

# AUSTRALIAN Country Report

Report to the London Group Meeting  
September 2004  
Copenhagen, Denmark

Michael Vardon<sup>1</sup> and David Bain<sup>2</sup>

<sup>1</sup>Environment and Energy  
Australian Bureau of Statistics  
Canberra

<sup>2</sup>National Accounts Research  
Australian Bureau of Statistics  
Canberra

## CONTENTS

1. Introduction
2. Water Accounts
  - Latest release (May 2004)
  - Next edition
3. National Balance Sheet
4. The Future

## **1. Introduction**

Work on environmental accounting in the ABS occurs in two areas – the National Accounts Branch and the Environment and Energy Statistics Section. This report covers activities in both parts of the ABS.

The National Accounts Branch is responsible for the compilation of the Australia National Balance Sheet, which includes environmental assets. The Environment and Energy Section compiles the physical flow accounts (e.g. water and energy) and environment protection expenditure accounts. The two areas are both located in Canberra and have a very good working relationship.

Work on human and social capital is occurring at the ABS but not covered by this report. Various indicators are used in Measures of Australia's Progress (ABS Cat. no. 1370.0) and a paper on the human capital work will be release in the six months or so. For more information on this work please contact Hui Wei (hui.wei@abs.gov.au) or go to the *Social Capital* theme page on the ABS web-site:

<http://www.abs.gov.au/Websitedbs/c311215.nsf/20564c23f3183fdaca25672100813ef1/3af45bbd431a127bca256c22007d75ba!OpenDocument>

## **2. Water Account**

### *Latest release*

The second edition of the Water Account, Australia (ABS cat. no. 4610.0) was released on 19 May 2004. This edition of the water account had a more detailed industry breakdown and was generally of a high quality than the first edition of the account. However, because of differences in climate, methodology, (improved) measuring and reporting, and some changes to definitions the first account cannot be strictly compared to the second.

The scope of the account is limited mainly to the physical flow (supply and use) of water in the Australian economy, but it also contains some information on water stocks, environmental flows and water trading. The second account has a different formate from the first, with chapters addressing water supply and water use in different sectors.

Members of the London Group can download copies of the water account from the ABS website. To do this a “key” is needed and those interested should contact Michael Vardon (michael.vardon@abs.gov.au).

### *Next edition*

The reference year for the next edition will be 2004-05. A paper titled “Improving the ABS Water Accounts” was presented to the Economic Statistics User Group, an ABS forum with representatives from the Reserve Bank of Australia (central bank), Department of Finance and Administration, the Treasury and other areas of government involved in economic policy and analysis. The full paper is available from Michael Vardon. The main priorities given in the paper are:

1. Develop consistent and comparable data sources to establish a time series and
2. Provide data regularly (four yearly, but ideally more frequently)
3. Reduce the time between the reference period and the publication of information (from three to two years)
4. Provide regional information on water use (at least for agriculture in the major irrigation areas)
5. Include information on the economics of water supply and use
6. Integrate ABS water accounts with other major water information sources (e.g. the Bureau of Meteorology)

To make significant improvements the ABS will need to undertake additional collection activity and take a more active role in liaising with other agencies, and in particular promoting the adoption of standards and coordinating reporting. To undertake 4 -6 above would require additional resources so it is by no means certain that the next water account will include those components (see the discussion under “The Future”).

### 3. National Balance Sheet

The ABS continues to value environmental assets. The Australian national balance sheet recorded \$4,190b worth of assets at 30 June 2003, of which \$1,622b (39%) were economic environmental assets. The value of environment assets is presented below. More detailed information is available (e.g. estimates are available for each of Australia’s states).

#### **AUSTRALIA'S ENVIRONMENTAL ASSETS - 30 June**

	1995	1999	2003
	\$b	\$b	\$b
Rural land	68	105	145
Other land	558	730	1,205
Oil and gas	55	72	124
Other subsoil	38	68	138
Native standing timber	2	2	3
Plantation standing timber	6	7	7
<b>Total assets</b>	<b>727</b>	<b>984</b>	<b>1,622</b>

Source: Australian System of National Accounts, 2002-03 (5204.0).

While land accounts for 83% of the value of Australia's economic environmental assets, the value of rural land accounts for only 11% of the total value of land (see table). Subsoil assets account for 16% and timber (native and plantation) account for 1% of Australia's economic environmental assets. The value of environmental assets in current prices grew strongly during the 1990s, more than doubling between 30 June 1995 and June 30 2003. Much of this growth was due to rising prices environmental assets only grew by 6% in chain volume terms during the same period.

The ABS is continuing to produce experimental estimates of GDP adjusted for the depletion and additions to environmental assets. Depletion adjustments have been made for subsoil and land assets, and in both cases these unambiguously lower the net values. If the value of discoveries is included in income in place of the value of mineral exploration, the net effect of that adjustment can be positive or negative. For more information please contact David Bain (david.bain@abs.gov.au).

Over the next few years the ABS will investigate the possibilities of developing experimental estimates for the value of water. Data will be a key limitation, but with the trading of water rights Australia now has a direct price for some water, in some areas.

### 4. The Future

The ABS environment accounting program is not as strong as it has been in the past. The program has suffered significant cut backs to budget and lost some key staff. As such, the environmental accounting in the ABS is currently limited to:

- Valuing of environmental assets on the balance sheet,
- Physical flow accounts for water
- Environment protection expenditure account for local government

Work on an energy account has been deferred until the second half of 2005, and it is highly unlikely that waste, minerals, fish, land or forest/timber accounts will be produced in the near future.

Funding to revitalise the environmental accounting program is being sought through government processes but the outcomes of this request will not be known until May 2005.