SEEA EEA Revision:
Status of work on Monetary valuation and integrated accounting for ecosystem services and assets

Introduction to draft Valuation chapters for the SEEA EEA Virtual Expert Forum
14 July 2020
Overview of valuation chapters
Links to the revision process

- Chapters 8-11 drafted based on material from various discussion papers on monetary valuation and accounting prepared during 2019 and 2020
- Excellent discussions within Working Group #5
- Good engagement with the national accounting community including via the October 2019 Advisory Expert Group meeting in Washington DC and links to the SNA revision process
- Global consultation process from late-May to early-July received substantive feedback on those issues (current around 60 responses received)
- Revised text to be developed for second round of global consultation commencing in October 2020
Context for chapters 8 - 11

• Focus on monetary valuation for ecosystem accounting and integration with the national accounts

• Additional text to be drafted covering:
  > Other concepts of value / Framing of values (Chapter 2)
  > Other monetary valuation concepts (other than exchange value) (Annex 8.1)
  > Complementary approaches and measures in monetary terms (Chapter 12)
    - Externalities
    - Ecological debt
    - Alternative institutional arrangements
Chapter 8: Key aspects and issues

- Clarify focus on **exchange values** consistent with SNA
- Conception of ecosystem services as transactions
- Valuation to focus on contribution of ecosystems – i.e. costs of supplying services must be deducted
- Valuation of ecosystem assets as the discount value of expected future returns (details in Chapter 10)
- Conceptual links to other valuation concepts, notably welfare values which consider consumer and producer surplus
Chapter 9: Key aspects and issues

• Describes structure of ecosystem services supply and use account in monetary terms
  > Monetary equivalent of the supply and use account in physical terms to be described in Chapter 7
• Description of valuation methods that can be applied in measuring exchange values of ecosystem services
  > Many options but care needed to understand the technique and how it is applied
• Benefit transfer techniques will be required in practice
• More detailed compilation guidance is being prepared
Chapter 10: Key aspects and issues

• Structure of ecosystem monetary asset accounts
  > Definition of accounting entries: ecosystem enhancement, degradation, conversions, other changes in volume and revaluations
  > Link made to measurement of extent and condition in defining the entries

• Approaches to valuing ecosystem assets
  > Components of NPV
  > Discount rates
  > Decomposition of changes in NPV (Annex 10.1)
Chapter 11: Key aspects and issues

• Extended supply and use accounts
  > Adding products to ecosystem services

• Extended balance sheets
  > Clarifying boundary issues in terms of what is included in SNA (e.g. land values, cultivated biological resources) and what is captured in NPV of ecosystem services

• Assigning economic ownership
  > Creation of new quasi – sector (“trustee”) for ecosystems

• Extended institutional sector accounts
Consultation topics
Key topics for consultation

- Valuation principles, especially exchange values
- Valuation methods
- Definitions of accounting entries including ecosystem enhancement, ecosystem degradation and ecosystem conversions
- Discount rates for use in NPV calculations
- Annex 10.1 and the derivation and decomposition of NPV
- Structure of the extended balance sheet to integrate ecosystem and economic assets
- Approach to assigning the ownership of ecosystem assets to underpin the structure of the extended sequence of institutional sector accounts?
Thank you