



# OECD Methodological Guidelines for SEEA Environmentally Related Tax Revenue Accounts

Joint OECD/UNECE Seminar on SEEA Implementation  
Geneva, 20-21 February 2019

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# Overview

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- » Background
- » OECD methodological guidelines
- » Feasibility study
- » Next steps



# BACKGROUND



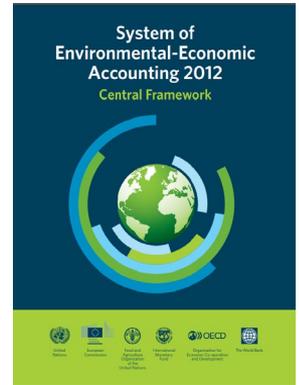
## Background

### Environmentally related tax revenue (ERTR) accounts support

- » SEEA implementation and developing global SEEA databases
- » establishing an integrated database on the economy and environment, informing work on green growth and policy integration
- » further aligning OECD data sources ([OECD PINE](#) db and Revenue Statistics)
- » informing policy analyses nationally, internationally and for OECD work (Environmental Performance Reviews, Economic Surveys, Green Growth Indicators, Taxing Energy Use, etc.)

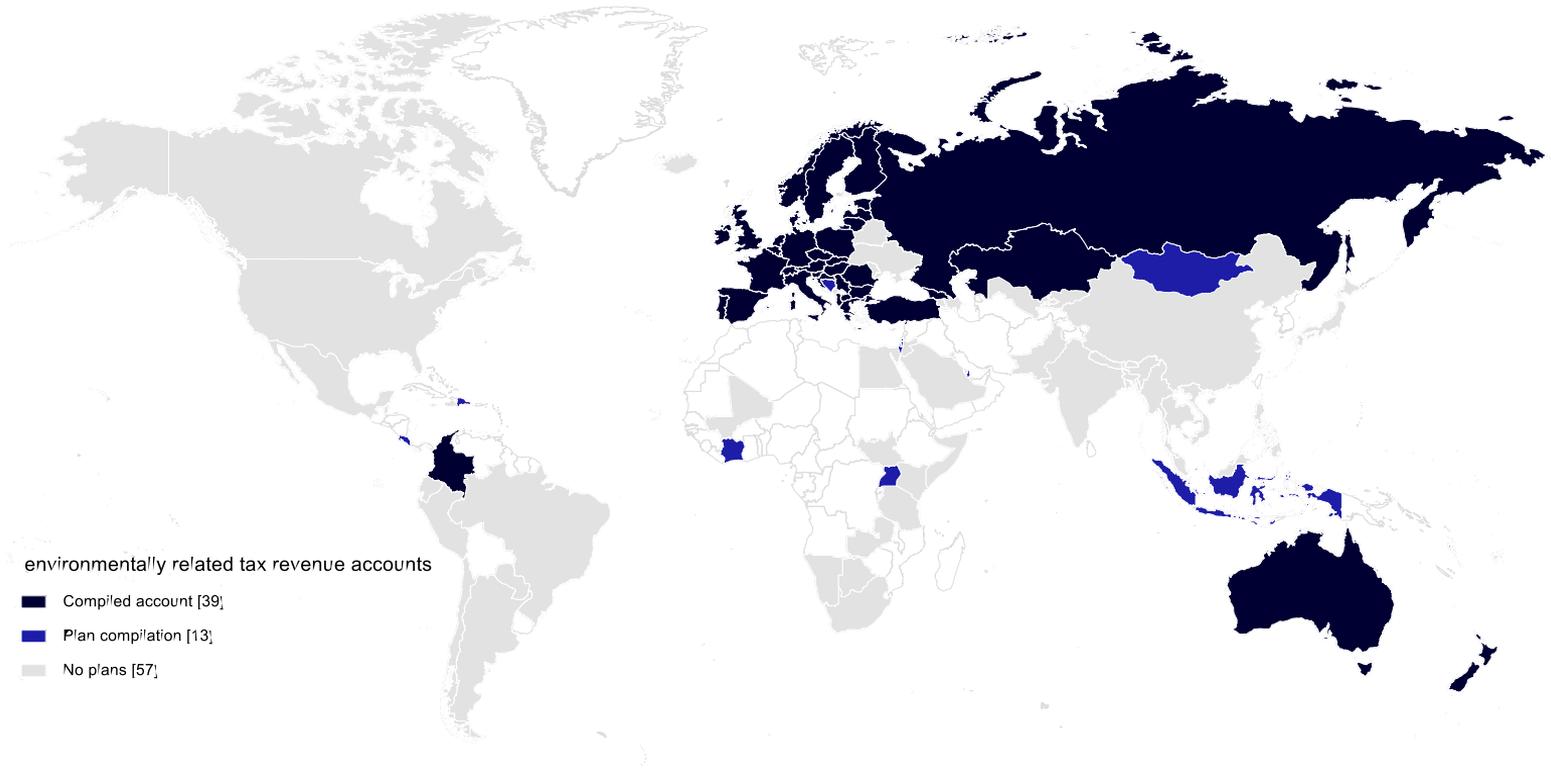
### Objectives

- » Support countries in compiling SEEA ERTR accounts, aiming to facilitate global uptake
- » Reflect on existing methods and scope, identifying areas that could be further developed





# Compilation of SEEA ERTR accounts (Feb 2019)





# OECD METHODOLOGICAL GUIDELINES



## OECD methodological guidelines | overview

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The OECD methodological guidelines draw on existing

- » **accounting frameworks** (SEEA and SNA), aiming to provide a practical and detailed guide for compiling ERTR accounts
- » **applications in countries** (Eurostat and Australian Bureau of Statistics)
- » national and international **data sources and manuals** (OECD PINE, Revenue Statistics and IMF Government Finance Statistics Manual) – to the extent possible



## OECD methodological guidelines | key features

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In line with existing approaches:

- » Internationally agreed definition of taxes (SNA) and environmentally related taxes (SEEA)  
*Environmentally related taxes are taxes whose tax base is a physical unit (or a proxy of it) of something that has a proven, specific, negative impact on the environment.*
- » Identification and categorisation (energy, transport, pollution and resource taxes) according to the specific tax base
- » For the time being, excluded are taxes on income, labour, general profits and VAT
- » Allocation to ISIC industries, households and non-residents, according to the *tax payer* and the *accrual principle*



## OECD methodological guidelines | key refinements

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Potential adjustments and additions to existing applications:

- » **Three ‘memo items’** on (i) differentiated land taxes, (ii) taxes on oil and natural gas extraction, and (iii) other taxes on the resource rent
- » **More detail on GHG emission** by introducing subcategories on energy related GHG emissions (*energy tax*) and non-energy related GHG emissions (*pollution tax*)
- » **Micro information** (on the tax base level) on environmentally related tax rates and activity data
- » **Levels of government** (optional): allocation to different levels of government



# FEASIBILITY STUDY



## Feasibility study

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- » Feasibility study assessing the implementation of the OECD methodological guidelines in practice
- » Australia, the Russian Federation (supported by Estonia) and Costa Rica as 2018 *pilot countries*, and Kazakhstan as 2019 *early adopter*

### Preliminary results

- » It is feasible to compile (new) features of the ERTR accounts
- » Implementation is possible in countries with varying degrees of previous experience (however, the completion and publication of the pilot accounts requires additional work)
- » Can facilitate compilation of SEEA ERTR accounts across OECD member countries and beyond
- » Pilot accounts suggest that the proposed adjustments and additions provide further insights



## NEXT STEPS



## Next steps | process

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- » *Feedback from the OECD Joint Meetings of Tax and Environment Experts [Nov 2018]*
- » *Review by the OECD Working Party on Environmental Information [Dec 2018]*
- » Feedback from the OECD/UNECE Seminar on SEEA Implementation [Feb 2019]
- » Comments from the London Group on Environmental Accounting [Q1/Q2 2019]
- » Integration of ERTR accounts in the existing OECD data collection exercise for non-Eurostat countries [Oct 2019] – Eurostat countries are invited to participate
- » Submit to the SEEA Technical Committee and the UNCEEA for endorsement [2020]
- » Submit to the OECD Environmental Policy Committee for declassification, followed by publishing the OECD methodological guidelines [2020]
  
- » Proposed OECD work on **environmentally related fees and charges**



# OECD Inventory of Support Measures for Fossil Fuels

Joint OECD/UNECE Seminar on SEEA Implementation  
Geneva, 20-21 February 2019

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# The OECD Inventory of Support Measures for Fossil Fuels

- The OECD identifies, documents, and measures **individual spending programmes** and **tax codes** that provide a benefit to the use and consumption of fossil fuels.
  - Individual policies are organised by their incidence along the fossil-fuel value chain, their transfer mechanisms, and the fuels they benefit.
- The OECD started this inventory in 2010, and work has since progressed to cover over **1000 measures in 44 countries** (36 OECD members and 8 partner economies)
  - Most of the support measures benefit consumers of fossil fuels and are provided through tax provisions giving them preferential treatment.
  - The OECD remains the only IGO among those involved in the measurement of fossil-fuel subsidies that provides estimates of producer support.
- In 2018, the OECD published a global estimate of support for fossil fuels by combining the *Inventory* estimates with the IEA price-gap estimates of consumption subsidies (market support measures). It covers **76 economies responsible for >90% of carbon emissions**.
- Proposed OECD work on **SEEA environmentally related subsidies**, building on [OECD PINE data](#) on environmentally motivated subsidies and OECD work on environmentally harmful support for fossil fuels, fisheries and agriculture, and work on biodiversity-harmful subsidies.



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**Thank you for your attention**

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## Questions

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SEEA seminar participants are invited to:

- » Comment on the proposed OECD methodology, in particular regarding the envisioned refinements and additions to the existing approaches
- » Inform about plans in their country to establish SEEA environmentally related tax revenue accounts
- » Inform about plans in their country to establish SEEA environmentally related subsidies accounts



# ANNEX



# Environmentally related tax base categories

Tax base category	Details	Environmentally related tax bases (consumption, production and trade as well as measured and estimated values; if appropriate)
<b>Energy</b> <i>including fuel for transport</i>	<i>Energy products for transport purposes</i>	Unleaded petrol, leaded petrol, diesel, other energy products for transport purposes (e.g., LPG, natural gas, kerosene or fuel oil)
	<i>Energy products for stationary purposes</i>	Light fuel oil, heavy fuel oil, natural gas, coal, coke, biofuels, electricity, district heat, other energy products for stationary use
	<i>Energy related GHG emissions</i>	Energy related carbon content, energy related emissions of CO <sub>2</sub> and other GHGs (including proceeds from permit schemes)
<b>Transport</b> <i>excluding fuel for transport</i>		Motor vehicles: production, trade or sale (one off taxes), registration or use (recurrent, e.g., annual taxes), vehicle insurance (excludes general insurance taxes), road: use (e.g., motorway taxes), congestion (e.g., congestion charges and city tolls), other means of transport: railways, water (e.g., taxes on ships), air (e.g., taxes on flights and flight tickets)
<b>Pollution</b>	<i>Non-energy related GHG emissions</i>	Non-energy related carbon content (e.g., land use, land use change), emissions of CO <sub>2</sub> and other GHGs not related to energy (e.g., emissions from cattle-breeding, rice cultivation, synthetic fertilizer application, meat diets; including proceeds from permit schemes)
	<i>Pollutant emissions to air</i>	NOx emissions, SOx emissions, other air pollutants (excluding GHGs)
	<i>Ozone depleting substances</i>	Ozone depleting substances (e.g., CFCs, halons, HCFCs)
	<i>Effluents to water</i>	Effluents of oxidisable matter (BOD, COD), other effluents to water, effluent collection and treatment (fixed annual taxes)
	<i>Non-point sources of water pollution</i>	Pesticides (based on e.g. chemical content, price or volume), artificial fertilisers (based on e.g. phosphorus or nitrogen content or price), manure (based on nitrogen released)
	<i>Waste management</i>	Waste collection, treatment or disposal, individual products (e.g., batteries, tyres, lubricants), packaging (e.g., beverage containers, plastic bags)
	<i>Noise</i>	Noise (e.g., aircraft take-off and landings)
	<i>Radiation</i>	Radiation, radioactive substances
<b>Resources</b>	<i>Resource extraction, abstraction, harvesting</i>	Fresh-water abstraction, harvesting of biological resources (e.g., timber, meat, hunted and fished species, wild plants and animals), extraction of raw materials (excluding oil and natural gas; including exploration activity), landscape changes (e.g., cutting of trees, draining wetlands for infrastructure)
<b>MEMO ITEM 1</b>	<i>Land taxes</i>	land by type of land use
<b>MEMO ITEM 2</b>	<i>Taxes on oil and natural gas extraction</i>	extraction of oil and natural gas
<b>MEMO ITEM 3</b>	<i>Resource rent taxes</i>	resource rents (e.g., from mining, fisheries)



## Step 1 | compiling general tax list

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- » Compile a general list of taxes (or use existing lists for national accounts or the OECD Revenue Statistics) that is consistent with the definition described in the SNA
- » Such detailed tax lists will serve as a starting point to identify environmentally relevant taxes
- » This exercise should be repeated every time the accounts are updated to ensure including relevant changes



## Step 2 | identify environmentally related taxes

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- » Identify taxes from the general tax list that are environmentally related, using the list of environmentally related tax bases to support making the distinction between environmentally related taxes and other taxes
- » All revenue from taxes levied on environmentally related tax bases should be reported as ERTR in the accounts
- » Additionally, for information purposes only, collect ERTR for certain land taxes, extraction taxes on oil and natural gas, and resource rent taxes (memo items)
- » For all taxes identified as environmentally related, report tax-specific and detailed information **at the tax base level**, including tax rates, tax revenue, exemptions and the physical volumes (template)



## Step 3 | allocate ERTR to tax base categories

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- » Based on tax-specific information, classify ERTR according to four base tax categories
  - » energy, transport, pollution and resources
  - » two sub-categories (energy and non-energy related GHG emissions)
- » If an ERTR spans across several tax base categories, the ERTR should be split according to an allocation key reflecting the relative contribution of each tax base category to the total ERTR of the categories involved in the split
- » If such split is not possible, the allocation could be done according to the category most aligned with the tax



## Step 4 | allocate ERTR to industries, households and non-residents

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- » Using tax-specific information on the tax bases, allocate ERTR to ISIC industries, households and non-residents
- » In case insufficient information is available, supply-use tables or micro data (e.g. data from government bodies collecting the tax) could be used to make the allocation, in particular when a tax base is used by multiple industries
- » Generally, the allocation to industries, households and non-residents is based on the “tax payer” principle, i.e. the final user of the tax base.
- » In order to derive the final user of the tax base, it is recommended to use information provided in the energy accounts for energy taxes and statistics on gross fixed capital formation and household final consumption expenditure on vehicles from the national accounts for transport taxes



## Step 5 | allocate ERTR across years and levels of government

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- » Allocate ERTR to the year in which the liability for these taxes arises, i.e. applying the accrual principle
- » In case it is not possible to apply the accrual principle, countries can report on a cash basis. However, this should be made explicit in the ERTR accounts
- » Optional: Depending on the country-specific circumstances, split the ERTR according to three levels of government whose budget is replenished by environmentally related taxes, namely (i) central, (ii) state, (iii) and local
- » Existing data reported in the OECD Revenue Statistics could be an adequate starting point for this



## ERTR accounts - template



Microsoft Excel  
Worksheet