

## **Environment and Sustainable Development Commission** **October 21<sup>st</sup> 2021**

President : Xavier Timbeau

### **Overview**

The meeting was on **environmental economic accounts, as well as on ecosystem accounts and on the challenges that they produce on environmental public policies monitoring.**

There is a double general premise to this topic: official statistics should serve the public discourse; the relevance, reliability and timeliness of their production should be evaluated in relation to their goal. After more than forty years of research and development (R&D) on environmental statistics, pressing information needs to tackle present and future crises, reducing the extent and impacts of climate change, and encourage the development of new tools and work in official statistics, including accounting. The budget and capacities made available for official statistics should be proportional to the challenges. If international coordination at the European level is critical for these issues, a close relation with political decision-makers and civil society is equally important. It has been emphasized that the need to create physical accounts is urgent and that monetary accounts are their complement.

It has then been the time to present environmental accounts annually produced in France and transmitted to Eurostat, according to the European regulation 691/2011, complemented by the regulation 538/2014. The European regulation in this domain is coherent with the *System of Environmental Economic Accounts – Central Framework* (SEEA-CF), adopted in 2012. The presentation of environmental tax accounts (meaning the tax on products or activities damaging the environment) followed that of physical accounts (atmospheric emissions, energy and material flows) since 1990. Monetary accounting is made of the offer and demand on environmental goods and services, meaning the eco-activities accounts and environmental expenses accounts.

In the SEEA framework, ecosystem accounts are made of physical accounts (flows of ecosystem services) and monetary accounts, in addition to thematic accounts, related to specific political needs (carbon, marine resources, and urban systems). In the European Union, the implementation of ecosystem accounts takes place through the Integrated system of Natural Capital and ecosystem services Accounting, willing to institutionalize these accounts. INCA develops methodological tools, collects sources available and produces the first results. European ecosystem accounts data have to ensure the monitoring of the Biodiversity Strategy 2030, the cornerstone of the European Green Deal passed by the European Commission for the 2019-2024 period and aiming at making the European area climatically neutral. The Green Deal presents a series of challenges for statistics and the action plan for its implementation is not public yet. European ecosystem accounts data are also useful to monitor the Sustainable Development Goals (SDGs) of the 2030 Agenda. When data quality will be considered as satisfactory (as for other environmental accounts), data produced by member states will replace European Union estimates. A proposal to revise the European regulation 691-2011 on ecosystem accounts has been presented in September 2021.

The results of the INCA project emphasize the importance of ecosystem services accounts, also to evaluate the sustainability of these services. These accounts show not only which ecosystems provide more services, but also the evolution of these services over time, as well as their spatial distribution and their economic impacts. A number of examples highlights how ecosystem services accounts can be used, particularly to assess the unequal spatial distribution of phenomena in the European space and their evolution. Henceforth, crops pollination has diversified impacts on different agricultural productions, as well as on export and on prices of agricultural products across European Union member states. Maps made with ecosystem services accounts data underline also the pressure on natural habitats and point habitats needing to be urgently restored to make national agricultural systems more resilient. INCA indicators are also in line with those of the post-2020 global biodiversity framework and with SDG11 and 15: they are henceforth coherent with the goals set by European and global public policies.

*Efese* (the French evaluation of ecosystems and ecosystem services) is a national program aiming at producing tools for an integrated ecosystem management, informing on the state of biodiversity and ecosystems, as well as on the utilitarian, patrimonial and ecological value associated to them. It is necessary to quantify ecosystem services to

proceed to their monetarization afterwards, knowing that the monetary value is a measure relative to a given context. It also depends on the methodology used and on the underlying hypotheses, in line with intended objectives. After a first phase, during which six types of ecosystems have been evaluated, the second phase, still ongoing, is operational and strategic and develops tools supporting decision-making. The example of biophysical and monetary evaluation of ecosystem services related to carbon sequestration has been presented, as well as another on recreation in forest. These examples show that the data and methodology used by Efese could complement the information included in the 2021 INCA report for a sizeable number of categories of ecosystem accounts.

Defining the condition is fundamental for ecosystem accounts, but the definition depends on the choices made and on the dimensions considered as relevant for the purposes expected. If the entry point by values is in line with existing public policies at various levels, it can also enhance the relevance and usefulness of the data produced. The measure of ecosystem degradation costs, based on conservation and restoration costs, may be integrated to the sustainability dashboard. In fact, also if the SDGs will be realized, the sustainability is not ensured: present dashboards (SDGs and national wellbeing indicators) are to this extent deemed not satisfactory and insufficient by some academics. Ecosystem accounts can greatly contribute to monitor and manage sustainability, focusing on condition indicators adapted to ecosystem management goals.

Exchanges with the audience participating via videoconference have emphasized that it is important and urgent to take into account the environmental dimension in national accounting, as it is not yet the case and methodological problems still exist to this extent. The question of valorization (for example the value of sand would be underestimated), critical to compensate degradations, when this compensation is possible, poses formidable challenges and would deserve to devote to it an entire session. Indeed, a limited consensus appeared on the fact that monetary valorization is trustable only for local spaces. At a larger scale, a certain number of services are purely environmental and do not have any economic dimension, making difficult any estimate of their market price. Furthermore, one should also ask if the monetary valuation of environmental goods and services should pertain to official statistics or to research.