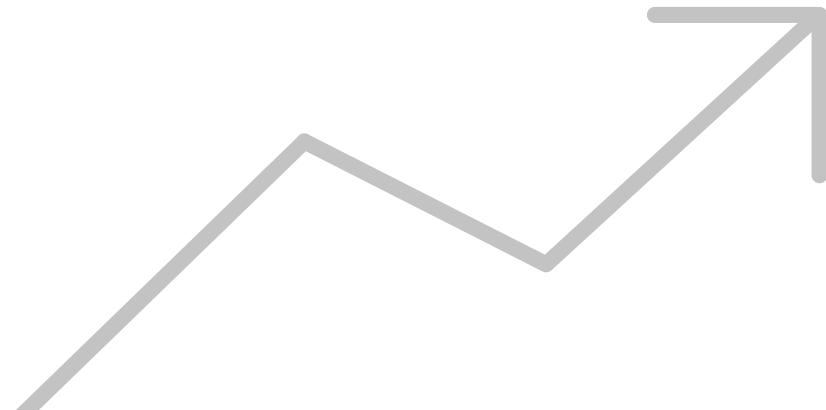


SEEA CF Update

Issue C6 - Inclusion of potentially environmentally damaging subsidies/related transfers

GN C6 Draft 2

23 March 2026



1. What is environmentally damaging?

Definition:

- » Environmental damage occurs when human activities leads to measurable adverse changes in:
 - » **Depletion of natural resource stocks**, where extraction or harvest exceeds natural regeneration or recharge.
 - » **Degradation of environmental quality**, including increases in emissions, waste, or other residual flows that surpass the assimilative capacity of environmental systems.
 - » **Decline in ecosystem condition**, reflected in changes to biophysical characteristics, ecological integrity, or ecosystem functioning.
 - » **Reduced capacity of ecosystems to supply services**, resulting from sustained pressures or the loss of ecological structure and functions.

2. Scope

Definition:

» Subsidies (SNA) + similar transfers

» D.3 + D.6 + D.7 + D.9

» explicit transfers only

» consistent with ESST accounting logic

- ESST – PEDS ≠ environmental effect.

» All transfers have to be reported with transfer codes

» SNA definition could be extracted from the account through transfer codes

3. Identifying the relevant cases I

Assumed Effect

- » Statisticians cannot measure real-world environmental change

- » **Purpose is not a reliable basis for identifying potentially damaging transfers**
 - » Many relevant transfers have economic or social policy intentions
 - » An intention-based criterion would weaken comparability

- » **Therefore an assumed-effect approach is necessary**
 - » This is also consistent with ETEA logic

3. Identifying the relevant cases II

Operationalisation of Assumed Effect through Internationally Agreed Lists

- » **SEEA CF list from ETEA giving tax basis as starting point (developed by OECD)**
 - Application already tested.
 - Already part of the SEEA CF.

- » Extension of the list as a memorandum outside the SEEA CF (as proposed in C4)
 - Allows updating the list without revising the SEEA CF.
 - The current list has gaps that can be filled after testing by countries or organizations.

3. Identifying the relevant cases III

The list as a tool in the compilation process

» **No mechanical application**

- deviations possible in justified cases
- **deviations must be documented**
- Explaining deviation, prevents silent exit, and enhances transparency

» **The list should help developing a core consensus**

- Easier compilation process
- Makes it more comparable
- Makes it more transparent

3. Identifying the relevant cases IV

PEDS should not account every economic activity

- » **Classification requires a clear, direct, and conditional link between the transfer and a recognised environmentally damaging activity. Diffuse or upstream, effects are not sufficient.**

- » **Example I:** General income support to households
 - » Not PEDS

- » **Example II:** Transfer conditional on energy use
 - » PEDS

4. Interaction with other accounts I

ETEA - Environmental taxes by economic activity

- » Same assumed-effect logic
 - » Same operational starting point
 - » Compatible classification basis
-
- » **Aligning PEDS with concepts already used in ETEA also makes it comparable with environmental tax reliefs (GN C7).**

4. Interaction with other accounts II

ESST - Environmental Subsidies and Similar Transfers

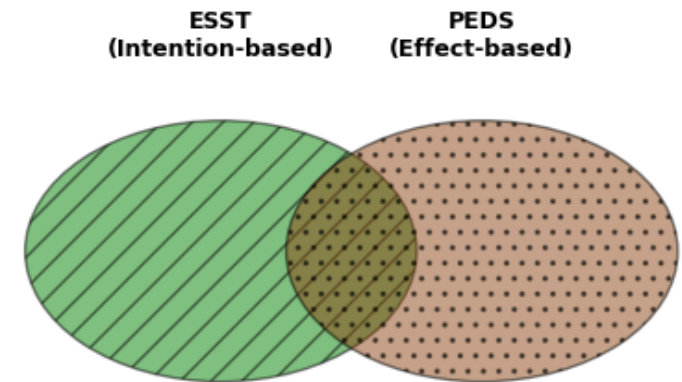
- » SEEA CF 4.143:
 - » “[...] *it may not be the case that the expenditure of the transferred resources results in beneficial environmental outcomes, even if this was the intent.*”

- » The question is not if there is a theoretical overlap of the concepts of PEDS and ESST, the question is how to design and account it.

4. Interaction with other accounts II

Technical requirements for handling the overlap between ESST and PEDS

- » No double counting
- » No forced choice between concepts
- » No forced choice between environmental goals
- » Transparency



4. Interaction with other accounts III

Bridging Items in the ESST account

» **No double accounting**

» Relevant transfers remain in ESST; overlap is shown through bridging items / flags

» **No forced choice between concepts**

» ESST and PEDS describe different characteristics; bridging items preserve both

» **No arbitrary split between environmental goals**

» A split would require unsupported weighting of conceptually different effects

» **Transparency**

» The overlap is shown explicitly, giving a complete picture of ESST, PEDS, and overlap

5. Accounting & Timing

Consistent with the SNA

» Accounting:

- » Attribute PEDS to the economic beneficiary (institutional sector and industry) in line with SNA and ESST/ETEA practice.
- » NACE

» Timing:

- » Record PEDS on an accrual basis (when entitlement arises), consistent with SNA, ESST, and ETEA. As well as additionally record when the underlying activity occurs.

6. Classification I

Environmental domain classification from ETEA

» **The existing ETEA domain structure could be used as a first level for a PEDS classification**

» Typical environmental domains may include:

- Energy
- Transport
- Pollution
- Resources

6. Classification II

A dedicated PEDS classification based on Environmental Pressure Categories (EPC) could be developed

- » Indicative examples of Environmental Pressure Categories include:
 - Greenhouse gas emissions
 - Air pollutants (e.g. NO_x, SO₂, particulate matter)
 - Nutrient pollution and eutrophication
 - Water abstraction and depletion
 - Land-use change and soil degradation
 - Hazardous substances and chemical pollution
 - Waste generation and material throughput
 - Resource over-extraction (e.g. fish stocks, timber, minerals)
 - Habitat loss and fragmentation

7. Questions

1. Do you agree that PEDS should be formally included in the SEEA CF, alongside ESST and ETEA?
2. Do you agree with the proposed definition of PEDS and the use of an assumed-effect approach for identification?
3. Do you agree with the proposed treatment of overlap between PEDS and ESST, including no double counting and the use of flags or memorandum items for overlapping cases?
4. Do you agree that an internationally maintained reference list and the ETEA classification structure should be used to support operationalisation and comparability of PEDS reporting?
5. Do you have any additional comments?

Annex I

Proposed Definition:

“Potentially Environmentally Damaging Subsidies (PEDS) are explicit subsidies and similar transfers, within the scope of the System of National Accounts (SNA), that directly influence the price or quantity, or a proxy for quantity, of a specific product, activity, or infrastructure associated with recognised negative environmental pressures.

Identification follows an assumed-effect approach and is independent of the stated policy purpose of the transfer. A subsidy is considered to have a direct link to an activity or product when the conditions of the transfer are causally related to the volume, output, input use, capacity, or continued operation of that activity or product. Examples include transfers that:

- vary with the level of production, consumption, or installed capacity of the activity;*
- are conditional upon engagement in the activity;*
- reduce the marginal cost of producing, using, or investing in the activity or infrastructure integral to it.*

General or non-targeted transfers without a direct conditional link to a specific activity or product are not classified as PEDS.”

Annex II

Example Bridging Tables:

PEDS Items in ESST (Purpose View)

Transfer	SNA Type	CEP 01	CEP 02	CEP ...	CEP 08	Total per Transfer
Subsidy for hydrogen-ready gas power plant	D.3 Subsidies	xxx	xxx	xxx	xxx	xxx
Support for LNG truck fleet renewal	D.3 Subsidies	xxx	xxx	xxx	xxx	xxx
Grants for Euro VI diesel buses in public transport	D.9 Capital Transfer	xxx	xxx	xxx	xxx	xxx
Subsidy for district heating transition (gas-based)	D.3 Subsidies	xxx	xxx	xxx	xxx	xxx
Support for biomass co-firing in coal plants	D.3 Subsidies	xxx	xxx	xxx	xxx	xxx
Investment grant for gas distribution network upgrade	D.9 Capital Transfer	xxx	xxx	xxx	xxx	xxx
TOTAL		Σ	Σ	Σ	Σ	Σ

ESST Items in PEDS (Effect View)

Transfer	SNA Type	Amount	PEDS Domain
Subsidy for hydrogen-ready gas power plant	D.3 Subsidies	yyy	Energy
Support for LNG truck fleet renewal	D.3 Subsidies	yyy	Transport
Grants for Euro VI diesel buses in public transport	D.9 Capital Transfer	yyy	Transport
Subsidy for district heating transition (gas-based)	D.3 Subsidies	yyy	Energy
Support for biomass co-firing in coal plants	D.3 Subsidies	yyy	Energy
Investment grant for gas distribution network upgrade	D.9 Capital Transfer	yyy	Energy
TOTAL		Σ	Σ per Domain

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