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WS.6 - Accounting for the Economic Ownership and Depletion of Natural Resources

Outcomes of Consultation of GFS Community

WS.6 Economic Ownership and Depletion - GFS Community_Consenters

Consultation report generated on 05 July 2023

A total of 22 respondents contributed to this consultation, 15 of which consented to the publishing of their verbatim responses which are provided below. However, the graphs/tables below reflect the answers of all 22 respondents.

Completely anonymous contributions are excluded.

Q1A. AEG recommends using the distribution of resource rents to partition natural resource assets (the "split-asset approach") and testing has shown that such a split is achievable. Do you agree with the adoption of this approach? (See summary of implications on GFS in the previous section).

Q1A	EU countries	Rest of the World	Total
Yes	2	6	8
No	8	2	10
Unsure		3	3
No response		1	1
Total	10	12	22

Albania (Statistical Institute - INSTAT): Yes

Argentina (Laura Mohadeb): Yes

Aruba (CBS): Yes

Australia (Commonwealth Department of Finance): No

Brazil (National Treasury): No

Burkina Faso (Ministère de l'économie, des finances et de la prospective): Yes

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): Unsure

France (Insee): No

Lithuania (Statistics Lithuania): Yes

Luxembourg (Eurostat): No

Norway (Statistics Norway, Division for public finance): No

Portugal (National Statistics Institute): No

Slovenia (Statistics Slovenia): No

Ukraine (State Statistics Service of Ukraine): Unsure

Q1B. Please elaborate.

Australia (Commonwealth Department of Finance): Whilst the Commonwealth Department of Finance in Australia acknowledge the arguments for a "split-asset approach", we have reservations about how practical it will be for economic units when providing input to statistical bodies. If it becomes too difficult (for example, particularly countries with less well-developed statistical systems), the consistency that is sought will not be achieved. In order to make reliable estimates and calculate the split under the split-asset approach, at an entity level, all participants involved in a project need to have full access to project information. These include current and expected future production, sales revenue, production costs, and other volume changes. Not only the difficulties in measurement but accessing this level of information can also be difficult even when there are only two participants in a project. If there are more than two participants, such as where the project is managed by a joint venture (which is common in mining), or where multiple layers of government each receive a share of the economic rent, it will be even more difficult.

We note that guidance note WS.14 (which deals the distinction between tax and non-tax revenue) suggests the opposite approach by moving away from a split approach. One reason was the practical difficulties of partitioning a revenue item when "out of proportion costs" have to be considered.

Brazil (National Treasury): For GFS compilers, access to data of non-government institutional units is challenging. Having to account for rent of corporations would make it considerably harder to include natural resources in the government's balance sheet.

Burkina Faso (Ministère de l'économie, des finances et de la prospective): Je suis d'accord avec la méthode. Mais à mon avis cette approche devrait être utiliser par les gouvernement pour déterminer la valeur même de l'actif qui devarait être enrégistré au bilan.

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): How to properly value natural resource assets in developing countries?
Should we do it every year? Are there the financial and human resources to carry out this type of account?

France (Insee): We have a strong reservation about the opportunity of generalising the idea of « portioning » assets. Introducing this idea after the partitioning of transactions is in addition a bit awkward since, in the case of transactions, the idea is actually to partition a transaction into several different transactions, which implies a kind of reinterpretation of the original flow, whereas, in the present case, the purpose is simply to « split » an asset, without changing it. As reminded in the GN, the so-called « split asset approach » was introduced in the only case of the recording of emission trading permits, without any prior conceptual elaboration, in order to solve a technical problem. On the contrary, the chapter on « Flows, stocks and accounting rules » is mainly a conceptual chapter, with examples introduced to illustrate the concepts that are exposed. It has also to be noted that the issue of « sharing » assets has already be dealt with in the 2008 SNA, to be finally rejected (see § 17.345).

The mentioned case of natural resources is nevertheless interesting, and is worth discussing. Taking the case of subsoil assets, it is however necessary to remind the very specific features of those assets. The ownership of the subsoil assets is, in most countries, strongly legal, even of a political nature : the OPEC, for instance, is an organisation which rules the quantities and prices of oil, in which countries are represented by governments ; it is, for instance, the king of Arabia who leads, in 2022, the decision to increase, or not, the quantity of extraction.

That is why it is illusory to try to find a rationale to explain the level of the operating surplus of the extractor, even if it is possible to imagine a model to estimate something which looks like. However, in certain circumstances, in particular when there is an agreement between the owner and the extractor that covers an extended period of time, it may give rise to the appearance of an other asset that represents the relationship between the two transactors. This asset belongs to the category of the « leases and transferable contracts » of the 1993 SNA, which gave rise to the « contracts, leases and licences » category of the 2008 SNA. When one considers the original features of this asset – i.e. in its 1993 interpretation -, it is very close to a financial asset, even close to some kind of financial derivatives like options. It would be interesting, instead of trying to « split » assets, to elaborate on the basis of this « transferable contract » category.

Luxembourg (Eurostat): 1. Eurostat directorate D (GFS and EDP) does not agree with the split asset approach for reasons developed below (in points 3. to 6. below), and supports instead the right of use alternative.
2. Eurostat directorate D nonetheless wishes to answer yes to Q.2: if the split asset were to nonetheless be followed, we strongly support the OCV option, also promoted by AEG, instead of the capital transfer option initially proposed by WS.6. The OCV – however artificial it might be (see below) – permits shielding the GFS accounts from unwarranted disturbances arising from booking (very) large capital transfers expenditure (D.9) upon the extension of extracting leases, which would be very difficult to justify and could even lead to severe misinterpretations by users.
3. Eurostat directorate D generally support the WS.6 subsoil assets proposal of moving natural resource depletion into the core accounts, which de facto removes the SNA 2008 anomaly that extraction royalties (and equivalent, like surtaxes, as indicated by WS.14) are assimilated to rent on land. This SNA 2008 extension is/was profoundly illogical, because such royalties largely cover depletion of assets and thus do not meet the property income definition to start with (such that these two types could instead be distinguished in the new SNA, like the current SNA 2008 already distinguishes rent from rentals: rent on land and rent on depletable natural asset). Also, this SNA 2008 approach is not consistent with

sustainable growth accounting that the SNA should take into account to the extent possible. However, appropriately recording natural resource depletion in the core accounts of the SNA does not require a split assets approach.

4. The split asset is unjustified out of principle but also for practical/compilation reasons. A major concern of directorate D relates to the notion of 'resource rent' versus 'rent', extensively used by WS.6, following the SEEA, as opposed to the SNA 2008 (which takes them as synonymous – see SNA 7.154). Directorate D objects to the approach proposed to calculate a resource rent based on the excess profit of a company compared to royalties paid out, a practice used in the SEEA, both out of principle and also for compilation reasons. In Directorate D's view, the natural resource value is to be calculated as the present value of royalties and assimilated and thus can only appear in the accounts of the lessor.

5. Opposition out of principle:

a. Eurostat Directorate D considers perfectly arbitrary and outside SNA general principles to decree that some excess profits are in fact a measure of a hidden cost. In the view of Directorate D, excess profits (the imagined resource rent of the authors that is supposedly captured by the extractor) either reflects inappropriately measured costs (such as terminal costs, or, most importantly, risk premium, or even rent actually captured by government more efficiently in the form of "surtaxes", which should actually be assimilated to rent) or reflects temporary profits due to changes in prices (or over performance) compared to initial expectations.

In short, such excess profits of the extractor are to be considered as part of the normal 'producer surplus' that any market producer enjoys by selling its product on the market at a market price and are therefore not gifts of any kind.

In the specific case where such excess profits would reflect too low royalties (when the contact is not sold on the market but subject to a bilateral agreement), a capital transfer would however need to be recorded (against a payable) in order to recognise the gift element.

b. The resource rent approach of the author is very analogous to a goodwill approach, where the present value of some excess profit is seen as an asset, essentially intending to capture "assets" not recognised in the system. But, SNA 2008 does not recognise goodwill in general, and only recognises purchased goodwill, which is very different (see SNA paragraph 13.53).

c. It is not disputed that the lessee is exposed to risks and rewards on extraction leases (and also on other leases), but those should be captured (and are already captured, if the lease is transferable, an issue that the authors neglect altogether – or inadequately refer to in paragraph 12), under a separate asset of the type of AN.222 – this category would simply have to be expanded to include all leases of natural assets and not only those transferable, a much more modest change in SNA but very effective. It should be noted that when the extraction lease is auctioned off, the AN.222 created is of zero value, and any emergence of value of the lease later on would depend on price (and extraction performance) realisation that would differ from initial expectations.

d. Directorate D thinks completely erroneous to state that the economic ownership of the SNA implies partitioning, as the executive summary of WS.6 does, a very surprising and erroneous statement (which the core note does not explain). This would then imply partitioning PPPs, leases on building and so on. As explained in 5.c above, the "ownership" of the lessee can instead be reflected (and is already in some cases) by an AN.222 asset type. The split of asset approach of WS.6 builds from the quotation of a very debatable paragraph of the SNA 2008 (13.50) that seems to give the impression that economic ownership is with the lessee, while the lessor is the legal owner.

e. A splitting of assets can indeed take place, for instance in the case of joint ownership, which frequently follows inheritance, but in this case the basis of the splitting is absolutely clear and corresponds to genuine economic values: each co-owner would be able to sell its part (if allowed) for a price relatively close to the calculated value. In contrast, the extracting lease value for the lessee could not be sold for the value imagined by the statistician – this can be proven (to the limit) just after an auction, as, by definition, the lease value is then zero, from the market point of view (while the statistician calculates an asset following the SEEA resource rent approach. Here the statistician is taken the place of the market).

f. The proposed WS.6 approach leads to the impression that a lease being auctioned on the market nonetheless contains an excess profit, captured by the lessee, while no such thing is possible: no excess profit can exist in this specific context at inception (in case of auction), and all measured excess profit is simply unobserved costs or incorrect risk premium.

g. While the OCV approach will indeed generally avoid impacting government accounts, which is highly satisfactory, the subsoil asset value that appears in the account of the lessee still seems unjustifiable. Would the lessee be able to liquidate that asset for that value? If the lease was just auctioned, obviously no asset exists according to the market, even if the statistician would imagine, based on its own calculation, that an asset exists. And, later on, if the lease is transferable, the extraction lease value is already captured in SNA 2008 through AN.222 – creating scope for a double count.

6. Opposition out of practical reasons:

a. From a compilation perspective, Eurostat Directorate D is extremely worried as to how this 'resource rent' can be measured in practice, resulting from the compilation by a statistician of an excess profit that implies defining a cost of capital (with inherently a risk premium that cannot be known). A contract-by-contract approach seems unworkable, data intensive and would require information about future performance that cannot be safely collected (it suffices to imagine the uncertainty around future profits, when what is known is only current/past profits). A macro-approach can only mix the excess profit ingrained in the contract at inception from the excess profit originating from new events, which is not a better proposition.

The measure of excess profits thus inevitably mixes what arises from new price surprises compared to inception, with profitability required at inception (itself probably legitimate because of the premium required by the market).

Statisticians will not be able to correctly calculate the excess profit for a given lease, because it reflects future prices and volumes, that cannot be easily guessed, and will inevitably mix, using observed present (or past) values, the imagined excess profit and the excess profit or loss due to different realisations compare to expectations.

b. The country tests give rise to concerns, with Australia showing a very large value for subsoil asset held by the S.11 sector, of around 1/3 of GDP, which seems exceptionally large and could legitimately put a question mark on the extraction leasing practices of the country, unless this is due to privately owned sub-soil assets (though these should be excluded from the exercise). Similarly, new discoveries are mainly allocated to the private sector, which seems difficult to justify (unless again concerning privately owned subsoil). In contrast, royalties appear to be assigned to government. Norway shows a significant amount of split assets despite showing not very significant or persistent captured resource rent, which seems somewhat contradictory. The reader is surprised that only/mostly royalties are mentioned by Australia and Canada, while Norway essentially reports surtaxes as government revenue, which raises the question if all surtaxes have been considered by Australia and Canada or not. Also, no information is provided on the implicit cost of capital that has been imputed to reach these estimates, and any absence of clear guidance will prevent any comparability of data across countries.
7. Finally, it could be noted that the T-accounts exhibit anomalies that inhibit smooth understanding of what WS.6 proposes. The total assets in example A are erroneous (and do not add-up). In example C, the total assets are not equal to the net worth. In example D.2, the OCV seems put on the wrong side of the T-accounts. More important, the right of use approach (page 29), which is not even given a specific option label (that would be E), seems not to reflect the intended use of this option.

Norway (Statistics Norway, Division for public finance): The split-asset approach has not yet been thoroughly investigated and we cannot vote in favour of it now. Still, if it was to be incorporated in the new SNA, we strongly advice against recording initial partitioning of assets and ownership changes as capital transfers. Such transfers will seriously distort GFS data series and possibly confuse users.

Portugal (National Statistics Institute): We consider that the split asset approach, in particular the recording of depletion, has significant drawbacks.
There is no doubt that depletion occurs for the society as a whole. However, which are the actual cost incurred by the extractor? If a natural resource is completely exhausted by the end of the extraction contract, the corporation can enter into a new contract and does not have an actual costs in its accounts.
In adittion, the valuation of the stock of natural resources remains a complex issue that could entail non homogeneous treatments across countries, blurring international comparisons, particularly if it is intended to focus on net aggregate measures of production and income.
The conceptual and operational questions raised on the valuation of this type of assets merits more work before engaging on the proposed changes.
We would be in favour of the presentation of macroeconomic information outside the core national accounts under the form of satellite accounts.

Slovenia (Statistics Slovenia): This is answer to Q2A (which we cannot provide directly into the questionnaire): YES, we agree with the OCV option.

Ukraine (State Statistics Service of Ukraine): -

Zimbabwe (min of finance): The adoption of the split-asset approach for accounting for natural resource assets can have implications for government financial statements (GFS). This approach involves separating the physical asset from the associated rights to extract the resources, which can improve transparency and accountability in the management of natural resource assets.

Whether or not to adopt the split-asset approach can depend on a range of factors, including the specific nature of the natural resource asset, the relevant legal and regulatory framework, and the objectives of the government.

However, if the split-asset approach is adopted, it can be important to ensure that the appropriate accounting treatment is used to reflect the partitioning and subsequent changes in ownership of the natural resource assets. This can help to ensure that the government's financial statements accurately reflect the economic resources and obligations associated with these assets.

Therefore, the decision to adopt the split-asset approach should be made based on a careful consideration of the specific circumstances and objectives of the government, as well as the potential implications for GFS

Q2A. If you agree with the adoption of the split-asset approach (Q1A is Yes), do you agree with the AEG recommendation that the initial partitioning of assets, as well as subsequent ownership changes based on changes in resource rent distributions, should be reflected in the accounts as other volume changes and not capital transfers?

Q2A	EU countries	Rest of the World	Total
Yes	2	3	5
No		2	2
Unsure		1	1
No response			
Total	2	6	8

Albania (Statistical Institute - INSTAT): Yes

Argentina (Laura Mohadeb): No

Aruba (CBS): Yes

Burkina Faso (Ministère de l'économie, des finances et de la prospective): No

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): Unsure

Lithuania (Statistics Lithuania): Yes

Ukraine (State Statistics Service of Ukraine): Unsure

Zimbabwe (min of finance): Yes

Q2B. Please elaborate.

Argentina (Laura Mohadeb): I recommend the "right-to-use" permit approach, because the owner of the resourse is still the government

Burkina Faso (Ministère de l'économie, des finances et de la prospective): Puisque à mon avis le bilan du gouvernement doit enrégistrer la valeur de l'actif, déduction faite de toutes les charges et de la marge de l'extrateur. Ainsi, Le gouvernement peut ventre sont actifs, recevoir de la liquidité ou enrégistré d'autres comptes à recevoir (qui déminuerait en fonction de l'amortissement reçu de 'extracteur). (La sortie d'un type d'actif à remplacer par un autre type d'actif sont bien sûr dans des reclassements (autres flux économiques)). Cette opération décrite précedemment impactera la valeur financière nette. Aussi, voudrai-je indiqué que si une ressources naturelle vaut 1000 unités monétaires, et si elle devrait servir de garantie à une opération du gouvernement, le créancier voudra savoir ce que vaut ajoud'hui l'actif naturelle (bien sûr valeur de marché moins les charges d'exploitation). Toutefois, si le gouvernement n'a pas vendu l'actif à l'extracteur, l'actif reste dans le bilan du gouvernement et la diminution de l'actif non fiancier est compensée par une augmentation d'actif financier.
Je précise, que l'évolution dans la quantité/qualité évalueé au début et des prix donneront lieu d'enregistrement d'autres flux économique au niveau du gouvernement.

Ukraine (State Statistics Service of Ukraine): -

Zimbabwe (min of finance): If the split-asset approach is adopted, it may be appropriate to reflect the initial partitioning of assets and subsequent ownership changes based on changes in resource rent distributions as other volume changes rather than capital transfers. This is because the ownership changes do not reflect a transfer of economic resources between different entities, but rather a change in the distribution of the economic benefits associated with the asset.

The split-asset approach can improve transparency and accountability in the management of natural resource assets, but it can also have implications for government financial statements (GFS). Therefore, it is important to ensure that the appropriate accounting treatment is used to reflect the partitioning and subsequent changes in ownership of the natural resource assets.

Using other volume changes to reflect changes in ownership of natural resource assets can help to ensure that GFS accurately reflect the economic resources and obligations associated with these assets. However, the appropriate accounting treatment for ownership changes under the split-asset approach can depend on a range of factors, including the specific nature of the asset, the relevant legal and regulatory framework, and the nature of the ownership changes.

Therefore, the decision to reflect changes in ownership of natural resource assets as other volume changes rather than capital transfers should be made based on a careful consideration of the specific circumstances and objectives of the government, as well as the potential implications for GFS

Q3A. If you don't agree with the adoption of the split-asset approach (Q1A is No), do you instead prefer the "right-to-use" permit approach which was proposed as an alternative during the 19th meeting of the AEG of April 2022?

Q3A	EU countries	Rest of the World	Total
Yes	7	1	8
No			
Unsure	1	1	2
No response			
Total	8	2	10

Australia (Commonwealth Department of Finance): Unsure

Brazil (National Treasury): Yes

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): Yes

France (Insee): Yes

Luxembourg (Eurostat): Yes

Norway (Statistics Norway, Division for public finance): Yes

Portugal (National Statistics Institute): Yes

Slovenia (Statistics Slovenia): Yes

Ukraine (State Statistics Service of Ukraine): Unsure

Zimbabwe (min of finance): Yes

Q3B. Please elaborate.

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): I prefer the "right-to-use" permit approach as it is more realistic.

France (Insee): See Q1B

Luxembourg (Eurostat): 1. It is undisputed that the lessee is exposed to risks and rewards on extraction leases (and also on other leases), but those should be captured, under a separate asset of the type of AN.222. It should be noted that natural resources lessees' exposures are already captured, in the SNA 2008 (and even 1993), if the lease is realizable/transferable, through the AN.222 asset (an issue that the authors neglect altogether – or inadequately refer to in paragraph 12).
2. This AN.222 category would simply have to be expanded to include all leases of natural assets and not only those that are transferable, a much more modest change in SNA but very effective.
3. The right-of-use approach is to some extent consistent with new IFRS 17 on lease accounting, which implies recording the net value of a lease in the balance sheet of the lessee, although the IFRS 17 follows a gross approach showing both the liability for lease payment and a gross value of right of use (while the AN.22 takes a net approach).
4. It should be noted that when the extraction lease is auctioned off, the AN.222 created is of zero value, and any emergence of value of the lease later on would depend on price (and extraction performance) realization that would differ from initial expectations.
5. This right-of-lease recording is consistent with WS.14 option 2B (as well as with the Eurostat Guidance Note on mobile phones recording of March 2017), which explains very well the logic being these recording. It should be noted that the split-asset option is however not contradictory with WS.14.
6. Interestingly, WS.6 para 33 seems to imply that Statistics Canada has also a preference for a separate nonfinancial asset, which seems to us very similar to the right-of-lease approach, although the authors, for some reasons, do not make that link.
7. The right of use approach T-accounts described page 29 are not given a specific option label (that would be E) and seem not to reflect the intended use of this option. This is because the right of lease is mechanically of 0 value (instead of 250 in the numerical example) when a lease is sold out (which is not what is reported in page 29). The page 29 could nonetheless be rationalized as reflecting the fact that the initial estimate of subsoil asset of 750 is, de facto, reviewed to 500, once this market transaction/test (that is: the auction of the extraction lease) is carried out, following the right-of-use approach.

Norway (Statistics Norway, Division for public finance): This approach requires less radical change to SNA/ESA codes and methodology.

Portugal (National Statistics Institute): This approach implies the recording of depletion in the accounts of the legal owner (generally, S13), which in our view is more aligned with economic reality as the society as a whole is negatively impacted by the extraction of natural resources.

Ukraine (State Statistics Service of Ukraine): -

Zimbabwe (min of finance): The "right-to-use" permit approach involves accounting for the right to extract natural resources separately from the underlying asset. This approach can provide greater transparency and comparability, but it may also be more complex to implement than the split-asset approach.

Ultimately, the most appropriate approach for accounting for natural resource assets will depend on the specific circumstances and objectives of the government. Therefore, a careful consideration of the potential benefits and drawbacks of each approach, as well as the practicalities of implementation, should be undertaken before making a decision.

It is worth noting that both the split-asset approach and the "right-to-use" permit approach have been proposed as potential methods for improving the valuation and accounting for natural resource assets, and ongoing research and development in this area may lead to further refinements or alternative approaches in the future.

Q4A. Do you agree that the share of the natural resource assets (or value of the "right-to-use" permit) be calculated based on observances over a long time period to mitigate the volatility in resource rent shares due to commodity prices and other factors? This would align with the method of valuing overall natural resource assets and was the approach followed during the testing.

Q4A	EU countries	Rest of the World	Total
Yes	5	10	15
No		1	1
Unsure	5	1	6
No response			
Total	10	12	22

Albania (Statistical Institute - INSTAT): Yes

Argentina (Laura Mohadeb): Yes

Aruba (CBS): Yes

Australia (Commonwealth Department of Finance): Yes

Brazil (National Treasury): Yes

Burkina Faso (Ministère de l'économie, des finances et de la prospective): Yes

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): No

France (Insee): Yes

Lithuania (Statistics Lithuania): Yes

Luxembourg (Eurostat): Unsure

Norway (Statistics Norway, Division for public finance): Unsure

Portugal (National Statistics Institute): Yes

Slovenia (Statistics Slovenia): Unsure

Ukraine (State Statistics Service of Ukraine): Yes

Zimbabwe (min of finance): Yes

Q4B. Please elaborate.

Argentina (Laura Mohadeb): While I think it's important to get the calculation based on observances over a long period of time to mitigate volatility in resource rental stocks due to commodity prices and other factors, I think year-over-year it's necessary to have a calculation that reflects these costs. to see how the balance changes from year to year and thereafter, so that you can determine if the initial estimate holds in the future.

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): It is important for the beginning to calculate the natural resource assets every one to three years. Not above. And when the method is robust, it will be possible to do it over a long period of time.

Luxembourg (Eurostat): 1. Directorate D is unsure how to answer to this question.
2. The correct method is not to avoid using market price (so, the answer is: no).
3. At the same time, the correct method is not to use the market cash price of the product extracted (so, the answer is: yes).
4. The correct method consists in considering future prices, which often exist (through forwards, futures or swaps pricing), sometimes in the distant future, and which are much less volatile than cash prices.
5. Thus, market prices do not imply volatility when one envisage the correct prices to consider. In contrast, we do not favor methods applying simple smoothing of the past.

Q5A. If the "split asset approach" (or "right-to-use" permit approach) is introduced, do you expect that the relative resource rents could be measured?

Q5A	EU countries	Rest of the World	Total
Yes	2	5	7
No	3	2	5
Unsure	5	5	10

No response			
Total	10	12	22

Albania (Statistical Institute - INSTAT): Unsure

Argentina (Laura Mohadeb): Unsure

Aruba (CBS): Unsure

Australia (Commonwealth Department of Finance): No

Brazil (National Treasury): No

Burkina Faso (Ministère de l'économie, des finances et de la prospective): Yes

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): Yes

France (Insee): No

Lithuania (Statistics Lithuania): Unsure

Luxembourg (Eurostat): No

Norway (Statistics Norway, Division for public finance): Yes

Portugal (National Statistics Institute): Unsure

Slovenia (Statistics Slovenia): No

Ukraine (State Statistics Service of Ukraine): Unsure

Zimbabwe (min of finance): Yes

Q5B. Please elaborate.

Argentina (Laura Mohadeb): I hope so

Australia (Commonwealth Department of Finance): Please refer to the response to Q1A above.

Brazil (National Treasury): We expect resource rent for government units to be measured. Public corporations rent could be measured in an eventual expansion of coverage. Private corporations rent are not expected to be measured.

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)): It is obvious that if the approach based on "right-to-use" is introduced in accounts, it conducts in the preparation of relative resource rents in country.

France (Insee): This is the key question. When a resource lease is auctioned in a reasonably competitive and open tender, statisticians should have no reason to expect, at first, a positive “excess profit” for the extractor. To stay true to the SNA framework, this market situation should be considered as the reference for any discussion. In this case, the asset value would be the net present value of the royalties and the expected surplus of the extractor would be, by definition, zero. Guidelines should then be drawn to explain when it is necessary to depart from this reference case. At inception, it could be the case that the resource lease is granted without competition, well below its expected return. We do not argue that this is a rare situation, it might actually be quite common for various political reasons. Appropriate guidance should therefore explain how to identify those cases and how to treat them. Later on, there could also be a rationale to revalue the asset, as the resource price or the risk profile of the project change overtime. This is precisely what a “right-to-use” asset would aim to capture.

Norway (Statistics Norway, Division for public finance): Possibly they can by measured (by way of some endorsed method), but our concern is that the results would be questionable and difficult to understand for users.

Ukraine (State Statistics Service of Ukraine): -

Zimbabwe (min of finance): If the split-asset approach or the "right-to-use" permit approach is introduced for accounting for natural resource assets, it may be possible to measure the relative resource rents associated with these assets. This is because these approaches involve separating the physical asset from the associated rights to extract the resources, which can improve transparency and accountability in the management of natural resource assets.

By separating the physical asset from the extractive rights, it may be possible to more accurately measure the economic benefits associated with the extraction of natural resources. This could include the measurement of resource rents, which represent the surplus earned by extracting and selling natural resources above the costs associated with their extraction

Q5C. If No to Q5A, what are the main measurement challenges you anticipate?

Australia (Commonwealth Department of Finance): Please refer to the response to Q1A above.

Brazil (National Treasury): We expect resource rent for government units to be measured. Public corporations rent could be measured in an eventual expansion of coverage. Private corporations rent are not expected to be measured.

France (Insee): The main challenge is that complete accounting data at a micro level (operation by operation) may, in general, not exist. Moreover, we have no idea about what the “normal” rate of return on capital should be, which is why we should instead refer to the “competitive auction” as a reference point (see previous answer).

Luxembourg (Eurostat): see answers in Q.1 (point 6)

Q6. The inclusion of depletion as a cost of production (in the 2025 System of National Accounts) has been endorsed. Please share any comments or observations you have on the introduction of depletion accounting and the implications for GFS.

Argentina (Laura Mohadeb): I agree with the inclusion of depletion as a cost of production as long as it is directly asociated with the extraction of the resourse

Aruba (CBS): For our country it will be difficult to measure depletion

Australia (Commonwealth Department of Finance): We agree that conscious depletion of the asset should be an expense if the sales proceeds are recorded as revenue. Other volume changes (such as re-assessments of the amount of mineral reserves) should continue to be other economic flow, as proposed in the guidance. We consider subsidies and specific taxes should be considered as an allocation of rent, not part of the rent itself, because they do not relate to the production process.

Burkina Faso (Ministère de l'économie, des finances et de la prospective): Nous pensons que si la l'enregistrement que nous avons proposée est retenues, celà sera conforme au traitement de tout type d'actif non financier par le gouvernement dans les SFP

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)):
First, it will creat some diffucultie sto measure this depletion for countries which share frontiers.
Secondly, is it scientifically demonstrated the depletion of resources regardless of the type? Have we a list of these resources Do we have a list of resources that can run out and with exhaustion time?

France (Insee): In general, we support the introduction of natural resource depletion in the future SNA central framework. However, compilation issues should not be overlooked if we want to achieve a reasonable country comparability of these new estimates.

Luxembourg (Eurostat): As indicated in Q.1 (point 3) Eurostat directorate D generally support the WS.6 subsoil assets proposal of moving natural resource depletion into the core accounts, which de facto removes the SNA 2008 anomaly that extraction royalties (and equivalent, like surtaxes, as indicated by WS.14) are assimilated to rent on land. This SNA 2008 extension is/was profoundly illogical, because such royalties largely cover depletion of assets and thus do not meet the property income definition to start with (such that these two types could instead be distinguished in the new SNA, like the current SNA 2008 already distinguishes rent from rentals: rent on land and rent on depletable natural asset). Also, this SNA 2008 approach is not consistent with sustainable growth accounting that the SNA

should take into account to the extent possible.
However, appropriately recording natural resource depletion in the core accounts of the SNA does not require a split assets approach.
It should be noted that, in case the depletion of natural resources would be recorded in the accounts of the lessor, then this depletion should not be included in the sum of costs approach. Otherwise, the initial intention of WS.6 to obtain a correct measure of net national income would be defeated. We understand that at this stage the depletion is proposed to be recorded in the lessee accounts.

Norway (Statistics Norway, Division for public finance): We support the work aimed at improving accounting for depletion in national accounts. However, in our opinion, a satisfactory solution has not been presented yet.

Portugal (National Statistics Institute): We consider that the split asset approach, in particular the recording of depletion, has significant drawbacks.
There is no doubt that depletion occurs for the society as a whole. However, which are the actual costs incurred by the extractor? If a natural resource is completely exhausted by the end of the extraction contract, the corporation can enter into a new contract and it does not recognize actual costs in its accounts.
The society as a whole is negatively impacted by the extraction of natural resources.

Ukraine (State Statistics Service of Ukraine): No

Q7. Please share any other comments you have on the proposed introduction of the "split asset approach" and/or accounting for depletion.

Australia (Commonwealth Department of Finance): The Australian Government reporting is based on the Australian Bureau of Statistics' accrual Government Finance Statistics and the Australian Accounting Standards (AAS). There is no single AAS that deals with natural resources. Using the existing framework, mineral resources assets are not usually recognised as the amounts of mineral reserves cannot be reliably measured. The International Public Sector Accounting Standards Board (IPSASB) has recently had a consultation paper out for comment on Natural Resources. The paper had several models that might be applied where there was dispersal of control across government and the mining companies and concluded that the uncertainty about existence of mineral resources (i.e. reserves) will mean that in most circumstances no asset would be recorded. IPSASB standards are not used in Australia but, because there is no single Australian standard currently existing, the IPSASB work may be used to develop an Australian standard.

Cameroon (Institut Sous régional de Statistique et d'Economie Appliquée (ISSEA)):
Have we communicate enough on the "split asset approach" and/or accounting for depletion?
I don't know if experts have organize seminars on such new items in National Accounts. Are developed countries and Underdeveloped countries, on the same level of comprehension of these items?

France (Insee): The « spilt-asset » and « depletion » are two different topics and should be dealt with in two separate guidance notes.

Portugal (National Statistics Institute): The valuation of the stock of natural resources remains a complex issue that could entail non homogeneous treatments across countries, blurring international comparisons, particularly if it is intended to focus on net aggregate measures of production and income.
The conceptual and operational questions raised on the valuation of this type of assets merits more work before engaging on the proposed changes.
We would be in favour of the presentation of macroeconomic information outside the core national accounts under the form of satellite accounts.

Ukraine (State Statistics Service of Ukraine): No comments