

CMFB opinion
on the statistical treatment of asset partitioning in Energy Performance Contracts

1. Pursuant to Article 4 of Council Decision 2006/856/EC, the Statistical Authorities of Germany and Hungary (both the National Statistical Institutes and the National Central Banks) requested the CMFB to organise a consultation on the statistical treatment of asset partitioning in Energy Performance Contracts according to the European System of Accounts (ESA2010) and the System of National Accounts (SNA2008).
2. CMFB Members were invited to express their opinion on 10 October 2018, with a deadline for the replies by 24 October 2018. Twenty-two (22) national statistical institutes and twenty-one (21) national central banks from the EU Member States returned the questionnaire within the specified deadline. A total of forty-four (44) institutions, including the ECB, expressed their views.
3. The CMFB Members were invited to consider an Energy Performance Contract (EPC) where a government building is improved by a private contractor by adding or substituting non-removable components (like double glazed windows or adding insulation). Should it be possible to consider and hence record these newly installed components as separate assets on the grounds that risks and rewards (economic ownership) for the duration of the EPC lie with the private contractor?
4. The CMFB Member were invited to answer either yes:
5. Exclusively in the context of EPCs, partitioning of non-removable EPC assets should be based by convention on the general ESA 2010 principle of who ultimately bears the risks and rewards (economic ownership). Hence, recording of non-removable EPC-assets separately from the existing assets to which the EPC-assets have been added is possible. This implies that the EPC-assets are not on government balance sheet and at inception they do not have an impact on government debt and deficit (Option 1).
6. Or no:
7. In general ESA2010 and SNA 2008 do not allow for the partitioning of assets. Hence, non-removable EPC-assets should be seen as improvements to existing assets and be recorded as acquisition of new fixed assets of the same kind. This acquisition should be recorded as government investments in government balance sheet, with an impact on government debt and deficit (Option 2).
8. A majority of the Members (29 out of 44) was of the opinion that option 2 was the preferred recording. 14 Members preferred option 1. One Member answered 'no opinion'.

9. Based on the outcome of the consultation, the CMFB expresses the opinion that, in general, ESA2010 and SNA 2008 do not allow for the partitioning of assets. Hence, non-removable EPC-assets should be seen as improvements to existing government assets and be recorded as acquisition of new fixed assets of the same kind. This acquisition should be recorded as government investments in government balance sheet, with an impact on government debt and deficit
10. In addition to the publication of this opinion, all the anonymised answers to the questionnaire will be transmitted to the CMFB Members and will be kept in the records of the CMFB secretariat.

(Signed)

Kirsten Wismer
CMFB Chair

Copenhagen, 31 October 2018