

Question 12. Do you have any other comments on Chapter 11?

Nil