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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) No 691/2011 on European environmental economic accounts

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Regulation (EU) No 691/2011 on European environmental economic accounts was adopted on 6 July 2011. It covers three modules: air emissions accounts, environmental taxes and material flow accounts.

Article 10 of the Regulation contains a list of possible new modules to be introduced later based on Commission proposals. The first three of the new modules listed in Article 10 are covered by this draft amending Regulation: environmental protection expenditure, environmental goods and services sector and energy accounts.

Users put much emphasis on analysis and applications of environmental accounts in modelling and outlooks, both for preparing policy proposals and reporting on policy implementation and impacts. The new modules will allow expanding the integrated datasets available for such applications and analysis.

Article 4 of the Regulation foresees pilot studies to be carried out by Member States on a voluntary basis to test the feasibility of introducing new modules. Several such pilot studies have been completed clearly demonstrating the feasibility of the three new modules.

Environmental accounting uses existing data for compiling the accounts. No new data collection is necessary for implementing the new modules. Better use of information from existing data collection instruments will be made.

The United Nations Statistical Commission has adopted the System of Environmental-Economic Accounting (SEEA) as an international statistical standard at its 43rd session in February 2012. The new modules proposed are fully in line with the SEEA.

The proposed amending Regulation is in line with the revised European Strategy for Environmental Accounting (ESEA 2008). It will ensure that NSIs (National Statistical Institutes) can expand their work on environmental accounting, with the main objective of providing harmonised and timely data of good quality.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

The proposal has been discussed, in the framework of the European Statistical System, with data producers and users on a technical level through written consultations, in task forces, in the relevant working groups on Environmental Accounts and on Environmental Expenditure Statistics in March 2012, and with the directors for environmental statistics and accounts in April and November 2012.

3. LEGAL ELEMENTS OF THE PROPOSAL

The objective of this proposed amending act is to ensure international comparability of environmental economic accounts by extending the coverage of Regulation 691/2011 to further modules as listed in Article 10 of that Regulation.

The proposed act concerns an EEA matter and should therefore extend to the European Economic Area.

4. BUDGETARY IMPLICATION

The proposal has no new implication for the Union budget.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 338(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Decision No xxx of the European Parliament and of the Council of xxx 2013 laying down the Seventh Community Environment Action Programme¹ provides that sound information on the key trends, pressures and drivers for environmental change is essential for the development of effective policy, its implementation, and the empowerment of citizens more generally. Instruments should be developed with a view to enhancing public awareness of the environmental effects of economic activity.
- (2) Article 10 of Regulation (EU) No 691/2011 invites the Commission to report on the implementation of this Regulation to the European Parliament and the Council and, if appropriate, to propose the introduction of new environmental economic accounts modules, such as Environmental Protection Expenditure and Revenues (EPER)/Environmental Protection Expenditure Accounts (EPEA), Environmental Goods and Services Sector (EGSS) and Energy Accounts.
- (3) These three new modules contribute directly to the Union's policy priorities of green growth and resource efficiency by providing important information on indicators such as market output and employment in the EGSS, national environmental protection expenditure and the use of energy in a detailed NACE breakdown.
- (4) The United Nations Statistical Commission adopted the System of Environmental-Economic Accounting (SEEA) central framework as an international statistical standard at its 43rd session in February 2012. The new modules proposed are fully in line with the SEEA.
- (5) The European Statistical System Committee has been consulted,
- (6) Regulation (EU) No 691/2011 should therefore be amended accordingly,

¹ OJ L xxx.

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) No 691/2011 is amended as follows:

1. In Article 2, the following points are added:

‘(4) ‘environmental protection expenditure’ means the economic resources devoted by resident units to environmental protection. Environmental protection includes all activities and actions which have as their main purpose the prevention, reduction and elimination of pollution as well as any other degradation of the environment. This includes measures taken in order to restore the environment after it has been degraded. Activities which, while beneficial to the environment, primarily satisfy technical needs or the internal requirements for hygiene or security of an enterprise or other institution are excluded;

(5) ‘environmental goods and services sector’ means those production activities of a national economy that generate environmental products. Environmental products are products that have been produced for the purpose of environmental protection and resource management. Resource management includes the preservation, maintenance and enhancement of the stock of natural resources and hence safeguarding against depletion;

(6) ‘physical energy flow accounts’ means consistent compilations of the physical energy flows into national economies, the flows within the economy and the outputs to other economies or to the environment.’

2. In Article 3(1), the following points are added:

‘(d) a module for environmental protection expenditure accounts, as set out in Annex IV;

(e) a module for environmental goods and services sector accounts, as set out in Annex V;

(f) a module for physical energy flow accounts, as set out in Annex VI.’

3. Article 8(2) is replaced by the following:

‘2. For the purposes of obtaining a derogation under paragraph 1 **for Annexes I, II and III**, the Member State concerned shall present a duly justified request to the Commission by 12 November 2011. For the purposes of obtaining a derogation under paragraph 1 **for Annexes IV, V and VI**, the Member State concerned shall present a duly justified request to the Commission by [...².]’

4. The Annex to this Regulation is added as Annexes IV, V and VI to Regulation (EU) No 691/2011.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

² OJ: please insert date - three months after the entry into force of this amending Regulation.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX

‘ANNEX IV

MODULE FOR ENVIRONMENTAL PROTECTION EXPENDITURE ACCOUNTS

Section 1

OBJECTIVES

Environmental protection expenditure accounts present data, in a way that is fully compatible with the data reported under ESA, on the expenditure for environmental protection, i.e. the economic resources devoted by resident units to environmental protection. The accounts allow compiling the national expenditure for environmental protection (EP) which is defined as the sum of uses of EP services by resident units, gross fixed capital formation (GFCF) for EP activities, and transfers for EP which are not a counterpart of previous items, less financing by the rest of the world.

The environmental protection expenditure accounts should make use of the already existing information from the national accounts (production and generation of income accounts; GFCF by NACE, supply and use tables; data according to the classification of functions of government), structural business statistics, business register and other sources.

This Annex defines the data to be collected, compiled, transmitted and evaluated for environmental protection expenditure accounts by the Member States.

Section 2

COVERAGE

Environmental protection expenditure accounts have the same system boundaries as ESA and show environmental protection expenditure for principal, secondary and ancillary activities. The following sectors are covered:

- general government (including Non-Profit Institutions serving Households) and corporations as institutional sectors producing EP services. Specialist producers produce EP services as their principal activity,
- households, general government and corporations as consumers of EP services,
- the rest of the world as beneficiary or origin of transfers for environmental protection.

Section 3

LIST OF CHARACTERISTICS

Member States shall produce environmental protection expenditure accounts according to the following characteristics which are defined in accordance with ESA:

- output of environmental protection services. Market output, non-market output and output of ancillary activities are distinguished,
- intermediate consumption of environmental protection services by specialist producers,
- imports and exports of environmental protection services,
- VAT and other taxes less subsidies on products on environmental protection services,

- gross fixed capital formation and acquisitions less disposals of non-financial non-produced assets for the production of environmental protection services,
- final consumption of environmental protection services,
- environmental protection transfers (received/paid).

All data shall be reported in million national currency.

Section 4

FIRST REFERENCE YEAR; FREQUENCY AND TRANSMISSION DEADLINES

1. Statistics shall be compiled and transmitted on a yearly basis.
2. Statistics shall be transmitted within 24 months of the end of the reference year.
3. In order to meet user needs for complete and timely datasets, the Commission (Eurostat) shall produce, as soon as sufficient country data becomes available, estimates for the EU-27 totals for the main aggregates of this module. The Commission (Eurostat) shall, wherever possible, produce and publish estimates for data that have not been transmitted by Member States within the deadline specified in point 2.
4. The first reference year is the year in which this Regulation enters into force.
5. In the first data transmission, Member States shall include annual data from 2013 to the first reference year.
6. In each subsequent data transmission to the Commission, Member States shall provide annual data for the years $n-3$, $n-2$, $n-1$ and n , where n is the reference year.

Section 5

REPORTING TABLES

1. For the characteristics referred to in Section 3, data shall be reported in a breakdown by:
 - types of producers/consumers of environmental protection services as defined in section 2,
 - classes of the classification of environmental protection activities (CEPA) aggregated as follows:

For general government non-market activities and for environmental protection transfers:

- CEPA 2
- CEPA 3
- Sum of CEPA 1 + 4 + 5 + 7
- CEPA 6
- Sum of CEPA 8 + 9

For ancillary activities of corporations:

- CEPA 1
- CEPA 2
- CEPA 3
- Sum of CEPA 4 + 5 + 6 + 7 + 8 + 9

For corporations as secondary and specialised producers:

- CEPA 2
- CEPA 3
- CEPA 4

For households as consumers:

- CEPA 2
- CEPA 3
- The following NACE codes for the ancillary production of EP services: NACE Rev. 2 B, C, D, division 36. Data for section C shall be presented by divisions. Divisions 10-12, 13-15 and 31-32 shall be grouped together. Member States which according to Regulation (EC) No 295/2008³ of the European Parliament and of the Council (as regards the definitions of characteristics, the technical format for the transmission of data, the double reporting requirements for NACE Rev. 1.1 and NACE Rev. 2 and derogations to be granted for structural business statistics) are not obliged to collect environmental protection expenditure data for one or more of these NACE codes do not need to provide data for these NACE codes.

2. The CEPA classes referred to in paragraph 1 are as follows:

CEPA 1 - Protection of ambient air and climate

CEPA 2 - Wastewater management

CEPA 3 - Waste management

CEPA 4 - Protection and remediation of soil, groundwater and surface water

CEPA 5 - Noise and vibration abatement

CEPA 6 - Protection of biodiversity and landscapes

CEPA 7 - Protection against radiation

CEPA 8 – Environmental research and development

CEPA 9 - Other environmental protection activities.

Section 6

MAXIMUM DURATION OF THE TRANSITIONAL PERIODS

For the implementation of the provisions of this Annex, the maximum duration of the transitional period is 2 years from the first transmission deadline.

³ OJ L 97, 9.4.2008, p. 13-59.

ANNEX V

MODULE FOR THE ENVIRONMENTAL GOODS AND SERVICES SECTOR

Section 1

OBJECTIVES

Statistics on environmental goods and services record and present data on national economies' production activities that generate environmental products in a way that is fully compatible with the data reported under ESA.

This Annex defines the data to be collected, compiled, transmitted and evaluated for environmental goods and services by the Member States.

Section 2

COVERAGE

The environmental goods and services sector has the same system boundaries as ESA and consists of all environmental goods and services that are created within the production boundary. ESA defines production as the activity carried out under the control and responsibility of an institutional unit that uses inputs of labour, capital and goods and services to produce goods and services.

Environmental goods and services fall within the following categories: environmental specific services, environmental sole purpose products (connected products), adapted goods and environmental technologies.

Section 3

LIST OF CHARACTERISTICS

Member States shall produce statistics on the environmental goods and services sector according to the following characteristics:

- market output, of which:
 - exports
- value added of market activities
- employment of market activities.

All data shall be reported in million national currency, except for the characteristic 'employment' for which the reporting unit should be full time equivalent.

Section 4

FIRST REFERENCE YEAR; FREQUENCY AND TRANSMISSION DEADLINES

1. Statistics shall be compiled and transmitted on a yearly basis.
2. Statistics shall be transmitted within 24 months of the end of the reference year.
3. In order to meet user needs for complete and timely datasets, the Commission (Eurostat) shall produce, as soon as sufficient country data becomes available, estimates for the EU-27 totals for the main aggregates of this module. The Commission (Eurostat) shall, wherever possible, produce and publish estimates for data that have not been transmitted by Member States within the deadline specified in point 2.
4. The first reference year is the year in which this Regulation enters into force.
5. In the first data transmission, Member States shall include annual data from 2013 to the first reference year.
6. In each subsequent data transmission to the Commission, Member States shall provide annual data for the years n-3, n-2, n-1 and n, where n is the reference year.

Section 5

REPORTING TABLES

1. For the characteristics referred to in Section 3, data shall be reported cross-classified by:
 - classification of economic activities, NACE Rev. 2 (A*21 aggregation level as set out in ESA),
 - classes of the classification of environmental protection activities (CEPA) and the classification of resource management activities (CReMA) grouped as follows:
 - CEPA 1
 - CEPA 2
 - CEPA 3
 - CEPA 4
 - CEPA 5
 - CEPA 6
 - Sum of: CEPA 7, CEPA 8 and CEPA 9
 - CReMA 10
 - CReMA 11
 - CReMA 13
 - CReMA 13A
 - CReMA 13B

- CReMA 13C
- CReMA 14
- Sum of: CReMA 12, CReMA 15 and CReMA 16

2. The CEPA classes referred to in paragraph 1 are as set out in Annex IV. The CReMA classes referred to in paragraph 1 are as follows:

CReMA 10 – Management of water

CReMA 11 – Management of forest resources

CReMA 12 – Management of wild flora and fauna

CReMA 13 – Management of energy resources

 CReMA 13A – Production of energy from renewable resources

 CReMA 13B – Heat/energy saving and management

 CReMA 13C – Minimisation of the use of fossil energy as raw materials

CReMA 14 – Management of minerals

CReMA 15 – Research and development activities for resource management

CReMA 16 – Other resource management activities

Section 6

MAXIMUM DURATION OF THE TRANSITIONAL PERIODS

For the implementation of the provisions of this Annex, the maximum duration of the transitional period is 2 years from the first transmission deadline.

ANNEX VI

MODULE FOR PHYSICAL ENERGY FLOW ACCOUNTS

Section 1

OBJECTIVES

Physical energy flow accounts present data on the physical flows of energy expressed in terajoules in a way that is fully compatible with the concepts, principles, and data reported under the European System of Accounts (ESA). They record energy data in relation to the economic activities of resident units of national economies in a breakdown by economic activity. They present the supply and use of natural energy inputs, energy products and energy residuals. Economic activities comprise production, consumption, and accumulation.

Section 2

COVERAGE

Physical energy flow accounts have the same system boundaries as ESA and are also based on the residence principle.

In accordance with ESA, a unit is said to be a resident unit of a country when it has a centre of economic interest in the economic territory of that country, that is, when it engages for an extended period (1 year or more) in economic activities in that territory.

Physical energy flow accounts record physical energy flows arising from the activities of all resident units, regardless of where these flows actually occur geographically.

Physical energy flow accounts record the physical flows of energy from the environment to the economy, within the economy, and from the economy back to the environment.

Section 3

LIST OF CHARACTERISTICS

Member States shall produce physical energy flow accounts according to the following characteristics:

- the physical energy flows grouped into three generic categories:
 - (i) natural energy inputs,
 - (ii) energy products,
 - (iii) energy residuals.
- the origin of the physical energy flows, grouped into five categories: production, consumption, accumulation, rest of the world and environment,
- the destination of the physical flows, grouped into the same five categories as the origin of the physical energy flows.

All data shall be reported in terajoules.

Section 4

FIRST REFERENCE YEAR; FREQUENCY AND TRANSMISSION DEADLINES

1. Statistics shall be compiled and transmitted on a yearly basis.
2. Statistics shall be transmitted within 18 months of the end of the reference year.

3. In order to meet user needs for complete and timely datasets, the Commission (Eurostat) shall produce, as soon as sufficient country data becomes available, estimates for the EU-27 totals for the main aggregates of this module. The Commission (Eurostat) shall, wherever possible, produce and publish estimates for data that have not been transmitted by Member States within the deadline specified in point 2.

4. The first reference year is the year in which this Regulation enters into force.

5. In the first data transmission, Member States shall include annual data from 2013 to the first reference year.

6. In each subsequent data transmission to the Commission, Member States shall provide annual data for the years $n-3$, $n-2$, $n-1$ and n , where n is the reference year.

Section 5

REPORTING TABLES

1. For the characteristics referred to in Section 3, the following data shall be reported:

- Supply table for energy flows in physical units. This table records the supply of natural energy inputs, energy products, and energy residuals (row-wise) by origin, i.e. ‘supplier’ (column-wise).
- Use table for energy flows. This table records the use of natural energy inputs, energy products, and energy residuals (row-wise) by destination, i.e. ‘user’ (column-wise).
- Table of emission-relevant use of energy flows. This table records the emission-relevant use of natural energy inputs and energy products (row-wise) by the using and emitting unit (column-wise).
- Key energy indicator ‘total energy consumption by resident units’ in a breakdown by industries and households.
- Bridge table showing the various elements which make up the difference between the key energy indicator ‘total energy use by resident units’ and the common key energy indicator as presented by European energy statistics ‘gross inland energy consumption’.

2. The supply and use tables of energy flows (including emission-relevant flows) have a common layout in terms of rows and columns.

3. The columns denote the origins (supply) or destinations (use) of the physical flows. The columns are grouped into five categories:

- ‘Production’ relates to the production of goods and services. Production activities are classified according to NACE Rev. 2 and data is reported in A*64 aggregation level.
- ‘Consumption’ activities are presented in one column for private households’ final consumption.
- ‘Accumulation’ refers to the changes in stocks of energy products within the economy.
- ‘Rest of the world’ records the flows of imported and exported products.
- ‘Environment’ records the origin of natural input flows and the destination of residual flows.

4. The rows describe the type of physical flows classified as in first bullet point of section 3.
5. The classification of natural energy inputs, energy products, and energy residuals is as follows:
- **Natural energy inputs** are grouped into non-renewable natural energy inputs and renewable natural energy inputs.
 - **Energy products** are grouped according to the classification of products by activity (CPA) and the classification used in European energy statistics.
 - **Energy residuals** include waste (without monetary value); losses during extraction/abstraction, distribution/transport, transformation/conversion and storage; as well as balancing items to balance the supply and use tables.
6. The ‘bridge’ from the residence principle indicator to the territory based indicator is presented for the entire national economy (no breakdown by industries) and is obtained as follows:

total energy use by resident units

– energy use by resident units abroad

+ energy use by non-residents on the territory

= gross inland energy consumption (territory based)

Section 6

MAXIMUM DURATION OF THE TRANSITIONAL PERIODS

For the implementation of the provisions of this Annex, the maximum duration of the transitional period is 2 years from the first transmission deadline.’