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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



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Overview of valuation chapters



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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



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Consultation topics



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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?



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Thank you



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