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| UNLOGO DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRSSTATISTICS DIVISIONUNITED NATIONS |  |
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**SEEA EEA Revision**

**Expert Consultation Comment Form**

**Working Group 5: Valuation**

**Deadline for responses: 16 December 2019**

**Send responses to:** **seea@un.org**

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| Your name: |  |
| Your country/organization: |  |
| Contact (e.g. email address): |  |

To submit responses please save this document and send it as an attachment to the following e-mail address: seea@un.org.

The comment form has been designed to facilitate the analysis of comments. There are nine guiding questions in the form, please respond to the questions in the indicated boxes below.

The following papers are the subject of this review and were distributed together with the review request:

* *Discussion paper 5.3: Accounting treatments when integrating ecosystem accounts in the SNA*
* *Discussion paper 5.4: Recording degradation in ecosystem accounts*

All papers can be also found at 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

**Question 1: Do you agree with the proposed definitions of ecosystem deterioration and ecosystem degradation?**

*Issue paper 5.4 p.5 proposes to distinguish between a physical and a monetary notion of degradation as follows:*

*Ecosystem deterioration is the reduction in ecosystem condition over an accounting period that is due to human activity.*

*Ecosystem degradation is the decrease in the expected ecosystem services flows over an accounting period arising from ecosystem deterioration.*

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**Question 2. Do you agree with the proposed terminology for the use of depletion and degradation?**

*DP 5.4 described 5 options for using the terms depletion and degradation in reference to the general concept of recording the cost of using up environmental assets (encompassing both natural resources and ecosystem assets). It proposes to Option1 i.e.*

1. *Use depletion for all natural resources and degradation for ecosystem assets implying an overlap in scope. (This is the current SEEA framing which effectively suggests that when accounting within the SEEA Central Framework context use depletion and when accounting within the SEEA EEA context use degradation)*

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**Question 3. Do you agree with the proposals for recording changes in ecosystem assets when the development of ES flows is not moving in the same direction as the change in condition?**

*To help frame the discussion of the cases in which treatments need to be determined Table 2 presents the potential combinations. What emerges is that where the expected flows of ecosystem services move in the same direction as the change in condition, the treatment is relatively clear. However, it is less clear what to do in cases where they move in different directions, or when there is no change in condition. The initial proposal in Table 2, is to record these changes as other changes in volume.*

**Table 2: Combinations of changes in ecosystem assets**

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|  |  | **Rise in expected ES flows** | **Fall in expected ES flows** |
| **Decline in ecosystem condition**  | **Due to human activity (deterioration)** | Other change in volume | Degradation |
| **Due to natural influences** | Other change in volume | Catastrophic loss, Disappearance |
| **Rise in ecosystem condition** | **Due to human activity** | Enhancement | Other change in volume |
| **Due to natural influences** | Appearance | Other change in volume |
| **No change in ecosystem condition** | Other change in volume | Other change in volume |

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**Question 4. Do you agree with the proposed definition of capacity? Do you agree with the proposed function capacity plays in the ecosystem accounts?**

*DP 5.4 defines the capacity of an ecosystem asset, of ecosystem type i, to provide a set of services j can be defined as the following function:*

1. $Capacity\left(EA\_{i}\right)=\sum\_{j=1}^{n}ES\_{j}^{sust}= f\left(regime\left(t\right); extent(t)\right)$

*Thus, each ecosystem asset has a capacity to supply a certain set of ecosystem services indefinitely, depending on its condition (at t) and conditional on the current management regime or existing institutional mechanism (at t) and its extent at time (t). Indefinitely is meant here in a physical sense e.g. sustainable yield when talking about fisheries.*

*To be concrete, the capacity of Ecosystem A could be defined as: supply ES1 at 100 units, ES2 at 50 physical units, ES3 at 80 units. The assessment of capacity is herewith primarily an ecological / scientific question, although it is possible that there currently is over-use / over-extraction of the ecosystem, depending on the current management regime.*

*The actual demand level for the services does not enter the capacity function as we are assessing sustainable levels in a physical sense.*

*The proposed role capacity would play in the system of accounts is as a check on the sustainability of the set of generated ES flows, that we need in order to apply a net present value calculation to obtain an asset value. The proposal is to define degradation with respect to changes in the actual use of the ecosystem, not on the basis of changes in the capacity of the ecosystem to supply services.*

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**Question 5. Do you think it is important to introduce a notion of an environmental liability, and if yes, which of the proposals has your preference, or do you have an alternative proposal? Do you have comments on the proposal to introduce unpaid ecological costs for those externalities that are global in nature?**

*DP 5.4 in Section 6 describes several possibilities for recognizing a liability in the ecosystem accounts (e.g. based on a capitalisation of maintenance costs, based on unpaid ecological costs). DP 5.3 discusses a proposal to record unpaid ecological costs in the sequence of accounts for those externalities that are global in nature.*

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**Question 6.** **What are your thoughts on the treatment of the ownership of ecosystem assets? Should they be considered as a distinct sector, should they be considered as fully owned by the owner of the associated land/spatial area, or should the ownership be partitioned in some way? What are the key considerations in determining the economic ownership of ecosystem assets?**

*DP 5.3 discusses issues around ownership in Section 4.*

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**Question 7. Regarding the recording of ecosystem services, do you prefer a recording such as proposed in Model C which leaves national accounts entries intact, and makes ecosystem services flows more visible, or a recording such as in Model B which is closer aligned with PSUTs? Do you have alternative proposals?**

*DP 5.3 in Section 3 describes 3 Models (A, B, and C) for integrating ES in the sequence of accounts.*

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**Question 8. Regarding degradation costs do you favour a cost borne approach as in Model C which assigns degradation costs based on economic ownership of ecosystem services (where a partitioning of ownership approach is applied), or a recording that follows a polluter pays principle? What do you think of the possibility of recording a degradation transfer?**

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**Question 9. Do you have any other comments on the draft papers?**

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