G20

DATA GAPS INITIATIVE 3

Environmental Subsidies estimation in Spain

JUNE 11, 2024

Alfredo Cristobal
INE Spain

Outline

- Background and conceptual framework
- Sources and compilation methods
- Main results
- Good practices and way forward

Background and conceptual framework

Background and conceptual framework

Government policy measures regulating environment

- Environmental taxes
- Subsidies and similar transfers …
  - Supporting activities with positive impact for environment (**ESST**)
    - Environmental protection activities, following CEPA classification (tbr by UN CEP)
    - Resource management activities, following CReMA classification (tbr by UN CEP)
  - PEDS: potentially harmful for environment (i.e. to carbon fuels)
    - Explicit subsidies/transfers
    - Pricing model (low taxation could means an implicit support)
    - Large controversy on the delimitation of which are (potentially) harmful

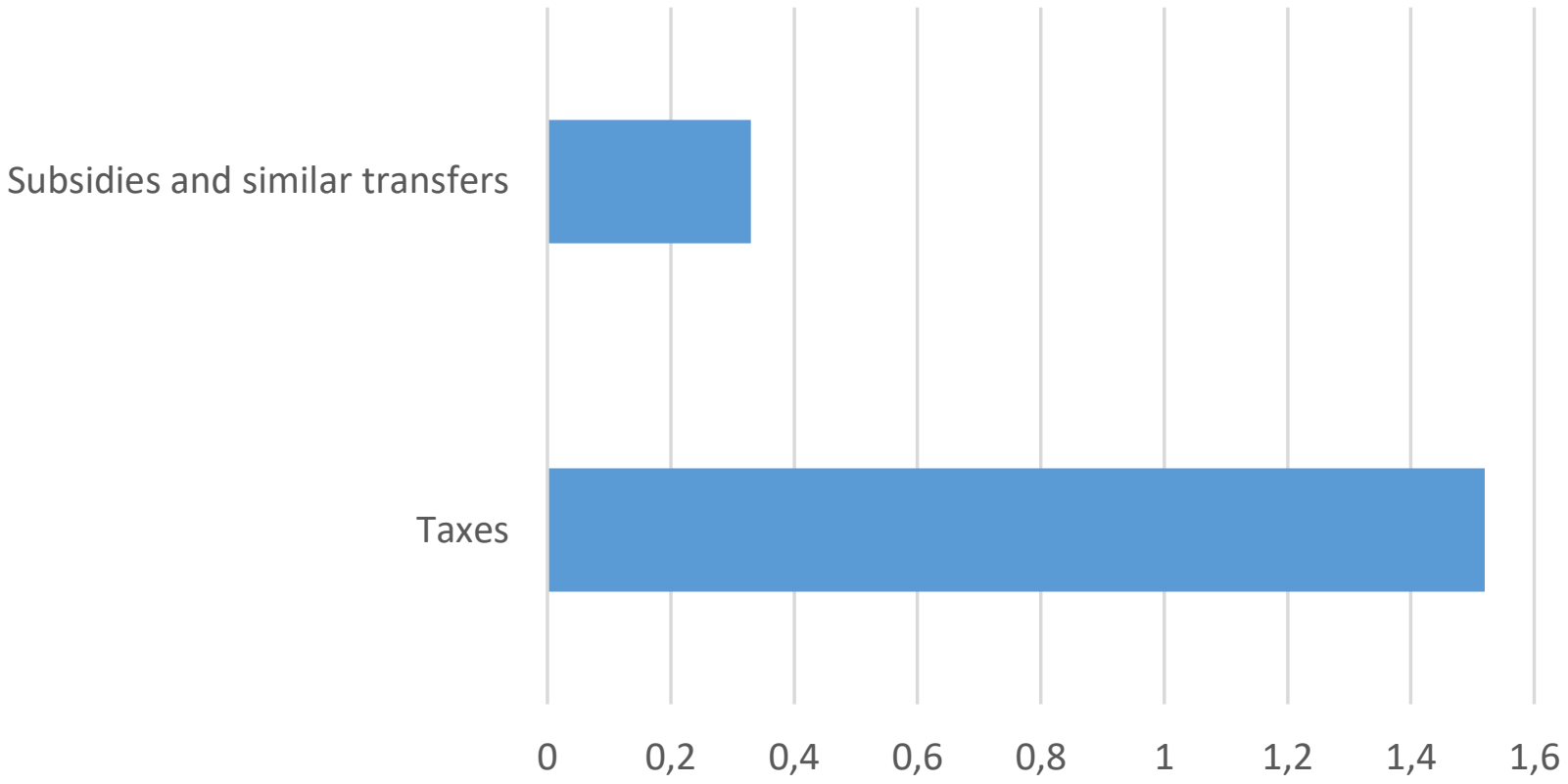
Environmental taxes and subsidies

Spain. Year 2022. Percentage on GDP

Many countries prefer taxation instead subsidies

indeed, subsidies account for very small amounts, excepting some categories

(PEDS are not included)



Background and conceptual framework

ESST. Scope (concepts)

- **Distributive transactions which have positive impact on environment**
  - D3: subsidies on products / production
  - D6: Social benefits other than social transfers in kind and social transfers in kind - purchased market production
  - D7: Other current transfers
  - D9: capital transfers (investment aid)

- **Tax abatements or risks transfers are initially, not included**

- **Methodology. Standards**
  - SNA 2008 / ESA 2010
  - General guidelines: SEEA-CF (UN)
  - Eurostat's guidelines for the annual compilation of ESST in the EU. **Pilot exercise**

Sources and compilation methods

2. Sources and compilation methods

ESST. Four dimensions

- **Kind of transaction**: D3, D6, D7 or D9
- **Payer**: General Government (S.13) and the Rest of the World (S.2)
- **Recipient**: Corporations (S.11/S.12), General Government (S.13), Households (S.14), Non-profit Institutions Serving Households (S.15) or the Rest of the World (S.2)
- **Environmental domain**: according CEPA and CReMA (to be replaced by CEP)

The different levels of S:13 should show flows on an unconsolidated basis

Possible breakdown on S.11/S.12 as recipients by NACE categories

2. Sources and compilation methods

Main data sources. Administrative data from General Government

- General Government expenditure by COFOG functions (Ministry of Finance)
  - 05.1 Waste management — equiv. to CEPA 3
  - 05.2 Wastewater management — equiv. to CEPA 2
  - 05.3 Pollution abatement — equiv. to CEPA 1+4+5+7
  - 05.4 Protection of biodiversity and landscape — equiv. to CEPA 6
  - 05.5 R&D environmental protection — equiv. to CEPA 8+9 (p)
  - 05.6 Environmental protection n.e.c. — equiv. to CEPA 8+9 (p)

- Budgetary analysis (by programmes) (Ministry of Finance / Ministry of Economy)

- Sectorial reports (e.g. energy regulators on subsidies to renewable energy) of interest for CReMA 13

2. Sources and compilation methods

Compilation

- National nomenclature for subsidies and similar transfers
- Budgetary analysis (by programs)
- Ancillary information from National Accounts
- May be supplemented by demand-side data
- **Main challenge**: to provide the breakdown among recipients, including NACE in the case of Corporations

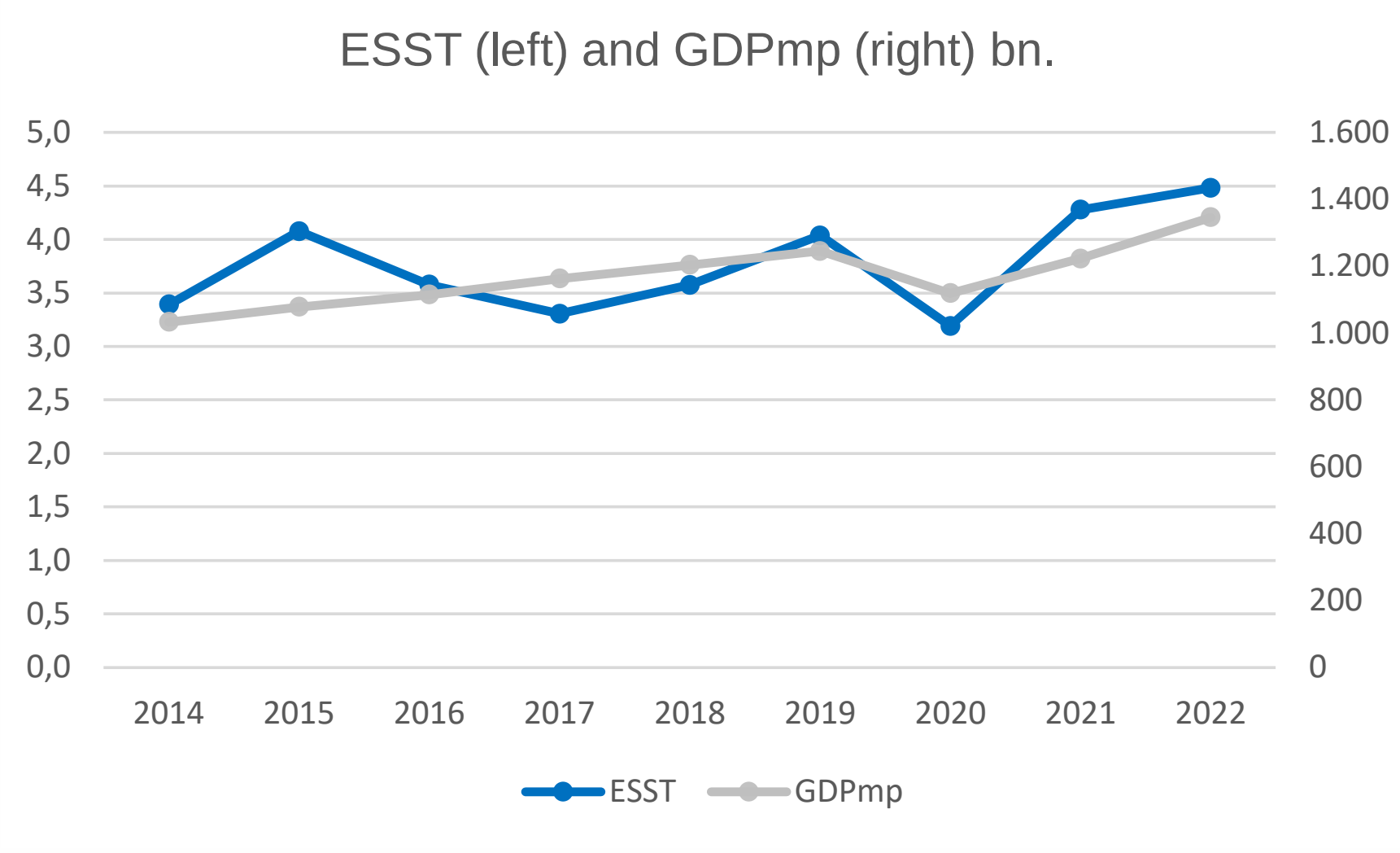
Main results

3. Main results. Spain. Year 2022 (million euro)

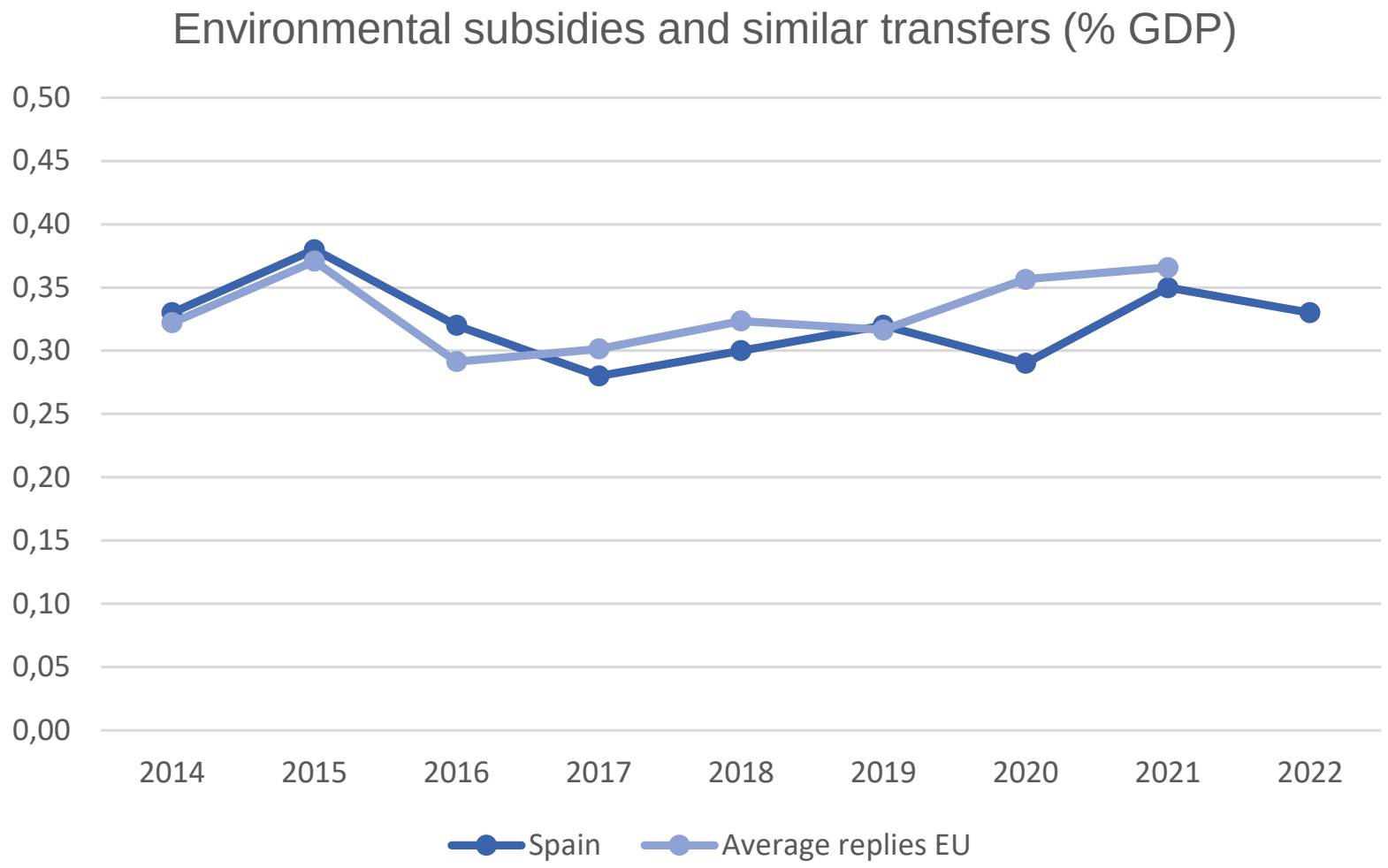
ESA transfers by sector	Paying sector	Sector receiving:	CEPA 1+4+5+7 = COFOG 05.3	CEPA 2 = COFOG 05.2	CEPA 3 = COFOG 05.1	CEPA 6 = COFOG 06.4	CEPA 8+9 = COFOG 05.5 + 05.6	CReMA 13
Subsidies and similar transfers (D3+D6+D7+D9)	From RoW (S.2)…	to Total economy (S.1)	65	0	0	52	0	0
		… to General Government (S.13)	0	0	0	46	0	0
		… to Corporations (S.11and S.12)	65	0	0	6	0	0
		… to Households (S.14)	0	0	0	0	0	0
		… to NPISH (S.15)	0	0	0	0	0	0
	From GG (S.13)…	to the Rest of the World (S.2)	0	0	0	0	0	0
		to Total economy (S.1)	298	52	158	105	9	3.859
		… to General Government (S.13)	0	0	0	0	0	0
		… to Corporations (S.11 andv S.12)	283	52	139	57	6	3.859
		… to Households (S.14)	15	0	19	37	1	0
		… to NPISH (S.15)	0	0	0	11	2	0

CEPA 1+4+5+7: Protection of ambient air and climate + Protection and remediation of soil, groundwater and surface water + Noise and vibration abatement + Protection against radiation
CEPA 2: Wastewater management
CEPA 3: Waste management
CEPA 6: Protection of biodiversity
CEPA 8+9: R&D for environmental protection + Other environmental protection activities
CReMA 13: Management of energy resources

3. Main results (Spain)



3. Main results (Spain and EU)



3. Main results

Findings:

- Environmental subsidies and similar transfers seem to be small (as percentage of GDP) and smaller than environmental taxes. Spain's data are close to the EU average. They can grow in 2023/2024 due to EU-RRF (ESST coming from the RoW)

- Environmental subsidies and similar transfers do not show a particular trend (either increasing or decreasing, as percentage of GDP)

- It seems to share GDP trend

Good practices and way forward

4. Good practices and way forward

Key aspects in order to solve main challenges:

- Proper allocation of final beneficiaries of the transfers
- Alignment with COFOG, especially concerning consolidation rules
- Alignment with other environmental accounts, especially Environmental Protection Expenditure Accounts (EPEA), which covers part of these transfers

Next steps:

- Complete ESST as mandatory in the EU
- PEDS (subsidies to corporations and households concerning carbon fuels)

PEOPLE PLANET ECONOMY

DELIVERING INSIGHTS FOR ACTION