



STATISTICS

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

**INTERNATIONAL WORKSHOP ON THE UPDATE
OF THE SNA, SESSION 6 – WELL-BEING AND
SUSTAINABILITY, SEPTEMBER 7, 2022**

Mark de Haan
Real Sector Division

A summary of the guidance note

- Prepared by the SEEA-SNA area group within the WSTT
- two main proposals:
 - (i) **Align 2025 SNA to SEEA-CF regarding depletion of natural resources**
 - 2008 SNA recording: other change in the volume of assets
 - SEEA-CF recording: element of gross value added

Gross Operating Surplus – Consumption of Fixed Capital – Depletion of Natural Resources = Net Operating Surplus

- In this way, both consumption of fixed capital and depletion of natural resources will be presented as a cost element of production (by ISIC industry)
- An additional Guidance Note is forthcoming in which a more prominent presentation of **net** domestic product and **net** national income (instead of gross) in the 2025 SNA is being proposed.

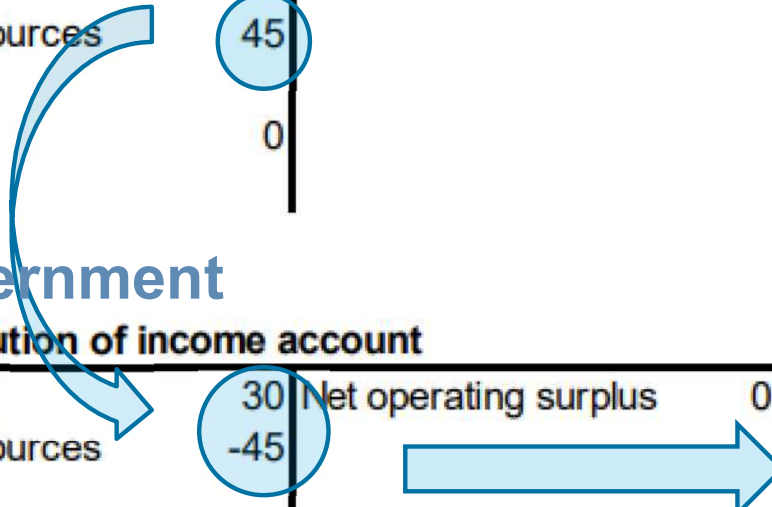
A summary of the guidance note

- two main proposals (*continued*):
 - (ii) **A realistic representation of economic ownership of natural resources**
 - 2008 SNA convention: government is considered economic owner
 - 2025 SNA proposal: ownership is assigned to government and extractor based on the shared risks and rewards
 - 2008 SNA convention is unrealistic:
 - There is overwhelming evidence that many governments in the world are not appropriating the full, or even a significant part of a, natural resource's returns.
 - Also, the depletion element should be assigned to both the mining company and government according to economic ownership.
 - In fact, assigning the depletion element fully to government does not make sense.

Why the depletion element cannot be fully assigned to government....

Mining company		Production and generation of income account	
Compensation of employees	35	Output	100
Consumption of fixed capital	20		
Depletion/degradation of natural resources	45		
Net operating surplus	0		

Government		Distribution of income account	
Rent on natural resources	30	Net operating surplus	0
Depletion/degradation of natural resources	-45		
Net saving	-15		



Impossible to bring depletion for the full amount to the government accounts and balance sheet!

Review and global consultation

- Discussed by the AEG at its 14th meeting (Oct 2020)
- The positive outcome of the global consultation was presented at the 17th AEG meeting (Oct 2021).
Main outcomes:
 - High & medium relevance = 70%
 - Agree with split-asset proposal = 65%
 - Agree with depletion = 67%
- Meanwhile concerns were raised by Government Finance Statistics (GFS) compilers, particularly about the split-asset proposal...

Concerns from a Government Finance Statistics perspective (the splitting of natural resource ownership)

- There are substantial measurement concerns
 - *This point is well taken but seemingly addressing uncertainties related to NPV estimations which are already a 2008 SNA recommendation*
- It reveals government is in fact “*donating*” part of a country’s resources
 - *This seems to be the inconvenient truth. Yet, the ownership split is probably already in existence at the point in time when a natural resource comes into being.*
- The resource rent according to government appropriation
 - *For good reasons, this option is rejected in the SEEA-CF*
- On a positive note, the splitting of assets will not affect government surplus/deficit or debt

The way forward...

- Short term...
 - *The split asset approach will be tested for several countries, endowed with natural resources*

- Mid term...
 - *There is a strong need for international cooperation and capacity building in the field of capital measurement, particularly when the next SNA will move from gross to net income.*
 - *The theory is well advanced. In practical terms, more work is needed:*
 - *Consumption of fixed capital → Perpetual Inventory Method*
 - *Natural resource accounting → NPV calculations*

Thank you for your attention!

MdeHaan@IMF.org