



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS  
STATISTICS DIVISION  
UNITED NATIONS



System of  
Environmental  
Economic  
Accounting

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## Classification of Environmental Functions

### Global Consultation

#### *Comments Form*

**Deadline for responses: 31 December 2022**

Send responses to: [seea@un.org](mailto:seea@un.org)

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The comment form has been designed to facilitate the analysis of comments. There are three 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](mailto:seea@un.org).

All documents can be also found on the website at: <https://seea.un.org/content/global-consultation-classification-environmental-functions>

In case you have any questions or have issues with accessing the documents, please contact us at [seea@un.org](mailto:seea@un.org)

**Question 1: Do you have any comments on the proposed structure of the Classification of Environmental Functions?**

(a) On the definition of functions

The Classification of Environmental Functions (CEF) is a generic, multi-purpose, functional classification used for classifying activities, products, expenditure, and other transactions related to environmental protection and management of natural resource.

It is based on the combination of the CEPA and CReMA classifications which are based on the classifications of activities. The principal basis for determining the environmental purpose of an activity is the “technical nature of the activities and produced goods and services” regardless of the “stated motivations and presumed or real effects are”. This is inconsistent with the usual definition of “functional classifications” which is based on intent or motivation and may, therefore, generate a problem when using this classification for some purposes, such as, for example, ‘expenditures’.

According to this definition “environmental expenditures” would be restricted to transfers associated with environmental activities and not transfers with environmental objectives involving activities not considered to have defined in terms of the “technical nature of the activities”, this implies that expenditures on activities that are not considered within the bounds of “technical nature” . This is not consistent with the general conceptual basis behind the classification of “functions”, in particular the COFOG classification, which is explicitly defined in terms of stated motivation and presumed effects regardless of the specific activities.

Functional classifications, particularly with respect to financial and budgetary expenditures, are one of the most important issues in classifying environmental policies today. The proposed classification will generate confusion with these classification systems and may unduly influence the review of the COFOG classification. Therefore, we propose three alternatives:

- I. To review the classification making a distinction between motivation and the technical nature of activities. This may involve a substantive review considering a double entry classification system considering motivation and technical nature, alternatively
- II. Restricting this classification to activities and changing the name from “Classification of Environmental Functions” which is broad based to the more limited “Classification of Environmental Activities and Resources”. This would avoid the confusion and limit this classification to activities

2. On Divisions

The CEF proposal is to structure level 1 (the 1-digits) as divisions, also called (environmental) domains. The level 2 structure of CEF (the 2-digits) are the groups and the level 3 (the 3-digits) are the classes. This structure follows the original CEPA classification and incorporates the CReMA.

An issue arises with defining Divisions as “environmental domains”. This may be confusing since it suggests that the division is based on environmental systems or resources, which are generally considered air, water and soil. The divisions do not follow the ‘domains’ structure clearly, and therefore this may be confusion. Therefore, we suggest avoiding the term.

With respect to the specific divisions chosen, we understand that there must be consistency with the original divisions of CEPA and CReMA to avoid a statistical break. However, the key environmental policy discussions today are climate change, biodiversity and circular economy. For example, in Division 1: climate is weakly defined and should not be part of the classification, not as such at least. E.g. in the explanatory notes, for group 1.1 it is said “...measures and activities aimed at the control of emissions of greenhouse gases”, which is ambiguous and may involve a number of actions. Climate is too complex and cross-cutting to be defined so narrowly and vaguely. Similarly, the definition of biodiversity is insufficient and circular economy should be defined explicitly. We believe these issues should be incorporated explicitly.

We understand that classification systems require mutually exclusive and exhaustive categories, and that some adjustments may be necessary, nevertheless, it is essential for statistical systems to be coherent with current policy priorities. Therefore, we propose:

- (a) Not to use the term “domain” to refer to divisions
- (b) Adding three new divisions: Climate change (that may include energy), Biodiversity (with a clearer definition) and circular economy (Can include division 3).

A new proposal could be

- I. Pollution (including remediation)
  - Air
  - Water
  - Soil (including soil erosion)
  - Noise and radiation
  - Others
- II. Wastewater and water resources
- III. **Circular economy** (ex waste, materials recovery and savings)
- IV. **Biodiversity and forests**
- V. **Climate Change**
  - Mitigation (including Energy)**
  - Adaptation**
  - Loss and damage**
- VI. Research and development
- VII. Others

**Question 2. Do you have any comments on the explanatory notes and on the heading reference?**

Notwithstanding the general comments made above, with respect to explanatory notes

- Division 1: climate is not clearly defined and should not really be part of the classification, our proposal is a separate category. E.g. in the explanatory notes, for group 1.1 it is said "...measures and activities aimed at the control of emissions of greenhouse gases", which is vambiguous: Division 1, greenhouse gases should be mentioned in the general description, not just for group 1.1, otherwise it isn't clear why climate is there
- In the description of measures to reduce air pollution, GHGs or energy savings, nowhere is specified measure to reduce consumption (the single most important measure). about the emphasis is on "cleaner" products/activities. Unless these measures can be classified under e.g. "ETIGA linked to the management and saving of heat and energy" (group 1.3).
- It is not clear why incineration/burning of biomass is included in division 1, since it genrates air pollution
- Class 1.2.1: unclear why "production of biomass to be further processed into biofuels" should be excluded, given the inclusion of both biomass and biofuels
- Sometimes it's unclear how some of the examples are related to the scope of the group/class. For example, for 3.2.2 (minerals) it says "Activities, measures and products aiming at minimising the intake of minerals (metallic and non-metallic) through increased efficiency, substitution, recovery and reuse of materials". Among the list of included activities there are "activities aimed at reducing scrap and the recovery of mineral based materials from waste streams", such as mechanical crushing and dismantling of vessels, which by themselves do not involve any recovery, unless you make it explicit that is e.g. dismantling of vessels to reuse metal. It is thus more akin to waste collection activities.
- Another example is class 4.1.3. (Protection from erosion and other physical degradation of soil and water): how would organic aquaculture protect water from physical degradation? I presume that it's with respect to non-organic aquaculture (see comment below on benchmarking)

### Question 3. Do you have any other comments on the Classification of Environmental Functions?

- There is a general question concerning benchmarking (completely absent from the classification): defining “cleaner products/activities” or “less harmful for soils and water bodies”, refers implicitly to a benchmark that needs to be defined more precisely. There are a number of alternatives such as best practice, best technology or an improvement from previous practices.
- There is another question on the boundaries of “other activities”, e.g. class 4.1.6 defined as “All other activities, measures and products aimed at protecting and remediating soil, groundwater, surface water and marine waters”. Put like this is leaving the door wide open to greenwashing, unless of course one specifies what these other activities are and quality checks are run and/or assessed against a benchmark
- As mentioned already, sometimes a more precise description of activities would be needed, e.g. group 6.1 (R&D for air, climate and energy) includes “R&D related to methanation and hydrogen upgrading processes”: at present much of the hydrogen is produced from fossil fuels, so not quite environmentally-friendly. It should be specified “hydrogen produced with renewable sources”