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Office of the Parliamentary Commissioner for the Environment's submission on the Stats NZ Measuring an inclusive and sustainable economy proposed data quality plan

Thank you for the opportunity to provide feedback on the Stats NZ *Measuring an inclusive and sustainable economy* proposed data quality plan.¹ It is good to see Stats NZ's ongoing commitment to improving data quality and recognition of environment–economy interactions as highlighted in the title of the document.

Our feedback relates to three key areas of the proposed data quality plan:

- The lack of emphasis on initiatives intended to improve the measurement of the environmental sustainability of the economy.
- The need to develop a core set of natural capital accounts to effectively measure environment–economy interactions.
- The need to clarify and strengthen the links between this proposed data quality plan and other data initiatives.

Measuring the environmental sustainability of economic activity

The primary focus of the proposed data quality plan relates to the development of economic statistics. While *environment* gets some mention mainly in the last section of the proposed plan,² the key priorities are all fundamentally macroeconomic, with limited relevance to the environment.³ The only exception is the proposal to improve measurement of greenhouse gas emissions.⁴

Yet, as Parliamentary Commissioner for the Environment, Simon Upton, has argued many times, including in his recent submission on the Natural and Built Environment Bill, the economy relies on the environment:

"My starting premise is that, after nearly 200 years of consistent environmental run-down, we have to make sustaining future environmental quality our prior or pre-eminent goal. Other goals ... should be pursued subject to that pre-eminent environmental goal. Erecting this priority is not some radical green insurgency. It is an imperative for our economic and social survival."⁵

¹ Stats NZ, 2023. *Measuring an inclusive and sustainable economy*. Wellington: Stats NZ.

² Stats NZ, 2023, pp.41–47.

³ Stats NZ, 2023, pp.8–11.

⁴ Stats NZ, 2023, p.9.

⁵ PCE, 2023, <https://pce.parliament.nz/publications/submission-on-resource-management-reform-bills>, p.11.

Accordingly, the environment should be viewed as foundational, with all economic activity embedded within the natural world. This relationship should be reflected in the development of any statistical framework that seeks to better measure and assess the environmental sustainability of economic activity.

The importance of the natural environment to New Zealand's economy should not be understated. New Zealand has a biologically based economy with primary industries and tourism being important sources of economic production and foreign exchange. The continued operation of these economic activities depends on a raft of ecosystem services and natural resources, including soil and fresh water. Accordingly, an integral component of measuring the sustainability of our economy involves the development of indicators that track the quantity and condition of the underlying natural capital base.

The natural environment presents challenges for integration into economic and budgetary frameworks. These include the complexity of biophysical processes, the existence of thresholds and tipping points, and the long-term and enduring nature of many environmental impacts. A robust statistical evidence base of policy-relevant indicators is therefore required to address the growing range and severity of environmental issues. Such an evidence base is essential if a sustainable economy is to be achieved.⁶

While the title of the proposed plan suggests a deeper focus on improving the measurement of an inclusive and sustainable economy, the concept of a sustainable economy does not come through strongly. The proposed plan does not propose any initiatives or changes to underlying statistical frameworks that will have a significant impact on environmental-economic statistics in the immediate future. Accordingly, a greater focus on data and statistical initiatives that specifically account for environment-economy interactions would be beneficial from the perspective of measuring a sustainable economy.

Developing a core set of natural capital accounts

There are a number of possible ways to improve the measurement of how sustainable our economy is. In our view the most powerful would be a core set of natural capital accounts.

The proposed data quality plan briefly mentions the System of Environmental-Economic Accounting. This system provides an internationally recognised statistical framework that integrates environmental and economic information using accounting standards and classifications consistent with the System of National Accounts. Stats NZ already produces a select number of accounts relating to fish stocks, greenhouse gas emissions and environment-related economic transactions.

As mentioned by the Commissioner in 2021:

"Asset accounts can provide a high-level overview of the sustainability of natural resources, showing whether economic activity is depleting the natural resource base and posing a risk to sustainable management in the long-term. Asset accounts can be complemented with flow accounts, which can be used to further decompose changes in natural capital stocks and provide an understanding of underlying drivers in terms of extraction and harvesting rates. Flow accounts can provide the basis for compiling resource intensity indicators which can demonstrate the productivity of New Zealand's natural resource base."⁷

⁶ PCE, 2021, <https://pce.parliament.nz/publications/submission-on-the-lsf-dashboard>.

⁷ PCE, 2021, <https://pce.parliament.nz/publications/submission-on-the-lsf-dashboard>.

Given the context and focus of the *Measuring an inclusive and sustainable economy* proposed data quality plan, it is appropriate to repeat the Commissioner's 2021 recommendation made to the Treasury regarding the Living Standards Framework Dashboard. The Treasury should, in conjunction with Stats NZ, identify and develop a core set of natural capital accounts for the most important aspects of New Zealand's natural wealth.

Indicators derived from these accounts should be formally integrated into reporting initiatives such as the Living Standards Framework Dashboard to provide the basis for measuring New Zealand's natural capital stocks where appropriate. We continue to view the development of a core set of natural capital accounts as being an important statistical priority that can provide an assessment of the sustainability of New Zealand's underlying natural capital base.

Clarifying and strengthening links with other initiatives

The *Measuring an inclusive and sustainable economy* proposed data quality plan does not sit in isolation. In addition to the System of Environmental-Economic Accounting, other relevant initiatives are:

- The Data Investment Plan – a prioritised plan spanning the economy, environment, society, populations of policy interest and iwi-Māori data needs, led by Stats NZ to guide government investment in data.
- Indicators Aotearoa New Zealand –an indicator portal led by Stats NZ that aims to go beyond economic measures to include wellbeing and sustainable development.
- The environmental reporting programme jointly led by the Ministry for the Environment and Stats NZ under the Environmental Reporting Act 2015.

It would be beneficial for the *Measuring an inclusive and sustainable economy* proposed data quality plan to explicitly state and strengthen its links with these initiatives. That will help orient any potential users of data and statistics, as well as help Stats NZ staff draw on relevant workstreams.

More broadly, we acknowledge that a lack of existing data represents constraints and limitations for better integration of the environment into economic frameworks. Several of the Commissioner's recent reports point to large gaps in our data and knowledge, the consequences of inadequate information and the need for national investment in environmental information.⁸ As mentioned in his 2022 report on environmental reporting, research and investment:

"The public finance system needs to resource environmental reporting and environmental research sufficiently to match the scale of the environmental challenges we face. This is the number one priority that must be addressed if we are to have a hope of outflanking some of these challenges."⁹

We cannot emphasise too strongly how important this is.

⁸ For example, for a list of significant data and knowledge gaps that stand in the way of good environmental management, see the 2019 review of the environmental reporting system, <https://pce.parliament.nz/publications/focusing-aotearoa-new-zealand-s-environmental-reporting-system>, p.28, Table 3.1.

⁹ PCE, 2022, <https://pce.parliament.nz/publications/environmental-reporting-research-and-investment>, p.76.

Recommendations

We recommend that the final data quality plan:

- Includes greater consideration of initiatives intended to provide more comprehensive and robust measurement of the sustainability of New Zealand's economy. These initiatives should be prioritised on the basis that they address key data gaps and recognise the fundamental importance of the relationship between the natural environment and New Zealand's economy.
- Includes a core set of natural capital accounts based on the System of Environment-Economic Accounting. This statistical framework should be drawn on to provide indicators that account for natural capital stocks and associated ecosystem services.
- Clarifies and strengthens links with other relevant initiatives, including the Data Investment Plan, Indicators Aotearoa New Zealand and the environmental reporting programme.

We look forward to continuing our engagement with Stats NZ on environmental data and statistics initiatives.



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