



DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS  
STATISTICS DIVISION  
UNITED NATIONS

**SEEA Revision  
Issue 15b  
Cover Note**

---

## **Cover Note**

### **Issue #15b –Recording the ownership of mineral-related assets**

#### **Outcome paper for global consultation:**

*Outcome Paper Issue #15b: Recording the ownership of mineral related assets*

#### **Background**

The outcomes for this issue have strong connections to the issue of depletion for non-renewable resources that has also been identified as a key issue for the revision of SEEA. The discussion of that issue, associated outcomes and supporting material are found under Issue #13: Recording of depletion for non-renewable resources and readers are encouraged to consider this material in forming comments on this issue regarding attribution of ownership. It is noted that while the issue of recording ownership has attracted most discussion in the context of mineral related assets, the issue has arisen in the context of other environmental assets such as land (especially in relation to renewable energy resources) and fish.

It is also noted that the issues link closely to the treatment of permits, leases and licences for the use of natural resources and while a separate outcome paper on this general area is not planned, these matters will be included in the draft SEEA chapters for consultation in 2011. This work will need to take into account both the text of the 2008 SNA and the outcomes from the current discussion within the National Accounts community on the treatment of emission permits.

The general starting point for considering the ownership of mineral-related assets is that one economic agent, usually the government, permits the extraction of mineral deposits, to be undertaken by a separate economic agent. Usually the extractor will pay an amount, often called royalties in the case of mineral deposits, to the government for access to the resources. The issue arises as to how to allocate the resource rent that accrues from the extraction of the resource when the legal ownership and the economic ownership of the underlying resource is split. This then flows to consideration of the appropriate estimates of the value of the resource on the balance sheets of the different economic agents.

#### **Summary of outcomes:**

The proposals related to this issue are not consistent with the 2008 SNA recommendations in this area due to the intention within SEEA to record depletion in the accounting framework. This intention reflects a desire to record both the extraction and the depletion of the mineral deposits in the accounts of the extractor which in turn leads to a strong preference for recording at least some of the value of the mineral-related asset in the accounts of the extractor. The 2008 SNA recommends allocation of the value of mineral related assets to the accounts of the legal owner where this is a different unit from the extractor (2008 SNA paragraphs 13.49-50).

The first area of consideration is that the decision about recording ownership depends on the nature of the use of the mineral asset. Following 2008 SNA paragraph 17.314, if the legal

owner permits the resource to be used to extinction then this should be treated as the sale of the asset to the extractor and economic and legal ownership resides with the extractor. If the legal owner extends or withholds permission to use the resource from one year to the next then the economic ownership should most likely stay with the legal owner. Finally, if the legal owner, usually the government, permits the use of the resource for an extended period of time then, depending on the circumstances, it is likely that there has been a transfer in the economic ownership of the resource, but not legal ownership. This final scenario is the one of interest here and is the one most typical of the arrangements for the extraction of mineral resources in most countries.

The proposed treatment is that the value of the mineral resource, derived by assessment of the future resource rents to be earned from the resource, should be allocated between the legal owner and the extractor on the basis of their shares of resource rent. In most cases the extractor will operate under an extractive licence and while the licence is likely to have a long life the life of the underlying resource is likely to be longer still. The partitioning of the value of the resource rents should therefore be based on the period during which either the extractor or the legal owner holds economic ownership. Therefore, in the general scenario described here, the amount of the resource on the balance sheet of the extractor will be the discounted value of the estimated resource rents earned during the period of the extractive licence and the amount of the resource on the balance sheet of the government will be the discounted value of the estimated resource rents earned from the end of the licence to the end of the resource life.

In addition, the legal owner would generally be entitled to rents (often described as royalties) valued and payable via arrangements determined at the beginning of the extractive licence. Since the extractor must pay amounts of rent to the legal owner this relationship is reflected as a pair of financial assets and liabilities analogous to the treatment of financial leases. Thus the legal owner has a loan asset and the extractor a loan liability with the relevant property income being the rent payable under the extractive licence. The value of the loan is equal to the discounted value of the stream of rent payments. Depletion is recorded in the accounts of the economic owner and hence, during the period of the extractive licence, depletion will be fully reflected in the accounts of the extractor.

Unfortunately, the accounting required to take into account all of these various issues is not straightforward and raises some problematic areas for consideration. As a result, the choice of approach is by no means obvious and therefore the outcome paper discusses a range of other options and presents full accounting examples for each option.

### **Questions**

1. Do you agree that in cases where there is some sharing of resource rent must there be an effective partitioning of the value of the mineral and energy resource between the legal owner and the extractor?
2. Do you agree that the economic ownership of a mineral and energy resource should revert to the legal owner at the end of an extractive licence?
3. Do you agree that the entire amount of depletion should be recorded in the accounts of the extractor?
4. Do you agree that the royalties payable by the extractor should be partitioned in cases where there is depletion of the mineral and energy resource?
5. Any other comments?

To submit responses to these questions please complete the accompanying comment form available on the website.

**Deadline for comments: 28 October 2010**

## **Supporting papers**

*Recording the ownership of mineral related assets*, Peter Comisari, Australian Bureau of Statistics, Paper presented to the 12<sup>th</sup> London Group meeting, December 2007

*Draft outcomes papers: (A) Depletion of Renewable Natural Resources & Recording Changes to the Stocks of Natural Resources (B) Recording the Ownership of Mineral-Related Assets*, Paper prepared by ABS and presented to the 3<sup>rd</sup> meeting of UNCEEA, June 2008