



Classification of environmental activities

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**Meeting of the London Group on Environmental Accounting
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Questions for the LG

1. Guidance on the main environmental purpose criterion

2. Boundary cases

Other cases besides the 11 cases identified?

Questions in the paper (CReMA 11 and substitution)

3. Way forward for an integrated classification

'small revision' vs 'large revision'?

Background

1) SEEA CF Research Agenda

Conceptual issues

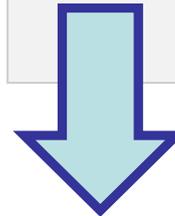
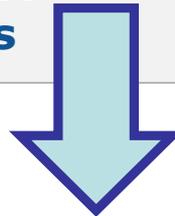
- 3. Definition of resource management and structure of the resource management expenditure accounts

Implementation issues

- 1. Implementation issues related to classifications

2) Ongoing data collections in Europe

Guidance to compilers on boundary cases and scope



***Eurostat Task Force on the classification of environmental activities
(Eurostat, AT, DE, ES, FR, IT, LU, NL, PT, SE)***

Eurostat TF on the classification of environmental activities

Objectives:

- Short-term – clarification of classification principles under existing classification systems
- Long-term – assist develop a proposal for an integrated classification system

Tasks:

- Both "macro-perspective" (broad conceptual) and "micro-perspective" (specific cases)

*Advancing SEEA
CF Research
Agenda*

*Supporting
ongoing data
collections*

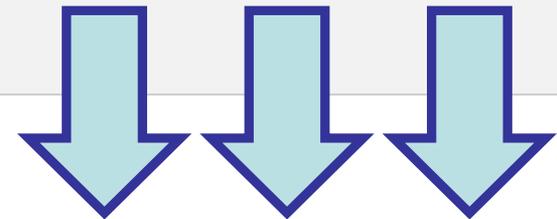


Here we report on three items of the work of the Task Force:

Item 1: Improved guidance on the main env purpose criterion

Item 2: Improved guidance on the treatment of boundary cases

Item 3: Proposal for an integrated classification



We seek input/comments from the London Group

Item 1: Main purpose criterion

- **Main environmental purpose criterion – key concept to define scope in monetary environmental accounts**
 - Yet, as currently defined allows for a certain level of subjectivity in interpretation
- **The TF discussed approached this matter from a number of angles**
 - However conceptual matter could not be advanced
- **Discussions on the TF on this matter often end up narrowing down the view to very specific examples ("*is it in or out?*")**

Item 1: Main purpose criterion

Questions for the London Group:

In your view, how should we proceed to improve guidance on the use of the main purpose criterion?

- *should further focus on specific examples of application of the main purpose criterion?*
- *or rather focus on refining overall conceptual questions?*

Item 2: Boundary cases

TF discussed 11 cases, based on a comprehensive overview of existing guidance and exchanges with countries.

Case 1: Electric and resource efficient vehicles

Case 2: Low energy consumption (passive) buildings

Case 3: Dismantling of wrecks

Case 4: Snow and ice removal

Case 5: Aquaculture and organic aquaculture

Case 6: Boundary cases CEPA 6 v CReMA 12

Case 7: Scope of CReMA 11

Case 8: Boundary case: materials recovery

Case 9: Substitution of natural resources, materials and products

Case 10: Demolition waste

Case 11: Replenishment of water resources

9	Substitution of natural resources, materials and products
Description of the case/ accounting issue	
Short description	Substitution of natural resource, materials and products with alternative natural resources, materials and products to reduce/minimize the impact on the environment
Current treatment	Substitution of a natural resource with other natural resources is considered a resource management activity and it has been included in the following CReMA domains: - CReMA 10 ("reduction of the intake by substituting the resource with alternative resources")

8	Boundary case: materials recovery
Description of the case/ accounting issue	
Short description	Boundary case: materials recovery – CEPA 3 vs. CReMAs 11B, 13C, 14
Current treatment	<p>The EGSS Manual stated (p. 116-117) that "In line with SEEA-CF 2012, Annex I, section A.I, the composting and the recovery of materials may be carried out for the purpose of EP. For example, if the main purpose of these activities is <u>avoiding other (more costly) forms of waste disposal</u>, these activities should fall under CEPA 3. As an operational rule, <u>recovery of raw materials from waste and composting</u>:</p> <ul style="list-style-type: none"> • should be recorded as RM and therefore be classified under the CReMA 11B, 13C, or 14 if laws or programs (public or private) governing these activities mention resource management as their single main objective, • may be recorded as RM and therefore be classified under the CReMA activities if it can be demonstrated that the value of the recovered materials or compost (either sold or for own use) covers more than 90% of the costs of these activities on a multiannual average, • are to be recorded under CEPA 3 in all other cases." <p>The draft ReMEA manual acknowledges that it is difficult to identify the primary purpose for materials recovery in practice (environmental protection vs. resource management), but does not introduce any operational rule.</p> <p>The draft ReMEA guideline also acknowledges that it might be difficult to identify the type of material and its classification to CReMA 11B/13C/14 might be challenging. For this purpose, draft ReMEA guidelines established a Materials recovery domain, which comprises:</p> <ul style="list-style-type: none"> • the processing of metal and non-metal waste and scrap and other articles into

TF established a focused working method to advance guidance; work in progress

Item 2: Boundary cases

Questions for the London Group:

- *Do you know of similar detailed analyses of*
 - a) boundary cases between environmental domains*
 - b) scope issues of environmental domains**that could be used to advance the SEEA CF research agenda?*
- *Please have a look at the two specific questions in the paper (on "CReMA 11" and "substitution") and let's talk during the coffee break;-)*

Item 3: Proposal for an integrated classification

"small revision" – retaining CEPA and improving CReMA; i.e. retaining EP-RM distinction

- 1 proposal discussed
- Merging CReMA 15+16
- "extracting" materials recovery activities and creating "Materials recovery" domain

"large revision" – thorough considering the EP-RM distinction

- 7 proposals discussed
- Some common features ("resource-centred", e.g. "nature", "water")
- Some cross-RM-EP categories (8+15; 9+16, 6+12(+11))

The TF will continue working on both approaches, merging the 7 "large revision" proposals into one

Item 3: Proposal for an integrated classification

Questions for the London Group:

- *Is it important to retain the distinction of environmental activities in EP and RM, from the perspective of a) conceptual clarity and b) users' needs, keeping in mind profound implications this "large revision" would have on existing data series?*
- *Do you see options for an integrated system of classification of environmental activities other than the two considered by the Task Force?*

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Thank you!