Valuation of ecosystem services from a national accounting perspective

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It is relevant to account for WTP and costs

• The primary purpose of accounting is to describe what is going on in our economy reflecting the *existing institutional setup and markets* – first of all by *using observations* and as few assumptions as possible.

• Wtp and various types of cost estimates *reflect the existing institutions, preferences and technologies* of our economy. They can be observed/estimated. They provide important information for analysis.

• In general we *cannot observe any exchange values for the ecosystem services*, because there are no monetary transactions.

• We may *imagine* markets/institutional arrangements with transactions leading to *monetary exchanges*. This is modelling and scenario type analysis and *describes hypothetical situations*. 
It is not very precise to talk about *the value* of ecosystem services or assets – it is better to state the value concept

”The value of ecosystem service A is one billion dollar”

”The willingness to pay for ecosystem service A is one billion dollars”

”The cost of restoring ecosystem service A is one billion dollars”

”The hypothetical exchange value of ecosystem service A is one billion dollars”

”The avoided cost due to ecosystem service A is one billion dollars”
Could we clarify the use of the concepts by introducing additional ”SEEA terminology”?

For instance:

For households’ use of ecosystem services:
”Ecosystem service use at consumer/households’ values” (wtp)
”Ecosystem service use at hypothetical transaction values”

For degradation of ecosystems
”Degradation at consumer/households’ values” (wtp)
”Degradation at replacement costs”
”Degradation at hypothetical transaction values”
There are no consistency problems if we keep the different values in separate accounts/tables

- One physical account, one for WTP, one for restoration cost, one for replacement costs, etc.

- A modular approach based on appropriateness and availability of data

- In the national accounts we already have several types of value concepts for the same transaction: basic prices, purchasers prices, current prices, constant prices and chained volumes

- Some of these are hypothetical values/quantities, which cannot be observed: constant prices and chained volumes
However, it is inconsistent to add ecosystem service values to the existing national accounts for "green GDP" calculations, etc.

- Actual market values are mixed with wtp, various costs or hypothetical transaction values.

- Is it a problem? Not necessarily, if the results are useful and tell us something about our economy and the development - but it requires that we make clear what concepts are involved and how the results should be understood.

- To some extent we already have inconsistencies in the national accounts: e.g. we estimate and add non-observable government output based on the costs.
Do we forget something?

• Scaling up is an important issue
  We need solid procedures and recommendations for transfers of values and scaling up to the national level and the macroeconomic context?

• Should that be part of the criteria for assessment of the valuation methods?