

# **13<sup>TH</sup> MEETING OF THE LONDON GROUP ON ENVIRONMENTAL ACCOUNTING**

(Brussels, 29 September – 3 October 2008)

## **REPORT OF THE MEETING**

### **MONDAY 29 SEPTEMBER 2008**

#### **Agenda item 1 – Opening speech Mr. Pieter Everaers (Eurostat)**

1. Mr. Pieter Everaers opened the 13th meeting of the London Group. He stated that the revision of the SEEA is a number one priority for Eurostat. The EU wide implementation of environmental accounts is strongly motivated by the ongoing ‘beyond GDP’ debate and the high level policy debate on climate change. Mr. Radermacher became recently the new Eurostat Director General. He has worked in the field of environmental accounting for many years and it is expected that he will continue to support the ongoing work on environmental accounts at Eurostat. Mr. Everaers stated that environmental accounts are still not visible enough in the policy area and this problem needs further attention in the near future.

#### **Agenda item 2 – UNCEEA Business, Alessandra Alfieri (UNSD)**

2. On behalf of the Chair of the UNCEEA, Ms. Alfieri in her capacity as Secretariat of the UNCEEA gave an overview of the current activities of the UNCEEA and its Bureau. At the last meeting in June 2008, the UNCEEA :

- Expanded its mandate to cover, in addition to environmental-economic accounting, environment statistics including statistics related to climate change;
- Changed its name to United Nations Committee of Experts on Environmental-Economic Accounting and Environment Statistics to reflect the new mandate. The acronym UNCEEA will remain;
- Established the Advisory Group on Environmental-Economic Accounting and Environment Statistics, which would advise the UNCEEA on technical matters. The Advisory Group in the short and medium term will review the recommendations on the issues discussed by the London Group. The Advisory Group will soon be established by the Bureau of the UNCEEA;
- Agreed on the Project Management Framework (PMF) for the revision of the SEEA, including its timeline;

- Discussed the process of drafting SEEA-Energy, SEEA-MFA and the International Recommendations for Water Statistics;
- Elected a new Chair, Peter Harper Deputy Statistician Australian Bureau of Statistics, who succeeded Walter Radermacher.

3. The SEEA revision remains the highest priority project in the work programme of the UNCEEA. The UNCEEA agreed that Volume I of the revised SEEA should be submitted to the UN Statistical Commission in February 2012, subject to availability of funding to hire the editor. The implication for the London Group is that the issues to be included in Volume I should be solved by the end of 2009 so that there will be sufficient time to draft the revised SEEA Volume I and the relevant parts of Volume III and have the necessary consultations on the drafts. Volume II and the relevant parts of Volume III are expected to be submitted to the UNSC in 2013.

### **Agenda item 3 – Issues related to physical flow accounting**

Presentation: Sjoerd Schenau (Statistics Netherlands)- Classification of physical flows: Part II

4. The paper argues that overlaps between physical accounts subsystems (materials, water, energy) must be consistently classified. Further, for the purpose of indicator compilation there is a need for compatible industry classifications for each subsystem. The paper reflects on the usefulness of CPC as a basis for physical flow classifications. Purpose classifications are recommended to indicate the energy use of materials like biomass. The paper provides the following recommendations:

- Waste accounts should be classified according to European Waste Statistic Regulation;
- Compatible industry classifications are needed for each of the three sub-systems: Manufacturing: 2 digit, all other industries: 1 digit;
- Materials (biomass) should be classified according to whether they are used for non-energy or energy purposes.

Presentation: Karl Schoer (Consultant to UNSD) - Classifications of Material Flows for SEEA-MFA

5. The paper recommends using the following classifications in the supply and use tables for material flows:

- For resource inputs and product throughputs, CPC;
- For solid waste, EWC-Stat;
- The proposals for the other residuals (air, water etc.) are based on the current Eurostat-MFA and the SEEA 2003 residual classifications.

Presentation: Bram Edens (UNSD) - Some issues on the classification of physical flows

6. UNSD's presentation raises the following issues:

- Definition of products in the SEEA-2003 and CPC: CPC covers everything that can be transacted including flows to ISIC 37, 38 and 39 such as municipal waste that may have "negative value". Market value is not a defining characteristic of products. Is the distinction between waste products and waste residuals based on positive value meaningful?
- Definition of residuals in the SEEA-2003. Residuals are not well defined in the SEEA-2003. They are defined as outflows from the economy to the environment, or incidental and undesired outputs which generally have no economic value. According to the latter definition, they can flow within the economy (e.g. to be recycled) or from the economy to the environment. The proposal is to tighten the definition of residuals and define them as outflows from the economy to the environment.
- CPC as a classification of all physical flows (from the environment to the economy, within the economy and back to the environment): This will have clear advantages, however bridge tables with EWC-Stat would need to be developed.

*Action points and proposals on the classification of physical flow*

7. The issues raised in the presentations require further considerations given the possible consequences for the accounts. The LG requested that all proposals be merged into one issue paper (to be prepared by UNSD, Karl Schoer and Statistics Netherlands in cooperation with OECD and Eurostat) to be discussed at the next LG meeting. The LG recommends that the paper elaborate on the basic principles of CPC and EWC classifications and suggests a way forward on how to combine them. The paper should propose a classification on the basis of that presented in Karl Schoer's paper. The proposed classification should avoid as much as possible duplications and, for example, avoid classifying waste by destination since that would be evident from the supply and use tables (e.g. incineration, reuse, etc.).

With regard to the structure of the tables, an issue paper will be prepared for discussion first on the website and then at the next LG meeting.

*Presentation Karl Schoer (Consultant UNSD) - Cultivation of biological resources*

8. The paper proposes a new convention for the recording of the physical flows from the environment to the economy for cultivated biological resources. This treatment is suggested as the preferred method because it aligns the MFA approach with the SEEA-2003 and SNA concepts as well as for practical considerations (data availability).

*Action points and proposals*

9. The London Group in general endorsed the treatment presented in the paper, that is: a) in case of cultivated crops and trees physical flows from the environment to the economy consist of the biomass growth that will be used; b) in case of cultivated livestock and fish physical flows from the environment to the economy consist of the ecosystem inputs. Some additional considerations made at the meeting are the following:

- Flexibility regarding the implementation in the recording of physical flows depending on countries specific situations. Based on the characteristics of cultivation processes in countries either the ecosystem inputs would be recorded as flow from the environment to the economy or the used biomass growth. For instance in case cultivation takes place in totally human controlled environments such as greenhouses the ecosystem inputs could be recorded rather than the used biomass growth.
- Recording in the accounts of relevant waste and water flows which are excluded from the inputs and outputs;
- The relationship of the harvest approach with stock accounts (e.g. standing timber) needs some explanation;
- The terminology used should be looked at carefully (ecosystem / harvest approach) for instance by referring to the type of metabolism which dominates.

10. The LG recommended that an outcome paper taking into consideration its deliberations be prepared first for posting on the LG website and then for discussion by the Advisory Group.

#### **Agenda item 4 – Issues related to asset accounts**

##### *Presentation: Jane Harkness (Statistics New Zealand) – Fish stock valuation*

11. The paper discusses the substantial differences between the market valuation of fish stocks (based on extraction permits) versus the standard SEEA residual resource rent calculation via the production account of extractors (fishing industry). Possible causes for underestimation of the fish stock using the residual resource rent measurement are the high levels of vertical integration of fishing industry and fish processing industry with the majority of the resource rent accruing to the food processing (manufacturing industry).

##### *Action points and proposals*

12. The paper LG recommended that an outcome paper be presented to the Advisory Group recommending the market valuation method based on fishing permits in those cases in which market values can be derived from fish quota systems. The paper will also illustrate the substantial uncertainties of using the standard resource rent calculations derived from the production account of fishing industries as shown in the New Zealand case.

##### *Presentation: Jukka Muukkonen (Statistics Finland) – Carbon binding of forests*

13. The paper and presentation compares the forest asset classifications presented in the SEEA-2003 with FRA 2005 of FAO and the classification used for carbon binding of forest. It argues that the forest classifications could be easily harmonized. The presentation also argues that valuation of forest could be standardized and included in Volume I.

*Action points and proposals*

14. There is consensus that forestry accounts (including carbon binding) should be part of the standard (SEEA-Volume I). The LG agreed to align the forest asset classifications with the FAO classifications. It recommended that the FAO definitions are analysed with regard to consistency with the SNA/SEEA definitions of cultivated/non-cultivated resources. It also recommended that further work be done on carbon sequestration by forests (e.g. linking the accounts with the methodologies for greenhouse gas emission inventories prepared by UNFCCC). It is proposed that Jukka works with FAO and UNFCCC to solve the forestry classification issues and the development of accounts for carbon sequestration of forests (and at a later stage soil). UNSD will facilitate the cooperation.

*Presentation Jean Louis Weber (EEA) – Accounting for soil in the SEEA*

15. The presentation emphasises the range of ecosystem services provided by soil. Ecosystem (services) accounts are the preferred method to account for these multiple services. Carbon sequestration is a very important service provided by soil (given huge carbon inflows and outflows).

*Action points and proposals*

16. Because of its characteristics, soil is a natural resource, it is an attribute of land and it provides ecosystem services. The London Group considers important to include soil in the revised SEEA, although it recognizes the difficulties in dealing with the topic considering its lack of expertise. The LG indicated its preference to have soil depletion and the resulting losses in productivity of land included in Volume I. However it expressed some concerns because of the lack of country practices.

17. The ecosystem services of soil will be covered in the domain of ecosystem and ecosystem services accounts in Volume II. The LG requested to involve other international organisations working in this area to seek cooperation on this issue, in particular focusing first on the issues of Volume I and then those on Volume II. Given the lack of expertise within the London Group, it was decided to bring this issue to the attention of the UNCEEA.

**TUESDAY 30 SEPTEMBER 2008**

**Agenda items 5 and 6 – Issues of energy statistics relevant to energy accounts**

*Presentation Olav Ljones (Chair Oslo Group on Energy Statistics) - Comparing terminology between accounts and statistics*

18. In his presentation Olav Ljones emphasizes the importance to harmonize the terminology in energy statistics, energy balances and environmental accounts. The boundaries of the three systems must be defined and the uses of the three systems must be made clear to the users. The word “accounts” is used in a variety of ways which may sometimes cause confusion.

*Action points and proposals*

19. There is a general consensus that bridge tables between energy balances and accounts are necessary in order to explain the differences between the various systems. Balances have a long history in responding to users' needs, including the design of EU policies. The energy accounts follow the principles of the national accounts and make energy and economic statistics directly compatible for energy efficiency (productivity) indicators. Both approaches are relevant.

*Presentation Ole Gravgård Pedersen -A suggestion for SEEA Standard Tables on Energy*

20. The tables presented in the paper reflect work in progress. It presented suggested tables covering stocks of energy resources in physical and monetary terms and physical and monetary supply and use tables. The current classification of products in the standard tables was presented as a placeholder and will be replaced by the one agreed by InterEnerStat and the Oslo Group in the drafting of IRES. In the energy accounts economic activities are classified according to ISIC. Industries producing energy products and major energy users are separately identified in the tables.

*Action points and proposals*

21. For the SEEA-E there is a degree of freedom in the level of detail of standard tables. For the SEEA the presentation of energy tables must be comparable with the standard tables for materials and water.

22. The treatment of energy losses should be carefully reviewed and in particular a consistent approach between energy, water and material flow accounts tables should be developed. An issue paper on this will be prepared by UNSD at the next meeting of the London Group. It is argued that terminology is important and attention should be paid to the use of terminology which is as much as possible, within the limits of the national accounts terminology, consistent with that used in the energy community. Close cooperation of the London Group with the Oslo Group and InterEnerstat is essential to ensure that the SEEA and the SEEA-E will be consistent with the definitions and classifications of basic energy statistics.

23. It is recommended to further look into the recording of specific energy products. For example, the recording of uranium should be carefully examined: in energy statistics, it is recorded only when it generates heat after it has undergone several processing stages. It is questioned whether it is meaningful to show the supply and use tables in mass units at the aggregated level since it adds up different qualities/types of energy, which are not compatible..

*Presentation Ole Gravgård Pedersen - A suggestion for SEEA Energy bridge tables*

24. Differences between energy balances and energy accounts are the result of two aspects:

- Differences in the sources and conventions;

- Differences in system boundaries, scopes and definitions (e.g. territory versus resident principle).

Energy balances are technology based while the energy accounts focus mainly on economic activities. Statistical differences, reflecting e.g. the differences between supply and use, are shown explicitly in the balances. Accounts in general do not show statistical differences by convention. Energy accounts use definitions consistent with the national accounts. Energy balances on the other hand use definitions of flows such as supply, import, export, final use that are different from the national accounts. The bridge tables systematically explain step by step the differences between the energy accounts and the energy balances (EEA format).

*Action points and proposals*

25. Terminology should be carefully reviewed (e.g. primary supply, end use) and inaccuracies in the paper should be corrected. London Group members and energy statistics experts invited as guests in the London Group agreed to send detailed comments on the paper to Ole and UNSD. The presentation of the bridge table should show how to go from the energy balances to the energy accounts rather than the other way around since the balances are likely to be a source for the compilation of the accounts. It was also noted that energy accounts require more information than energy balances which should be obtained through additional data collection (e.g. energy use by ISIC) or making assumptions (e.g. using national accounts data). Energy statisticians warned against requesting additional data especially to developing countries as the available data is often scarce and not of good quality. The revised paper, taking into account all the comments received, is considered sufficiently mature to be submitted as an outcome paper to the Advisory Group.

*Presentation: Jean-Yves Garnier (IEA) - Harmonisation of the definitions of flows and products: the contribution of the InterEnerStat initiative*

26. The presentation showed the wide range of activities of the Inter Secretariat Working Group on Energy Statistics to harmonize worldwide concepts, definitions and terminology in energy statistics including the reporting and data quality assessment. The ultimate objective is the development of an agreed common questionnaire for the many agencies working in energy statistics. The harmonization of definitions of products is a long-term effort which started with oil products as part of the Joint Oil Data Initiative (JODI) in 2000. InterEnerStat website includes a list of definitions used by the various agencies.

*Action points and proposals*

26. InterEnerStat will meet in October to discuss suggested definitions of energy products and flows. The IEA will inform the LG on the outcome of the meeting. A correspondence between the energy products and CPC will need to be developed as part of the IRES process. Energy flows are defined differently in various agencies and, in some cases, differently from those in the national accounts and trade statistics. The LG hopes that the outcome of the discussion will contribute to a further harmonization and clarification of the link between the general definitions of flows used in energy statistics with those used in national accounts/trade statistics.

Presentation: Karen Treanton (IEA) - Harmonising greenhouse gas emissions inventories with energy statistics: the work of the IEA with the IPCC

27. The presentation showed the outcome of the discussions between InterEnerStat and IPCC to align energy statistics and GHG reporting. IEA has worked closely with IPCC on the development of the IPCC guidelines, however some differences remain.

*Action points and proposals*

28. Differences between IPCC and IEA energy statistics definitions should be considered when developing energy and air emission accounts.

Presentation Ole Gravgård Pedersen, A suggestion for SEEA classifications of energy reserves

29. The paper presents a suggestion for the classification of energy resources and reserves. The proposal is based on the United Nations Framework Classification for fossil energy and mineral resources and links the UNFC classifications with the classification of energy resources in the SEEA-2003 and the SNA. The proposal reflects work in progress.

Presentation Sigurd Heiberg Chairperson, Ad-Hoc Group of Experts on the Harmonisation of Energy, Reserves/Resources Terminology

30. Sigurd Heiberg presented the UN Framework Classification for fossil energy and mineral resources, which was adopted by the United Nations Economic and Social Council. The Ad-Hoc Group of Experts, SPE, CRISCO and other groups are working towards a further alignment of their respective classifications. A proposal for an aggregate presentation for energy and mineral resources in two dimensions rather than three are currently being discussed in the Ad-Hoc Group of Experts.

*Action points and proposals*

31. The UNFC Expert Group will consider the proposal for a high-level presentation of UNFC at its meeting in March 2009. The London Group will consider the decision of the Expert Group and look into feasibility of harmonizing its classification with the UNFC

Presentation Wolfgang Bitterman (Statistics Austria) on behalf of A. Gritzevskiy (IAEA) - Renewable versus non renewable energy

32. The presentation discussed the definition of renewable resources on the basis of geological time scales of renewability. The presentation highlighted various grey areas.

*Action points and proposals*

33. The discussion of the paper lead to the conclusion that renewable energy is at this stage well defined in energy statistics but also in the policy domain. It was concluded that the SEEA will adopt the definitions as agreed by the Oslo Group for IRES.



Presentation Sara Øvergaard (Statistics Norway), Definition of primary and secondary energy

34. IRES will contain internationally agreed definitions of primary and secondary energy. For the revision of the SEEA, this is relevant for the measurement of net energy use.

*Action points and proposals*

35. From an energy accounting point of view, it may not be necessary to distinguish between primary and secondary products. The energy accounts will follow the decisions made by the Oslo Group in the drafting of IRES. The LG however stressed the need to derive net energy use that is net of the energy which is used as input for transformation.

**Agenda item 7 – SEEA Revision issues from a corporate accounting perspective**

Presentation Christine Jasch - SEEA Revision issues from a corporate accounting perspective

36. The paper and presentation provided a critical review of the differences between what is considered environmental management activities in the business accounting and what is covered in the environmental protection expenditures questionnaire. The latter provides a partial picture of the environmental management activities covering almost exclusively end of pipe measures, which are often not very significant. Environmental Management Accounting (EMA) is a much broader approach to give for example more insight in the potential cost savings resulting from environmental management activities (cost saving due to more efficient material use and limitations in non-product outflows).

*Action points and proposals*

37. Some of the issues raised in the paper, as not being covered in the EPEA accounts, are actually covered into other parts of the accounts (e.g. physical flow accounts and environmental industry accounts). Possibly some of the indicators suggested in EMA could be presented in the applications (Vol. 3). One issue that was discussed had to do with the difficulty in obtaining quality data on integrated technologies, hence the focus of the questionnaires on end of pipe measures. Christine's paper will be posted on the web. Eurostat will consolidate comments on Christine's paper provide a recommendation on how to take into consideration in the SEEA the recommendations in the paper.

**THURSDAY 2 OCTOBER 2008**

**Agenda item 8 – Issues related to asset accounts (continued)**

Presentation Ole Gravgard, Accounting for the value of time passing and the depletion of natural resources, Reconsiderations and some suggestions.

38. The paper and the presentation raised a number of issues related to the application of the definition of depletion agreed previously by the London Group and the split of the resource rent into an income element and a depletion element:

- Depletion is determined by factors which are unrelated to the current extraction (future extraction, extraction profile, and discoveries). Therefore an increase in the natural capital stock for example through discoveries reduces the depletion.
- Depletion is negative when the resource rent is smaller than the rV element. This occurs typically in the situation when no or little extraction takes place from a sufficiently large reserve. This leads to the counterintuitive interpretation that “the result of the physical removal and using up of the asset” (the definition of depletion) is that the stock value increases.
- The income element seems to have wrong proportions compared to the resource stock value when a split is made between the owner and the extractor.
- The calculation of depletion must always be based on constant price calculations of opening and closing stocks.

39. An alternative approach was put forward in which depletion is measured by the resource rent without subtracting the income element (rV). The latter is instead seen as a revaluation of the resource as a result of time passing. Some of the advantages of the alternative approach put forward are:

- It is standard procedure in natural resource economics to argue that the cost of using the natural resource in the present period is the present value of the future losses due to a decrease in the future extraction. This loss in future income is exactly equal to the present period’s resource rent. Therefore the resource rent is the correct identification of depletion.
- Depletion is independent of the total stock value (i.e. independent of future extraction, extraction profile, and discoveries, etc.).
- The time passing element of the NPV method is related to the resource owners’ time preferences and has as such nothing to do with the current extraction. Therefore it corresponds to the revaluation item of the accounts..
- Depletion is never negative i.e. the result of the physical removal and using up of the asset is always a decrease in the stock value.
- Sensible returns to natural capital are obtained when a split between owner and extractor is made in the accounts.
- The asset accounts can be calculated in current prices, without calculating the constant prices accounts first.

40. The alternative approach however requires a new interpretation of the rV element in the adjusted income accounts: the rV element should now be included as income because the revaluation has increased our wealth and consumption possibilities based on

(Hicksian income concept). An additional advantage of this new interpretation of income would be that other “gains” such as discoveries and natural growth of uncultivated assets could also be seen as constituting income, without including them as production.

Presentation Peter Comisari (Australian Bureau of Statistics) - Time passing and measuring depletion

41. The presentation argued in favour of the approach earlier agreed by the LG by providing arguments that would strengthen its interpretation. The following arguments were provided:

- Depletion could be thought of as the amount we need to set aside from present operating surplus to allow replacement of the natural resource. The return to capital has a clear economic meaning being the reward for financing the resource and the risks taken in doing so.
- When natural resource extraction takes place, the below-ground resource changes into an above-ground resource. They are different products. Extractive activity causes the change. Extraction takes place on the assumption that the price above-ground will exceed that below-ground. The depletion charge seeks to replace the natural resource at its below-ground price.
- ‘Time passing’ effect is a feature of the NPV model. The effect has been known about for many years in the derivation of consumption of fixed capital. Where NPV is used to derive SNA consumption of fixed capital, conventional practice is to simply net-off ‘time passing’ against capital services.
- Even though the ‘time passing’ effect increases the (NPV) modeled value of the natural resource it is hard to conceive it as a holding gains as the effect occurs independent of any observable price change.
- The alternative approach in which depletion equals the entire resource rent would imply that we make a provision to replace not only the natural resource, but also the income earned from using the resource. This would lead to a discrepancy between using an NPV technique to value the resource and using market values when available.
- The alternative approach would lead to the “strange result” that the depletion-adjusted operating surplus for extractive industries would largely disappear. This ignores realities of potentially substantial income (and tax revenue) derived from extraction.
- The alternative creates a major difference in the accounting principles applying to SNA and to SEEA

*Action points and proposals* (presentations of Peter Comisari and Ole Gravgard)

42. There is general consensus to keep to the earlier agreed position on defining depletion as the resource rent less the income element. A final outcome paper reflecting

this position and highlighting the issues in interpretation presented in Ole's paper will be prepared by ABS. The following two issues need further discussion and clarification

- Allocation of the income element in case of split ownership
- The recording of the income element in case of no (or small) extraction. A first proposal that is put forward is to record in this case the income element as a volume change.

The discussion of this special case will continue electronically between Ole, Peter, Paul Schreyer, UNSD and the Chair.

## **Agenda item 9 – Issues related environmentally related transactions**

### *Presentations Ole Gravgaard on behalf of Thomas Olsen (Statistics Denmark) and Sylvie Le Laidier (INSEE) - Emission Permits*

43. The 2008 SNA states that the purchase of a permit from the government is a tax and any differential market value will accumulate as a non produced non-financial asset (the permit). Both papers explain the implications of these recordings in the accounts. The Olsen paper also provides a set of (non monetary) tables on the transfer and ownership of pollution permits. The French paper recommends that all tax upfront payments are treated as financial assets.

#### *Action points and proposals*

44. The AEG on National Accounts has on the agenda of its next meeting in November 2008 the treatment of emission permits. The London Group requested to be informed of the outcome of the discussions at the AEG (UNSD will inform the LG) and recommended to look also at the recording of emission permits in the case in which the atmosphere is considered an asset, as it is the case in the SEEA. Statistics Denmark and INSEE will prepare a paper for discussion at the next LG meeting.

### *Presentation Maya Cederlund (Statistics Sweden), Environmental taxes.*

45. The presentation reviewed different definitions of taxes (OECD, Eurostat/OECD questionnaire, SEEA-2003). It also argued that in practice it may be difficult to distinguish taxes from fees.

#### *Action points and proposals*

46. The difference between fees and taxes is described in the SNA 2008. The revised SEEA will follow the SNA recommendations and possibly elaborate further for the cases of use of natural resources. The LG agreed with the 2001 OECD/Eurostat definition. It further agreed that the VAT on the environmental tax (only the incremental part) is included in the definition of environmental tax. Sulphur taxes should remain classified as pollution tax. Taxes on oil and gas extraction are in principle considered as part of the resource rent appropriated by government, consistently with the SNA. An outcome-paper on environmental taxes will be prepared by Statistics Sweden.

Presentation Viveka Palm (Statistics Sweden), Environmental Subsidies

47. The paper presented the many international definitions of environmentally-related subsidies. Regular reporting is not in place. The SNA definition of subsidy is too narrow for the SEEA purposes. The presentation introduced various types of environmentally related subsidies (e.g. environmentally-motivated, potentially-damaging, off-budget subsidies).

*Action points and proposals*

48. It is agreed that environmentally-motivated subsidies (on production) and environmentally-motivated transfers, current and capital, should also be included as 'environmentally related subsidies' in the SEEA Volume I. These items could be labelled 'environmentally related transfers'. As for the other types of subsidies namely the potentially damaging subsidies and off budget environmentally-motivated subsidies the LG did not agree on how to treat them and suggested to include them in Volume II unless the reflection group established by Eurostat succeeds in advancing the methodologies before the end of 2009. An outcome paper reflecting the LG decision on the "environmentally-related subsidies" will be prepared by Statistics Sweden. The paper will be posted on the LG website before being submitted to the Advisory Group.

**Agenda item 10– Structure questions**

Presentation Rocky Harris (DEFRA), Organisation of Volume III

49. Volume III is subdivided in three sectors:

- Section 1: Climate change and other environmental issues
- Section 2: Resource Management
- Section 3: Cross cutting and other issues

*Action points and proposal*

50. Volume III should be provisionally split into 2 parts: one linked to the application of the standard Vol.I and one to Vol. II. Section 1 should cover not only mitigation but also adaptation as well as sustainability. The capital approach should be presented. The paper about the structure of Volume III is considered a valuable input for the editor and will be posted on the London Group website.

**FRIDAY 3 OCTOBER 2008**

**Agenda item 10– Structure questions**

Presentation Sjoerd Schenau (Statistics Netherlands), SEEA main aggregates and indicators in Volume I

51. Ratio indicators (such as resource productivity indicators) can be derived from combining different SEEA tables. These kinds of indicators will be discussed in Volume III. Ratio's in terms of (e.g. industry) shares of a total aggregate can be discussed in

Volume I. The distinction made in the paper between aggregates and indicators is considered very useful. Some concerns were raised by London Group members about transboundary pollution flows because of their calculation. These are currently not included in the SEEA Water standard tables.

*Action points and proposals*

52. The paper will be presented on the London Group website for further comments. The document is seen as a working document that could of course be revised based on further decisions on other issues.

**Agenda item 11 – Issues related to environmentally related transactions**

*Presentation Federico Falcitelli (ISTAT), Resources Use and Management Expenditure Accounts (RUMEA).*

53. Issues related to the scope and classification of RUMEA were discussed in the paper. The Classification of Resource Use and Management Activities (CRUMA) uses the similar principles as CEPA for classifying the activities. They include:

- Economic activities for RUM purposes must be characteristic activities;
- The main purpose criterion is used and this emphasizes the technical nature of the activity.
- There should be no overlap with CEPA.

54. As for CEPA, RUMEA is strongly linked with COFOG. Improvements in RUMEA are foreseen in the following areas:

- Energy saving and production of renewable energy;
- Improved description on content of some categories.

*Action points and proposals*

55. The London Group recommended that RUMEA be included in Volume I of the SEEA. A slightly revised paper, taking into consideration the comments received during the discussion will be prepared by ISTAT and posted on the London Group website for comments. An updated paper on RUMEA will, after collection of comments from reflection group and LG members, be submitted to the next London Group for adoption. In order to increase policy relevance it was suggested to explicitly identify those activities in CEPA and RUMEA linked to climate change as well as ecosystem services. It was also suggested, depending on its stage of development, to have CRUMA included in the international family of classifications on the par with CEPA. This process would require that CRUMA be submitted to the United Nations Expert Group on Classifications.

*Presentation Ute Roewer, State of play, Environmental Goods and Services Accounts*

56. Eurostat is in the process of developing standard tables and a methodological handbook for Environmental Goods and Services Accounts (EGSS). This work has been undertaken by a Eurostat Taskforce. It is expected that a handbook including concepts and definitions, standard tables and country practices be submitted to the Eurostat WG on Environmental Accounts for approval in 2009.

*Action points and proposals*

57. The handbook is expected to be completed after the next Eurostat Task Force Meeting on EGSS and discussed by the Eurostat Working Group in March 2009. The part covering definitions classifications and standard tables will be posted on the London Group website for comments. Since EGSS represents the supply side of environmental goods and services, the London Group argued in favour of including EGSS in Volume I.

**Agenda item 12 – Ecosystem accounts**

*Presentation Jean-Louis Weber, Proposal of ecosystem accounts in the SEEA*

58. The paper and presentation put forward a proposal on the framework for land and ecosystem accounts for the revised SEEA. The land and ecosystem accounts would cover land cover/land use accounts presented in Volume I and ecosystem account by types. The framework for ecosystem accounts links together various modules of the SEEA, including material, water and energy flow accounts, natural asset accounts, etc.

*Action points and proposals*

59. The London Group considered the highest priority reaching an agreement on the land use/land cover classifications and the land accounts as these should be included in Volume I. Some members of the London Group raised concerns with regard to adopting Corine land cover classification rather than the FAO land cover classification in the SEEA. An issue paper on the differences between the two classifications and a suggestion for the way forward on the classification of land use/land cover should be prepared for discussion at the next meeting by the Subgroup on Land and Ecosystem Accounts lead by the EEA.

60. The classification of ecosystem services was also considered as a high priority for the work of the subgroup. The classification of ecosystem services would serve as an input to the work on valuation of ecosystem services as well as on the development of the framework for land and ecosystem accounts. An important issue that was raised is the integration of geo-reference type of information systems with the SEEA framework.

*Presentation Alessandra Alfieri, Standard tables in the SEEA*

61. The presentation discussed issues related to the presentation of the SEEA standard tables for physical flow accounts. It is proposed to maintain the industry classification in the columns and the product groups in the rows of the physical supply and use tables. It is also proposed that the design of the standard tables for all three subsystems should be the same. The issue of whether to include the environment in the table as an agent on the par with the industries needs to be further discussed.

*Action points and proposals*

62. The current proposal will be presented for further consultation on the London Group website together with an explanatory note. This proposal will be on the agenda for approval of the next London Group meeting.

*Closing*

63. A password protected website will be set up on the website of the London Group. Draft outcome papers will be posted for comments before they are finalized and submitted for consideration to the Advisory Group on Environmental-Economic Accounting and Environment Statistics which is expected to meet back-to-back to the London Group in April 2009. UNSD will circulate a draft structure of the website, guidelines for the drafting of outcome papers (including some examples) and templates that should be used to obtain comments.

64. The chair expressed his gratitude to Eurostat for the excellent organisation of the 13<sup>th</sup> London Group meeting.

65. He also thanked all participants for their valuable contributions and the very good papers which helped the meeting being very successful. For future meetings he requested paper presenters to send in their paper at the latest two weeks before the meeting. This gives London Group members sufficient time to prepare for the meeting.

66. Finally he announced that the 14<sup>th</sup> London Group meeting will take place in Canberra, Australia. This meeting is planned for April 2009. The exact date of the meeting will be communicated as soon as possible.



## List of actions

<i>Nr.</i>		<i>Leading expert, country or organisation</i>	<i>Timeline</i>
1.	Set up of a password protected consultation system for preliminary SEEA revision outcome papers on the London Group website for another one month consultation.	UNSD	As soon as possible
2.	Issue paper on the classification of material flow accounts including the overlap issues brought forward by Statistics Netherlands.	UNSD & Karl Schoer & Statistics Netherlands	14 <sup>th</sup> London Group meeting
3.	Outcome paper on the recording of cultivated biological resources in material flow accounts	Karl Schoer	As soon as possible
4.	Outcome paper on fish stock valuation.	Jane Harkness	As soon as possible
5.	Proposal for forestry classification and accounts for carbon sequestration (forest and soil).	Jukka Muukkonen with FAO facilitated by UNSD	14 <sup>th</sup> London Group meeting
6.	The need for further research in soil depletion in money terms will be brought to the UNCEEA	Chair	Next UNCEEA meeting
7.	Outcome paper on energy bridge tables	Ole Gravgard	Next UNCEEA meeting
8.	Clarification paper on micro versus macro coverage of environmental management activities and related expenditure: what is possibly missing in SEEA?	Eurostat & Christine Jasch with input from LG members	14 <sup>th</sup> London Group meeting
9.	Issue paper on recording of losses – examples for water and energy	UNSD and Ole Gravgard	14 <sup>th</sup> London Group meeting
10.	Issue paper on classification of mineral resources	Ole Gravgard	14 <sup>th</sup> or 15 <sup>th</sup> London Group meeting
11.	Outcome paper reflecting the final position on depletion.	Peter Comisari	As soon as possible
12.	Issue paper on the SEEA treatment of permits: does SEEA follow the SNA2008?	Thomas Olsen and Sylvie Le Laidier	14 <sup>th</sup> London Group meeting
13.	Outcome paper on environmental taxes.	Statistics Sweden	As soon as possible
14.	Outcome paper on environment-related subsidies.	Viveka Palm	As soon as possible
15.	Revised paper on SEEA accounting aggregates and indicators will be put on the website for further comments.	Statistics Netherlands	As soon as possible
16.	Revised issue paper on RUMEA for comments on website and revised version for adoption at the next LG meeting	Federico Falcitelli	As soon as possible and 14 <sup>th</sup> London Group meeting
17.	Uploading the paper on the structure of the SEEA Volume III on the London Group website	Rocky Harris and UNSD	As soon as possible
18.	Issue paper on EGSS will be presented in a next LG meeting for adoption.	Eurostat/Task Force EGSS	14 <sup>th</sup> or 15 <sup>th</sup> London Group meeting
19.	Issue paper on land classification	FAO and EEA	14 <sup>th</sup> London Group meeting
20.	Issue paper on classification of ecosystem services	EEA and Subgroup of the LG on LEAC	14 <sup>th</sup> London Group meeting
21.	A proposal for the structure of standard tables for physical flow accounts for energy, water and materials will be posted on the LG website for further consultation.	UNSD	In the coming months

## List of participants

Attendance	Name	Country / Institution	Email
30 Sep	Wolfgang BITTERMANN	Statistics Austria	<a href="mailto:wolfgang.bittermann@statistik.at">wolfgang.bittermann@statistik.at</a>
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