

CMFB opinion

on a new section on the recording of "Emission trading permits"¹ for the Manual on Government Deficit and Debt

1. At Eurostat's request the CMFB Chairman, with the assistance of the CMFB Executive Body, asked CMFB Members on 11 July 2012 to state their opinion on a new section on "Emission trading permits" for the Manual on Government Debt and Deficit. The deadline for replies was 20 August 2012. Twenty-one (21) national statistical institutes and nineteen (19) national central banks from the EU Member States returned the questionnaire within the specified time. A total of forty-one (41) institutions, including the ECB, provided their opinion.

The result of the consultation is the following:

2. The CMFB agrees, based on a very large majority, with the proposed section on the recording of emission trading permits.
3. Several comments suggested that the new section could benefit from more detailed background information about the functioning of the relevant Kyoto mechanisms and the European Trading System (ETS), e.g. links to more detailed sources and the mentioning of key events. It was also noted that the trading volume in ETS permits/allowances will increase starting from the ETS 3rd trading period (2013-2020).
4. The CMFB welcomes the efforts to simplify the methodology, whilst respecting the worldwide agreement reached for the recording in SNA-2008². Several CMFB members proposed to refine the methodology. For example, it was noted that
 - the EU-ETS enables the trade of permits/allowances between a company in one Member State and a government in another Member State. The trade across borders, but also permits/allowances issued but never surrendered, may lead to a growing imbalance between allowances issued and allowances surrendered in a country. There is a need to clarify the steps and timing to bring the modelling back into balance avoiding too much room for discretion;
 - the overall accrued tax revenues recorded should not exceed the cash received by government;
 - the recording for EDP purposes should be consistent with the recording in other areas of National Accounts and with Balance of Payments Statistics.
5. Furthermore, it was recommended to clarify the treatment of the fines that may be imposed in the context of ETS allowances. Suggestions were also made to improve the accounting examples and some proposals were made to improve the terminology.

¹ CMFB Members also proposed changes that would affect the title of the draft section (permits/allowances).

² SNA News and Notes, Number 32/33 of March 2012.

6. The CMFB recommends that Eurostat take account of the specific remarks raised before finalising the section.
7. In addition to this opinion, all the anonymised answers from CMFB Members have been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

(Signed)

João Cadete de Matos
CMFB Chairman

Lisboa, 21 September 2012