

Accounting for environmentally related subsidies

London group, Stockholm
2011-09-14

Maja Cederlund, Statistics Sweden



Purpose of this presentation

- See an example of a country – how we account for environmentally **related** subsidies
- Show you how we find the data
- Showing similarities to other Environmental Accounts data → classifications/definitions
- Give information about the work in Eurostat
- **Get you interested!!**

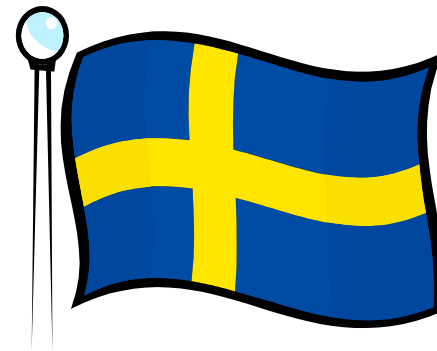


Highly relevant topic!

- On the international agenda
- Many actors. WTO, OECD, London Group, IEA, EU, leaders of G20, APEC, Friends of Fossil-Fuel Subsidy Reform, Global subsidies initiative....
 - OECD collects data during 2011, not only by sectors;
 - "Inventory of estimated support for fossil fuels in OECD countries"
 - "Taxes and Tax Expenditures related to fossil fuel consumption – Top-Down"
 - Global subsidies initiative (GSI) Project, 2005-2011. "Was launched to put a spotlight on subsidies"
- Need for data!
- New focus – see the total subsidies.



The Swedish history

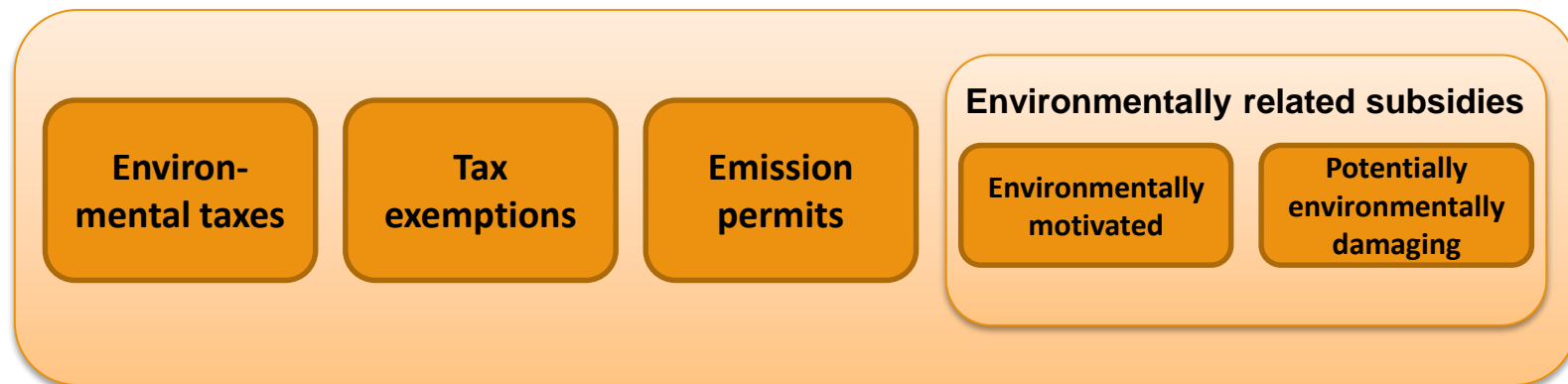


- First attempt in 2000
- Environmentally motivated subsidies were being "developed" around 2005. (Definition and datasource)
- Back to PEDS in 2007
- Reflection group in Eurostat in 2008-2009, interest from Eurostat!
- Task Force in 2010-2011 is developing methodology and definitions for both environmentally motivated and potentially environmentally damaging subsidies!
- Environmentally motivated subsidies are official statistics



Environmentally related subsidies and its context

Environmentally related transfers in the Environmental Accounts:



Definition and data framework

- Common problem...
 - Different definitions (motivated/effect) (direct/indirect)
- ... results in:
 - Difficult to compare countries
 - Difficult to compare sectors
 - Difficult to compare years
- **Solution:**
 - Start measuring the same thing!
 - Transparency on how we measure
 - Let us in the "**statistical world**" present a starting point!
 - We can use same principles already developed, for example for environmental taxes and environmental protection costs



Definitions

- **Subsidy and similar transfers**

Includes the subsidy (D3) as in the national accounts, adding other relevant transfers

D3 Subsidy

+ D6 Other current

+ D7 Current

+ D9 Capital transfer (including investment grants)

= **Subsidies and similar transfers**

- **Environmentally motivated subsidies (EMS)**

- An environmentally motivated subsidy is defined by the principal motive behind the subsidy. The purpose is for environmental protection or resource management.

- The motive is to be found in the state budget or in a similar publication for the specific subsidy.

- Motive (as for Environmental Protection Expenditures)



Definitions

Potentially environmentally damaging subsidies (PEDS)

- Potentially environmental damaging subsidies are subsidies that goes to activities that result in:
 - increased emissions
 - increased outtake of natural resources
 - and which are not environmentally motivated
- PEDS are primarily paid to emission intensive sectors, i.e. sectors with high emissions in relation to its contribution to GDP (*used as guidance*)
- Environmental effect (not motive)



Method for Swedish environmentally related subsidies

1. Data from Outcome of the government budget (budget lines)
 - The same source the National Accounts uses for their subsidy data (D3) and for their distribution to NACE.
 - The Swedish National Financial Management Authority (ESV) is responsible (uses the central government accounting system, Hermes).
2. Take out the subsidy (and similar transfers) to different receivers (and see how labelled in the NA)
3. Take out the environmentally **related** subsidies (using definitions)
4. Classify in environmental domains (either use groups for environmental taxes or CEPA)
5. Distribution on industries



The Swedish experience

- Selection is relatively easy, but need for handbook for:
 - Clear definitions
 - Guidance: environmental shares (examples)
 - Guidance: classification (examples)
 - Guidance: distribution to NACE (examples)
- Using the Outcome of the government budget has been a good method. Lots of information. (National Account source as well)
 - Step 1 – Subsidy
 - Step 2 – Type of environmentally related subsidy



International outlook - Eurostat

- Eurostat Task Force of Environmental transfers
 - Environmental taxes
 - Environmentally motivated subsidies
 - Demand for also PEDS
- Aim is to set a methodological framework on the collection of consistent and comparable data on environmentally related transfers
- This spring (2011) several countries send in data as a first test:
 - Sweden, Norway, The Netherlands, Italy, Slovenia, Germany, France (and more to come)
- Next meeting in October (2011)
 - Further discussions of methodology and data sources.
 - Also discuss indirect subsidies (tax exemptions) and potentially environmentally damaging subsidies.
- Result in a handbook, 2012/2013



Future work

- Continue to be active in Eurostats Task Force
- Co-operate with other countries
- Sweden will continue our work and publish on regular basis
 - Environmentally motivated subsidies
 - Potentially environmentally damaging subsidies
- More analyses of different kinds of economic instruments *together* in EA (tax, subsidies and permits) carried out.



Please contact us if you have any questions:

Maja.cederlund@scb.se

Hanna.brolinson@scb.se

Viveka.palm@scb.se

