

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

17 October – 18 October 2012

**Question: SBT 78**

**Topic: Sub-soil Assets**

**Written: Received from Committee – 26 October 2012**

**Senator MILNE asked:**

78. You replied to questions AET128-129 from Senator Ludlam at February estimates on the valuation of subsoil assets that essentially a mineral deposit does not exist until we find it. Why have you rejected the alternative approach, which would be to regard it as always having been there and revise back the series when a new deposit is discovered?

**Answer:**

The national accounts balance sheet presents a point in time estimate of economically exploitable subsoil assets. This is in accordance with the 2008 System of National Accounts (2008 SNA), the international statistical framework to which the Australian System of National Accounts adheres to.

The 2008 SNA states –

“In the SNA, subsoil assets are defined as those proven subsoil resources of coal, oil and natural gas, of metallic or minerals or of non-metallic minerals that are economically exploitable, given current technology and relative prices” (para 12.17)

To be economically exploitable the assets must be proven (rather than probable or possible) and return a higher price on sale than they cost to extract. The volume of subsoil assets will therefore vary depending on exploration, commodity prices and technological advances as well as extraction.

The 2008 SNA goes on to state that the reference point for inclusion in the accounts is at the time when the natural asset becomes commercially exploitable (and ‘economic’) –

“...the first substantial market appearance, generally involving commercial exploitation, is the reference point for recording in this account” (para 12.22)

Prior to this point in time, the natural resource is considered ‘uneconomic’ and by definition, should not appear in the balance sheets.

The ABS has implemented the 2008 SNA recommendations and believes that they provide the most useful basis for economic analysis.