

Report on the Outcome of the Global Consultation on the Draft 2025 SNA

Chapter 27: Contracts, leases, licenses and permits

27 comments were received from 10 respondents.

Question 1 – Have the agreed recommendations been reflected appropriately?

No substantive issues were raised.

No additional issues requiring changes of the current text were raised.

Question 2 – Is the material in the chapter clear?

Two substantive issues were raised.

Issue 27.2.1: Paragraphs 27.29 and 27.31 include text on the treatment of renewable energy resources. Further refinement of the text is requested to clarify the expected treatments of these new assets especially concerning the application of the split asset approach and the link to the value of land. Issues were raised by 5 respondents.

Proposed response: No changes are proposed in paragraph 27.29 since the reference to renewable energy resources concerns a presentational issue rather than an issue of accounting treatment. In paragraph 27.31, it is proposed that the text is amended and extended (as shown below) to clarify the distinction between payments to land holders and governments and the potential for a split asset approach to apply for renewable energy resources.

27.31 The generation of income from renewable energy resources does not require the extraction of minerals or energy resource but rather the construction and operation of produced assets which capture the energy from the renewable source. In this context, the relevant ~~rights and permissions to construct and operate the produced assets~~ are directly associated with the location of the produced assets and the economic owner of the renewable energy resources must secure the permissions before construction and operation. ~~The treatment of any payments associated with the permissions will be the same as for payments for the use of land.~~ Payments for permission may be made in relation to (i) access to land from land holders or (ii) government permissions. In the first case, the treatments for payments related to land (see paragraphs 27.25 to 27.27) apply, most commonly as payments of rent. In the second case, the permissions will be treated as either payments of rent or involve the application of the split-asset approach depending on the nature of the arrangements.

Issue 27.2.2: Paragraphs 27.16 to 27.19 describe three options for the treatment of transactions related to natural resources. There is a lack of clarity on the connection between the three options described in 27.16, the related treatments in 27.17 to 27.19 and the text describing the treatments in the following sections. Issue was raised by 2 respondents.

Proposed response: It is the case that the connection among the paragraphs, especially to later sections is not as clear as it might be in part given the need to retain as much text as possible from the 2008 SNA. To support understanding it is proposed to more

explicitly note in paragraphs 27.16 to 27.19 that the first option concerns a change of economic ownership, that the second option involves no change in economic ownership and the third option involves splitting the economic ownership. Thus the three options are exhaustive.

Four minor additional issues were raised which are considered relevant for inclusion:

- Paragraph 27.12: It is proposed to amend the first sentence concerning the changing value of the finance lease to clarify the intended treatment. The revised sentence reads “From a conceptual point of view, the transfer of leased assets at the end of the lease period should be recorded as extinguishing the financial claim of the lessor (and the corresponding liability of the lessee) ~~that has been progressively built up over the leasing period~~. In practice however, it is considered appropriate to ignore the progressive recording of these financial claims, and to instead record the transfer of the relevant assets as capital transfers at the end of the lease period.”
- Paragraph 27.22 (d: It is proposed to replace the words “underlying asset” with “natural resource”.
- Paragraph 27.36: It is proposed to include a reference to fish stocks being biological resources yielding once-only products to provide a clear link to the asset classification.
- Paragraph 27.60: It is proposed to reword the second sentence to reflect that the government “is foregoing 1/3 of the future returns from the natural resources” rather than “giving up 1/3 of the natural resources”

Question 3 – Are there any errors in the chapter, or inconsistencies within this chapter or with other chapters?

Four substantive issues were raised.

Issue 27.3.1: Paragraph 27.27 suggests that in certain circumstances the leasing of land may lead to entries of gross fixed capital formation but this is not considered appropriate. Issue was raised by 1 respondent.

Proposed response: This possible treatment of land as GFCF was present in the 2008 SNA and has been raised as an issue earlier in the revision process during the drafting of Chapter 27. In line with responses from AEG members, it is proposed to treat payments for the extension of long-term leases of land as transactions in land. To give effect to this treatment, it is proposed to amend the final sentence of paragraph 27.27 to “If, at the end of the land lease, a further payment is liable for extension of the lease for another long-term period, this should be recorded as acquisitions of land. In the accounts of the unit receiving the payment, the disposals of land are recorded with concomitant other changes in the volume for the land coming into existence.” ~~capital formation and an acquisition of an asset in a manner similar to costs of ownership transfer on purchase and sale of an asset.~~

Issue 27.3.2: Concerning the treatment of timber resources and fish resources, the current text is not well aligned with the treatments described in Chapter 13 where there is a clear distinction between the value of the resources themselves and the value of the underlying asset (e.g. forest land). Issue was raised by 3 respondents.

Proposed response: The text in paragraphs 27.32 to 27.35 (timber resources) and 27.36 to 27.45 (fish) will be updated to align with the treatment described in Chapter 13.

Issue 27.3.3: The text through the chapter is mixed in its application of the terms natural resource rent, resource rent and rent. Alignment is needed with the definitions and application of terms in the rest of the SNA and the Glossary. Issue was raised by 3 respondents.

Proposed response. It is agreed that consistency in the application of the terms is required. It is proposed that the text will be aligned such that the term “resource rent” (rather than “natural resource rent”) is used to refer to the total surplus value obtained by the economic owners after deducting all costs of extraction from sales of harvested resources, and the term “rent” is used to refer to payments made to legal owners of the underlying asset. This will affect text in paragraphs 27.29, 27.30, 27.37, 27.59, 27.60 and the example in Table 27.1. As well, text in paragraph 27.19 will be updated to differentiate clearly between resource rent and payments of rent to the legal owner.

Question 4 – Are there any other concerns?

Two substantive issues were raised.

Issue 27.4.1: In paragraphs 27.35 and 27.44, illegal harvesting (of timber and fish) is treated as part of uncompensated seizure (and hence as part of other changes in volume of assets) whereas a treatment as depletion would be more appropriate. Issue was raised by 1 respondent.

Proposed response: The concept of depletion relates to the cost of using up natural resources (economic assets) that are being used in production by their economic owner. While illegal harvesting of timber and fish reduces the stock of the natural resource, and reduces the value of the economic asset held by the economic owner, since the reduction is not due to the activities of the economic owner it is not appropriate to treat this as a cost against their production. It is therefore proposed to retain the current treatment of these changes as being uncompensated seizures.

Issue no 27.4.2: In paragraph 27.50 to 27.52 on the treatment of radio spectra the text appears to contradict the revised framing presented earlier in the chapter where no separate assets for the rights for use of natural resources are recognised. This same issue arises also in para 27.55. Issue raised by 2 respondents.

Proposed response: We agree that there is an apparent inconsistency between the treatment of the radio spectrum as outlined in paragraphs 27.49 to 27.52 and the general principles for rights to use a natural resource outlined in paragraphs 27.16 to 27.19, noting that the treatment of the radio spectrum was not an issue for consideration in the update of the 2008 SNA and accordingly remains unchanged from the 2008 SNA. It is not possible to fully address this issue in the remaining time for the finalization of the SNA. Options would need to be properly considered. These may require to changes to either the general principles, the treatment of the spectrum or both, and clearly any such changes would require extensive consultation. It is proposed that this issue be added to the Research Agenda. In the meantime, paragraphs 27.16 to 27.19 provide general guidance, but the subsequent discussion in Section C provides specific guidance for particular cases, which should be followed in these cases.

Issue 27.4.3: A question was raised as to whether a split-asset approach can apply in the context of land, i.e. is it appropriate to calculate the resource rent for land and then compare it with rent payments.

Proposed response: The split-asset approach has been incorporated in the 2025 SNA in the context of sharing the resource rent derived from a natural resource. For land it is envisaged that all resource rent will accrue to the legal owner and hence the split asset approach does not apply, also noting in particular that there will be separate resource rents earned from the use of land which may be split and also noting that returns to the ownership of land may be reflected in holding gains and losses rather than resource rent. Generally, it is accepted that the valuation of land and the appropriate recording of entries in the balance sheets and flow accounts is a challenging area of national accounting and the topic has been placed on the 2025 SNA Research Agenda. In this context, it is proposed not to add any additional text concerning the potential to apply the split-asset approach for land in section C.1 (paragraph 27.25-27).

Six minor additional issues were raised which are considered relevant for inclusion:

- Section B2 (and elsewhere as needed): It is proposed to ensure consistent application of the term “finance lease” rather than “financial lease”
- It is proposed to review the chapter to ensure consistent application of the terms contract, lease, license, rights, permit and permission also considering the definitions in the glossary but recognising the intent in revising this chapter is to limit changes from text in the 2008 SNA.
- Paragraph 27.24: It is proposed to add the following text at the start of the paragraph (changes highlighted by underlining) “In line with the treatments of natural resources described in chapter 11 and recognising the importance of consulting with experts in the management of natural resources, the general application of these criteria to the main forms of natural resources is described below.”
- Paragraph 27.50: It is proposed to amend the text to clarify that the case where a radio spectra licence is granted indefinitely is an example of a case where the life span of the licence and the spectrum coincides (changes highlighted by underlining) “When the sale of an asset applies and when the life span of the licence and of the spectrum coincide, for example when licences are granted indefinitely, the payment for a licence is treated as the sale of the spectrum itself. The latter situation applies always when licences are granted indefinitely.”
- Paragraph 27.81: It is proposed to add an explanation that year $t+n$ is the year the emission permit is surrendered.
- Paragraph 27.84: It is proposed to clarify that the atmosphere is not an asset in the SNA by adding at the end of the first sentence “which is not the case in the SNA.”
- Table 27.1 and associated text in paragraph 27-59-60: It is proposed to (i) ensure reference to rent rather than natural resource rent; (ii) remove the term degradation and consider only depletion; (iii) in the other changes in volume of asset account remove entry for depletion to avoid confusion; (iv) consider revising the example such that there is a difference between the resource rent and depletion (i.e. don’t assume that the return to natural capital is zero).

Disagreement with agreed recommendations for the update of the 2008 SNA – provided for information only

There were no recommendations regarding which five or more respondents disagreed.

Substantive concerns with 2008 SNA text unaffected by agreed recommendations – provided for information only

There were no substantial concerns regarding the 2008 SNA text unaffected by agreed recommendations.

