

# 6th Annual Meeting of the London Group on Environmental Accounting

Canberra 15 - 19th November 1999

## Session on Environmental Protection and Resource Management Accounts

### Issues Paper- Chapter 4

#### ISSUES PAPER

#### Chapter 4 Environmental protection and resource management accounts

The 1993 interim SEEA already includes quite a comprehensive module for environment protection expenditure accounting. As agreed at the meeting of the London Group in Fontevraud in May 1998, however, there are several ways that the presentation and coverage of the chapter might be improved. These have been considered by the Chapter 4 Sub-Group and incorporated into the revised draft version circulated. More specifically the draft now includes sections on:

- Uses and limitations of the accounts
- Updated classifications (eg final version of CEPA, relevant parts of ISIC, COFOG etc.)
- Expenditure definitions and definitional problems (eg the "purpose" criteria)
- References to the link to physical data
- Defensive expenditure and "adjusted" GNP
- Comparison with other accounting systems
- A modular approach which includes a "core" account for environmental protection activities and expenditure (starting with relatively simple supply/use tables, to a full set of accounts), and "supplementary" accounts which can be presented in the same or similar framework
- Extensions to the central framework to widen the scope eg environmental taxes, the environment industry, environmental input-output analyses etc

Two sections still need to be expanded and further developed - on resource management accounts and on indicators that can be derived from the accounts or from the primary data.

#### The issues for consideration are:

- The overall structure of the chapter, content, and depth of coverage individual of topic areas - is this about right?
- Links in with other chapters - are there gaps or overlaps?
- The clarity (or lack of it) of the definitional issues (eg the "purpose" criterion), the boundaries between different types of activity or expenditure, and the modular approach
- Are there any outstanding methodological issues which still need to be resolved?
- For the resource management accounts, classifications are often not readily available and would need development, e.g. for activities and expenditure related to energy savings, water management etc. - how could this be arranged and is there experience in countries that could be the basis for this?
- An account for the prevention of natural hazards could be a useful adjunct to this chapter - should this be taken up and is there experience in countries ?
- Is the concept of 'environment-related expenditure' - which allows countries the flexibility to respond to national interests and perception while respecting international standards - a useful aspect?
- How do you feel about the need to provide more detail on economic instruments for environmental protection?

Environmental taxes and subsidies already covered but e.g. pollution fees or fines, deposit-refund systems or emissions trading are not. Also, would you feel, more detail on the characteristics of individual instruments (tax rates, exemptions etc.) would be useful and within the scope of work by statistics agencies?

- Extensive experience with expenditure accounting exists in many countries eg Australia, many EU countries, Canada, Japan and others; would it be helpful at a later stage to include a table that lists experience available in countries and refers to publications available (preferably covering several languages)so that compilers could get easy access to further details or practical examples.?
- Overall, and in view of the above, how much further development should go into the chapter, and where should the focus be?
- Would it be of value to have a Chapter 4 Sub-group meeting before the next London Group meeting in 2000 to focus on specific issues related to Chapter 4 but too detailed to discuss at the main annual meeting?