

# Integrated accounting of EPEA and ESST

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# Key topics of the presentation

1. Overlap between the environmental protection expenditure accounts (EPEA) and environmental subsidies and similar transfer (ESST)
2. Cooperation of EPEA and ESST in Finland

# Background

- Statistics Finland is setting up ESST as a new module and developing better integration between monetary environmental accounts
- Ongoing project by Statistics Finland: “Framework for monetary environmental accounts and pilot accounts on environmental subsidies and transfers” (03/2021–02/2023) funded by Eurostat Grant.
- Presentation is based on observations in our project and in Eurostat’s statistical manuals of EPEA and ESST.

# What is good integration?

Cohesion in:

1. Theoretical level (definitions, classifications etc.)
2. Technical level (common data sources, joint production etc.)



# Overlap between EPEA and ESST

With current frameworks

# Intersecting parts

- Definition of environmental transfers: “current or capital transfer that is intended to support activities which protect the environment or reduce the use and extraction of natural resources” (SEEA 2012, §4.138)
- Transfers related to environmental protection
- Common transactions: D.3 Subsidies; D.7 Other current transfers; D.92 Investment grants or D.99 Other capital transfers

# Differing parts

- Transfers related to resource management
- Transfers from the rest of the world is accounted only in ESST
- EPEA does not include D.6 (Social contributions and benefits) in current transfers
- All transfers (transaction codes) are consolidated in EPEA unlike those in ESST
- In ESST entities receiving the subsidies are classified not only by institutional sector but also by industry
- Non-profit institutions serving households are not separated from general government in EPEA like those are in ESST

Despite the differences, there is notable overlap between frameworks of these two accounts. It gives high incentives to use the same practices and data which ensures good integration between EPEA and ESST.



# Cooperation of EPEA and ESST

The Case of Finland

# Old computation system of EPEA

## The government finance data

Government body	million euros	Transaction code	GOFOG	Institutional sector	Year
xx	0,39329325	P22	G0402	Z	2020
xx	0,00516109	D411	G0402	S0-S13	2020
xx	0,10716898	D73	G0402	S1313	2020
xx	0,01869148	D92	G0402	S1313	2020
xx	82,1274543	D39	G0402	Z	2020
xx	0,04593235	D39	G0402	Z	2020
xx	0,06737478	D759	G0402	S15	2020
xx	1,45614473	D759	G0402	S15	2020
zz	3,07044019	D73	G0503	S1313	2020
zz	1,81532255	P22	G0503	Z	2020
zz	1,48665463	P22	G0503	Z	2020
zz	1,43646385	D759	G0503	S15	2020
zz	0,84870682	D39	G0503	Z	2020
zz	0,81357726	D759	G0503	S15	2020

## CEPA control table\*

Government body	Year	CEPA1	CEPA2	CEPA3	CEPA4	CEPA5	CEPA6
xx	2020				0,745		0,255
zz	2020	0,129	0,0450		0,826		

- Based on the government finance data
- Receiving institutional sector has some unknown parts (Z)
- CEPA classification based on the analyses of government budget documents and additional data sources
- COFOG not utilized

\* Actually, the old system had only one CEPA class for each government body

# Why not GFOFG?

## The government finance data

Government body	million euros	Transaction code	GFOFG	Institutional sector	Year
xx	0,39329325	P22	G0402	Z	2020
xx	0,00516109	D411	G0402	S0-S13	2020
xx	0,10716898	D73	G0402	S1313	2020
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- Too imprecise
- Unfitting breakdown with CEPA (COFOG group 05.03 pollution abatement)
- No corresponding GFOFG division for CReMA or it is division 05 (same as CEPA)

# Expansion for joint computation system

## The government finance data

Government body	million euros	Transaction code	GOFOG	Institutional sector	Year
xx	0,39329325	P22	G0402	Z	2020
xx	0,00516109	D411	G0402	S0-S13	2020
xx	0,10716898	D73	G0402	S1313	2020
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zz	0,84870682	D39	G0503	Z	2020
zz	0,81357726	D759	G0503	S15	2020

Add breakdown for beneficiary industries (NACE)

## CEPA control table

Government body	Year	CEPA1	CEPA2	CEPA3	CEPA4	CEPA5	CEPA6
xx	2020				0,745		0,255
zz	2020	0,129	0,0450		0,826		

Add CreMA classes

# Benefits of joint computation system

- Instead of whole new setup, ESST needs only a bit more information for the transfers from the general government\*
- The joint computation system generates figures for both accounts simultaneously → saved time can be used to quality improvements
- You get some REMEA figures free

\*Unfortunately transfers from the rest of the world need to be done in a separate system

# Comparability with the national accounts

- Great when the government finance data is used
- Potential pitfalls are when to the government finance data is enriched (ex. beneficiaries and CEPA/CReMA vs COFOG)
- Recommendation is to coordinate data imputations with other accounts (environmental accounts might have better understanding for environmental transfers)



# Conclusions

- Overlaps and common data sources offer great starting point for an integrated accounting of EPEA and ESST. In specially when EPEA is already established with the current framework
- The joint computation system needs less contribution than two separate computation systems → higher efficiency can be used to quality improvements
- Integration ensures that EPEA and ESST are unlikely contradictory to each other
- It is fairly easy to do



# Thank you

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