



ACCOUNTING FOR BIOLOGICAL RESOURCES

Meeting of the Advisory Expert Group on National Accounts
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Agenda item 6.3

Peter van de Ven
Head of National Accounts
OECD



Recording in the 2008 SNA

Three way split of biological resources:

- resources controlled by, managed by and under the responsibility of an economic agent: **produced assets, i.e. cultivated biological resources (or inventories)**
- resources not controlled by, managed by and under the responsibility of an economic agent, but “owned” by an economic agent who can derive economic benefits from them: **non-produced assets, i.e. non-cultivated biological resources**
- other resources, not meeting the criteria for being considered an asset



Four issues considered

- **Application of the general asset boundary** to biological resources
- **Distinction between cultivated and non-cultivated** biological resources
- **Recording of biological resources and treatment of permits to use them**
- More general question on **alignment of accounting for leasing produced and non-produced assets**



General asset boundary

- 2008 SNA: asset is only recognised if it concerns a **store of value** representing a benefit or series of benefits **accruing to the economic owner, individually or collectively**, by holding or using the entity over a period of time
- SEEA CF: **same valuation principles, but** in physical terms **natural resources from which no economic benefits can be derived** in the foreseeable future, would **still qualify** as part of the (physical) asset boundary
- **Two options:**
 1. Record known **biological resources which are 'owned' always as an asset**, thus including resources with zero monetary benefits in the foreseeable future, to be recorded with a value of zero
 2. **Make a distinction** between biological resources that qualify versus those that do not qualify as an asset, **but apply more strict criteria for the delineation** of the latter category (e.g. legal restrictions, impossibility to derive economic benefits)

Proposal: option 1

- Alignment with SEEA Central Framework
- Alignment with accounting for ecosystems
- Almost all biological resources provide some SNA-benefits, albeit at marginal levels
- Avoids switching in and out the asset boundary (e.g. mineral and energy resources)



Distinction between cultivated and non-cultivated

- 2008 SNA and SEEA CF: criterion for the distinction is whether or not the resource is **controlled by, managed by and under the responsibility of an economic agent**
- However, **2008 SNA not always that clear**, more generally and also on specific issues (e.g. fish quota)
- Two options:
 1. **Very strict application** of the criterion (e.g. only plantations and fish farming qualify as cultivated resources)
 2. **Treat all biological resources as produced assets**, applying a continuum of human inputs and natural inputs

Proposal: Option 2?

- Better alignment with accounting for ecosystems
- But what about looking upon fish in open waters or natural forests as being “produced”
- In line with accrual accounting
- More in line with measurement practices in some countries, but possibly not other countries

Whatever the case, more clarification is needed!



Recording of biological resources and treatment of permits to use them

- 2008 SNA not entirely clear about **recording permits to use non-cultivated biological resources**: permits lead to negative change of biological resources
- 2008 SNA (and SEEA CF) also not clear about recording **access rights provided for free**

Proposal: (i) split-asset approach; (ii) recognition of free transfer of assets; and (iii) accounting for degradation of biological resources

- Better reflection of what actually happens
- Improved (full) accounting for biological resources
- In line with proposals for recording mineral and energy resources

Whatever the case, more clarification is needed!



Alignment of accounting for leasing produced and non-produced assets?

- **2008 SNA: difference in treatment of leasing non-financial assets:**
 - Income from leasing **produced assets: rentals**, i.e. output and intermediate consumption of services
 - Income from leasing **non-produced assets: rent**, i.e. receipts and payments of primary income
- Para. 17.310 of the 2008 SNA: “A *resource lease is an agreement whereby the legal owner of a natural resource that the SNA treats as having an infinite life makes it available to a lessee in return for a regular payment recorded as property income and described as rent*” => Not a strong argument
- **Rents on natural resources are not truly property income**, as it also involves a compensation for the depletion/degradation of the asset
- Most **use of natural resource leasing implicitly recorded as output** (land underlying dwellings and other structures)
- Leasing non-produced assets **does not require substantial inputs** (apart from capital services): **in how far is this different from leasing produced assets?**
- **Proposal: Further reflection on the need to distinguish rentals from rents**
 - Note 1: Possible ramifications for accounting for “data”
 - Note 2: Impact on government finance statistics



The AEG is requested:

- **To offer its opinion on the first three proposals for changing and/or clarifying the 2008 SNA:**
 - Extension of asset boundary in physical terms
 - Distinction between cultivated and non-cultivated biological resources
 - Recording of permits to use biological resources
- **To provide its first views on the fourth and fifth proposal:**
 - Difference in treating leasing of produced and non-produced assets
 - Classification of assets: more prominence to types of non-financial assets, instead of classification based on how non-financial assets come into existence
- To provide feedback on the **need for further testing** the feasibility of the recommendations, for the two areas listed in Section 5 of the attached guidance note
- to provide feedback on **ways to further improve the guidance note**



Thank you for your attention!

