



STATISTICS

Emission Trading Schemes

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Background

Current Treatment in the 2008 SNA

- Considered as “ D29 other taxes on production” since emission permits (EP) do not involve the use of a natural “asset”.
 - Tax revenue = Sales of EPs at time of surrender.
- Recognizing that the proposed treatment in the 2008 SNA does not fully articulate all the dimensions of tradeable emission permits, further guidance was requested by the ISWGNA.
- A clarification note was issued by the ISWGNA based on the deliberations of an OECD/Eurostat Task Force on the Treatment of Emission Allowances and Emission Permits in the National Accounts (Final Report October 2010).

ISWGNA Recommendation

- In following the consideration of the Task Force the ISWGNA chose to recommend the split asset approach. A recommendation which was described in SNA News and Notes numbers 30/31 and 32/33.

Background – Treatment and Recording

There are several practical challenges that countries have experienced when trying to implement the split-asset approach. Key amongst these are:

- Is the classification of a prepaid tax consistent with permit holders other than non-financial corporations?
- How to deal with cross-border trading of permits and the resultant discrepancy between government revenue from auctions and the subsequent surrender of permits?
- How to treat permits which are freely given away by governments?
- What is the value (tax) of the EP – at original issuance or surrender value?

The SNA Wellbeing and Sustainability Task Team has been asked to examine the current set of recommendations and propose alternatives.

The proposed alternatives attempt to balance alignment with the conceptual framework, pragmatism, consistency and ensuring the transactions, other flows and stocks are visible to users.

Alternate Recording Treatments

- Option 1. Emission Permits as non-produced non-financial assets (contracts, leases and licenses right to use)
- Option 2. Emission Permits recorded as a resource lease (financial asset), with resource rent recorded at surrender.
- Option 3. Emissions Permits recorded as Contracts, Leases, Licenses with taxes on Production recorded at Auction
- Option 4a. Emissions Permits recorded as Financial Assets with taxes on production recorded at surrender (issuance value)
- Option 4b. Emissions Permits recorded as Financial Assets with taxes on production recorded at surrender (market value)
- Option 5. Emissions Permits recorded as split assets, with taxes on production recorded at surrender (current task force recommendation)

Outcome of the AEG and BOPCOM consultation on emission permits

AEG/BOPCOMM Meeting - General Agreement Option 4

- Most AEG/ BOPCOM members agreed on Option 4a; the classification for Emission Permits as accounts receivable (pre-paid taxes) / accounts payable and that the taxes on production should be valued at the issuance price recorded at surrender.
- The IMF Committee on Balance of Payments Committee (BOPCOM) was also consulted via written procedure. The outcome of this latter consultation confirmed the preference of the AEG, although two members showed a clear preference for option 1.
- However, there are varying views regarding conceptual and practical implementation of Option 4a.
 - The issue of how to treat changes in the market value of tradeable emission permits and emission permits issued freely remains unresolved.
 - What type of instrument best characterizes emission permits – debt security or other assets/liabilities.
 - Practical considerations for multi country emission permit schemes
 - There is general agreement that there is no ideal way to reflect these in the standards and that a compromise is needed to be found.

AEG/BOPCOMM Meeting - General Agreement Option 4

- To address some of these issues, a short note on the measurement of emission permits was prepared by the Editorial Teams of the updates of BPM6 and the 2008 SNA.
- More specifically the note examined the feasibility of implementing the recommended option for recording emission permits in practice. Through this review an alternative option 4(a)* was proposed.
 - With option 4(a), to ensure consistency with government accounts, transactions in emission permits at market prices are immediately revalued back to their issuance price in the revaluation account. However, this revaluation creates inconsistencies with corporate recording of emission permits.
 - To avoid having to make this additional revaluation, option 4(a)* was suggested, where a new non-produced non-financial asset is created when the transaction price differs from the issuance price via the other changes in volume account. This asset is extinguished upon surrender at the emission permit, also via the other changes in volume account (the split asset approach).
- It was acknowledged that both approaches have their limitations. A final decision regarding the treatment could not be obtained until after a proposed workshop which would thoroughly discuss and review the conceptual and practical considerations of each option.

Workshop

Workshop

- The main objectives of the workshop are to discuss the data sources and challenges for estimating emission permits. And whether there other practical and conceptual options that could be implemented as outlined in the guidance note?
- The workshop consisted of three country presentations, a joint presentation from Eurostat and ECB and a presentation by the IMF on the results of the global consultation questionnaire.
- The countries and International Organization presentations highlighted the challenges faced by compilers predominantly due to data availability and due to the diverse and changing emission schemes.
- To produce estimates of EPs for macroeconomic statistics, compilers need to adjust their methodologies and assumptions for time of recording, alignment, valuation and other adjustments.
 - For example, permits are issued and bought on a particular date, however the emissions occur later. To align government revenue with emissions, countries try to implement an accrual adjustment.
 - Adjustments are also made to align corporate surplus (expenses) with government revenue
 - Treatment for permits provided freely
 - Other adjustments

Workshop

Global Consultation Questionnaire

The questionnaire consisted of 15 questions. A total of 70 respondents contributed to the global consultation questionnaire, of which, 50 respondents indicated that estimates for emission permits (EPs) are currently available either in their National Accounts or Balance of Payments programs. The analysis included only those responses which currently have emission permit schemes..

Data Availability

- Government revenue at issuance cost is collected predominately from auctions . The issuance price is known in most cases, however the price for a particular permit after issuance is a challenge. The number of EPs issued freely and to whom is generally known.
- The number of surrendered permits and the institutional sector surrendering the permit is available for 48 percent of respondents. However, both the issuance price and the market value of the surrendered permit is not available for current data sources.
- Information available from corporate financial statements is not widely available. Only a third of respondents reported that they could collect information on the purchases and sales of EPs and of holdings (assets).
- Repository data is available for a limited number of economies

Respondents were asked whether experimental estimates could be produced in line with the recommended options proposed by the guidance note.

- For most respondents' this is not possible due to data availability and resource constraints. However, both Denmark and New Zealand have produced estimates based on the proposed options.

Summary and Way Forward

Summary

From the responses to the global consultation questionnaire, data gaps pose practical and conceptual issues for the measurement of EPs in macroeconomic statistics, especially for cross border transactions.

- Eurostat proposed an alternative recording treatment that could be considered to overcome several issues with the recording of EPs for BOP. The treatment is by no means ideal, however, warrants further review. The Eurostat proposal will be reviewed to ensure sufficient justification, visibility and consistency
- The workshop organizers along with the SNA and BOP lead editors will summarize the findings of the workshop.