# NATURAL RESOURCES

<table>
<thead>
<tr>
<th>Project summary</th>
<th>The objective of the Natural Resources project is to research and address issues relating to the potential recognition and measurement of natural resources.</th>
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<tbody>
<tr>
<td>Project staff lead</td>
<td>• Edwin Ng, Principal</td>
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| Task Force members | • Renée Pichard, IPSASB Member (Task Force Chair)  
• Remaining membership to be determined |

## Meeting objectives

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## Decisions required at this meeting

| Project Planning and Proposed Project Timeline | 9.2.1 |
| Natural Resources Shell Exposure Draft | 9.2.2 |
| Proposed Definition of Natural Resources | 9.2.3 |
| Rebuttable Presumption for Not Recognizing Natural Resources | 9.2.4 |
| [Draft] IPSAS [X], Natural Resources | 9.2.5 |

## Other supporting items

| Shell Exposure Draft, Natural Resources | 9.3.1 |
| Exposure Draft, Natural Resources | 9.3.2 |
## Agenda Item 9.1.1

**Natural Resources**  
IPSASB Meeting (June 2023)

### NATURAL RESOURCES: EXPOSURE DRAFT DASHBOARD

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### DECISIONS UP TO PREVIOUS MEETING

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<tr>
<th>Meeting</th>
<th>Decision</th>
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<tr>
<td>March 2023</td>
<td>1. The delineation between natural and other resources is necessary.</td>
<td>1. BC to be drafted.</td>
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<td>March 2023</td>
<td>2. An ED on the financial reporting of natural resources within the general purpose financial statements should be developed.</td>
<td>2. BC to be drafted.</td>
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<td>March 2023</td>
<td>3. A separate ED for the costs of exploration, evaluation, and extraction activities, aligned with IFRS 6, <em>Exploration for and Evaluation of Mineral Resources</em>, and IFRIC 20, <em>Stripping Costs in the Production Phase of a Surface Mine</em>, should be developed.</td>
<td>3. BC to be drafted.</td>
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<td>March 2022</td>
<td>1. All decisions made up to March 2022 were reflected in the Consultation Paper, <em>Natural Resources</em>.</td>
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## INSTRUCTIONS UP TO PREVIOUS MEETING

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<th>Instruction</th>
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<tr>
<td>March 2023</td>
<td>1. Develop a principled approach to delineate between natural and other resources.</td>
<td>1. See <a href="#">Agenda Item 9.2.3</a></td>
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<td>March 2023</td>
<td>2. Develop a shell ED on the financial reporting of natural resources which highlights what guidance can be carried forward from the CP in terms of objective and scope of the proposed standard, as well as the proposed guidance on recognition, measurement, and disclosures.</td>
<td>2. See <a href="#">Agenda Item 9.2.2</a></td>
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<td>March 2023</td>
<td>3. Develop the draft of an IFRS-aligned ED on exploration, evaluation, and extraction activities.</td>
<td>3. To be addressed in September 2023.</td>
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<td>1. All instructions provided up to March 2022 were reflected in the Consultation Paper, <em>Natural Resources</em>.</td>
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| March 2020      | 1. Project Brief approval  
2. Commencement of Consultation Paper (CP) development                                                                       |
| March 2022      | 1. Approval of CP (Published May 9, 2022)                                                                                            |
| December 2022   | 1. CP comment period ( Ended October 17, 2022)                                                                                   |
| March 2023      | 1. Review of responses to the CP                                                                                            |
| June 2023       | 1. Development of Exposure Draft (ED) on the financial reporting of natural resources                                             |
| September 2023  | 1. Discussion of issues  
2. Development of ED on alignment with IFRS 6 and IFRIC 20                                                                     |
| December 2023   | 1. Discussion of issues                                                                                                          |
| March 2024      | 1. Approval of EDs                                                                                                               |
Project Planning and Proposed Project Timeline

Question
1. Does the IPSASB agree with the proposed project plan for the Natural Resources project.

Recommendations
2. Staff recommend extending the project plan and proposed approval of the two exposure drafts (ED) on natural resources and alignment with IFRS for exploration, evaluation, and extraction activities to March 2024.

Background
3. At its March 2023 meeting, the IPSASB decided to develop two EDs for the natural resources project on the following topics:
   (a) The financial reporting of natural resources in the general purpose financial statements (GPFS). This ED (the Natural Resources ED) will incorporate research that was done for the Consultation Paper, Natural Resources (CP) as well as the feedback from constituents; and
   (b) The development of proposed guidance on the accounting of exploration, evaluation, and extraction activities from IFRS 6, Exploration for and Evaluation of Mineral Resources, and IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine. This ED (the IFRS 6 Aligned ED) will propose guidance aligned with the respective IFRSs.

4. To help the progress the development of the Natural Resources ED, the IPSASB instructed staff to develop a shell ED that sets out any guidance that can be carried forward from the CP. In considering which parts of the CP should be integrated into the shell ED, IPSASB staff will consider respondents' comments, and will highlight any remaining key issues to be addressed. This will allow a better understanding of areas where IPSASB has developed thinking in the CP, and received constituent support, as well as flagging areas where further work is necessary. Based on the shell ED and the outstanding issues highlighted, staff have developed a proposed project timeline leading up to the approval of the two ED in March 2024.

Natural Resources ED
5. The shell ED is discussed in detail in Agenda Item 9.2.2 and the full shell ED can be found in Agenda Item 9.3.1. As noted in Agenda Item 9.2.2, the key issues and when staff plans to address these issues are as follows:
   (a) Definition of natural resources – to be addressed at this meeting;
   (b) Rebuttable presumption for no recognition in the GPFS – to be addressed at this meeting;
   (c) Recognition and measurement of natural resources in the GPFS in rare circumstances – to be addressed in September 2023;
   (d) Application guidance – to be addressed in September 2023;
   (e) Implementation guidance – to be addressed in December 2023; and
   (f) Other items: basis for conclusions and illustrative examples – to be addressed in December 2023.
6. To facilitate the resolution of the above issues, staff propose extending the timeline for approval of the Natural Resources ED to March 2024. The detailed project plan is depicted in the Natural Resources: Exposure Draft Dashboard in Agenda Item 9.1.1.

IFRS 6 Aligned ED

7. During the development of the CP, it was noted that there were no public sector-specific reasons to depart from the private sector guidance on the accounting for exploration, evaluation, and extraction activities. Therefore, the development of an ED based on the alignment of guidance from IFRS 6 and IFRIC 20 is expected to be relatively straightforward, requiring only changes in terminology.

8. As a result, staff plan to begin development of the IFRS 6 Aligned ED in September 2023. Since staff plan is to release both EDs together, this ED is also expected to be approved by the IPSASB in March 2024.

Decision Required

9. Does the IPSASB agree with the Staff recommendations?
Natural Resources Shell Exposure Draft

Question
1. Does the IPSASB agree with the draft shell exposure draft (ED) and the remaining key issues to be addressed in the Natural Resources project?

Recommendations
2. Staff recommend the development of the Natural Resources ED based on the key principles proposed in the shell ED.

Background
3. At its March 2023 meeting, the IPSASB instructed staff to develop a shell ED on the accounting for natural resources to highlight what parts from the Consultation Paper, Natural Resources (CP) can be leveraged for the ED, in terms of the objective and scope of the proposed standard, as well as the proposed guidance on recognition, measurement, and disclosures.
4. Staff developed the shell ED, which also highlights the key remaining issues to be addressed. This paper outlines the shell exposure draft and these issues.

Analysis

Shell Exposure Draft
5. The full shell ED can be found in Agenda Item 9.3.1. The shell ED highlights:
   (a) The proposed key principles to be included in the ED on the financial reporting of natural resources in the GPFS;
   (b) Where the proposed key principles were already discussed in the CP, a summary of the IPSASB’s previous discussions, preliminary views (PV), and specific matters for comment (SMC), with references to the specific paragraphs in the CP;
   (c) Where applicable, constituent’s comments on the proposed key principles; and
   (d) Remaining key issues and staff’s plan to address the issues.
6. The key sections / principles and remaining issues in the shell ED which staff would like to highlight for the IPSASB are as follows:

Definition of Natural Resources (Key Outstanding Issue 1 – to be Addressed at this Meeting):
7. A definition of “natural resources” will need to be developed to address constituents’ concerns regarding the previously proposed general description. This is reflected as Key Outstanding Issue 1 in the shell ED and will be addressed separately in Agenda Item 9.2.3. Providing the proper context for how a revised definition would work within the scope and objective of the standard will also address some constituents’ concerns over the purpose of the standard and whether the IPSASB expects a public sector entity to develop a complete inventory of every potential natural resource in its jurisdiction;

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1 While a general description of natural resources was used in the CP, terms with specific meanings will need to be defined in the ED and final standard to be consistent with the approach used in other IPSAS.
Rebuttable Presumption that Natural Resources Cannot be Recognized as Assets (To be Addressed at this Meeting):

8. As noted at the March 2023 meeting, there was very little support for the recognition of natural resources within the GPFS, as many constituents stated that the reporting of such resources appeared to be more appropriate in the broader general purpose financial reports. Based on this feedback and to be consistent with the asset recognition criteria in the Conceptual Framework, staff proposed to:

(a) Set out specific criteria for a natural resource to be recognized in the GPFS. These criteria will focus on the issues raised by constituents—i.e., meeting all aspects of the asset definition, including existence uncertainty, control, as well as the entity’s ability to use the resources to generate economic benefits or service potential; and

(b) Introducing a rebuttable presumption that a natural resource cannot be recognized as an asset.

9. The rebuttable presumption to not recognize natural resources as assets is addressed in detail in Agenda Item 9.2.4.

Recognition and Measurement of Natural Resources in Rare Circumstances (Key Outstanding Issues 2 and 3 – to be Addressed in September 2023):

10. As noted in the CP and generally supported by respondents, there could be rare situations where a natural resource meets all the asset recognition criteria and is capable of being measured to be recognized as an asset. The resulting accounting was not discussed in the CP, so staff propose to present issue papers at the September 2023 meeting to address:

(a) The proposed initial and subsequent recognition of these resources, including the offsetting credit entry upon initial recognition; and

(b) The proposed measurement of these resources, which will align with the guidance in IPSAS 46, Measurement. Staff will also consider existing external measurement frameworks for specific types of resources and whether these frameworks provide appropriate measurement approaches that are consistent with IPSAS measurement guidance (IPSAS 46 and updated Chapter 7 Measurement of the Conceptual Framework.)

Application Guidance (Key Outstanding Issue 4 – to be Addressed in September 2023)

11. Staff propose the inclusion of a detailed analysis on how the proposed scope and definition interact with existing IPSAS. This issue will be addressed in more detail in a paper at the September 2023 meeting.

Implementation Guidance (Key Outstanding Issues 5 and 6 – to be Addressed in December 2023):

12. Staff propose including detailed Questions & Answers on why the recognition of specific natural resources (subsoil resources, water, and living resources) will be unlikely or only possible in exceptional circumstances. Based on the feedback on the CP, many constituents were clear that the recognition of subsoil resources was not possible, so staff will proceed with drafting the implementation guidance accordingly and present the draft text to the IPSASB at the December 2023 meeting.

13. For water and living resources, many constituents requested clarification on whether these resources can be controlled while remaining within the scope of the project. As a result, staff propose developing
implementation guidance on applying the recognition criteria to water and living resources as separate issue papers to be presented to the IPSASB at the December 2023 meeting.

Other Items

14. While not considered key issues, staff also plan to draft and present the basis for conclusions and illustrative examples to the IPSASB at the December 2023 meeting.

Decision Required

15. Does the IPSASB agree with the Staff recommendations?
Proposed Definition of Natural Resources

Question

1. Does the IPSASB agree with the proposed definition of natural resources and the proposed scope of [draft] IPSAS [X], Natural Resources?

Recommendation

2. Staff recommend:
   (a) Clarifying the scope of the [draft] IPSAS [X], Natural Resources, to exclude items that fall within:
      (i) IPSAS 12, Inventories;
      (ii) IPSAS 16, Investment Property;
      (iii) IPSAS 27, Agriculture;
      (iv) IPSAS 31, Intangible Assets; and
      (v) IPSAS 45, Property, Plant, and Equipment;
   (b) Define natural resources in the exposure draft as follows:
      “A natural resource is a tangible item which is:
      (a) Naturally occurring; and
      (b) Is a resource as defined in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework)”;
   (c) Explicitly explain the use of the term “resource” as defined in the Conceptual Framework.

Background

3. At the March 2023 meeting, staff presented an analysis of the responses received for the Consultation Paper, Natural Resources (CP). Some respondents raised concerns regarding the proposed general description of natural resources in the CP, particularly the requirement for a natural resource to be in its natural state. Other respondents questioned the scope and objective of the project and whether the IPSASB expected preparers to develop an inventory of every possible natural resource in its jurisdiction.

4. Staff noted that the original intent of the general description was to distinguish items that are natural resources within the scope of the project from other resources. Therefore, addressing the concerns regarding the general description is related to clarifying the scope of the project. In response to constituent’s comments and staff's analysis, the IPSASB instructed staff to develop principles to better delineate between natural and other resources.

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2 The draft ED in Agenda Item 9.3.2 currently does not mention the source of the definition of “resource” in the core text. Staff plan to explain that the IPSASB developed the definition to be consistent with the Conceptual Framework in the BC paragraphs.
5. This paper outlines the proposals to address the above issues. (Note: Staff also plans to discuss the issue of the definition of natural resources and scope with the CAG. Staff will provide an update on input and advice received from CAG members during the discussion of this agenda item.)

Analysis

6. As noted in paragraph 4, in addition to revising the definition of natural resources, it is also necessary to clarify the scope and objective of the natural resources project. Therefore, staff propose to:
   
   (a) Clarify the scope of the project and the resulting exposure draft;
   
   (b) Define “natural resource” in a way which does not require an item to be in its natural state or rely on the concept of human intervention; and
   
   (c) Explicitly explain the consequences of using the term “resource” as defined in the Conceptual Framework.

Scope Clarification

7. As noted at the March 2023 meeting, the original purpose of the requirement for a natural resource to be in its natural state was to delineate between natural resources and other resources that are already addressed by existing IPSAS. All tangible items consist of parts that were, at some point, naturally occurring, so without such a delineation, any proposed guidance on natural resources could be interpreted to also apply to items such as inventories or agricultural assets.

8. In Specific Matters for Comment 3 of the CP, the majority of respondents noted that there is currently sufficient scoping guidance in existing standards to determine which IPSAS applies to items such as inventories, property, plant, and equipment, and agricultural assets.

9. Based on the need to delineate between natural resources and other resources, and the feedback that the current scoping guidance in existing IPSAS is sufficient, staff propose to clarify that the scope of the natural resources project, and the resulting exposure draft, to only encompass tangible natural resources (as defined below in paragraph 6) that are not within the scope of:

   (a) IPSAS 12, Inventories;
   
   (b) IPSAS 16, Investment Property;
   
   (c) IPSAS 17 (and IPSAS 45), Property, Plant, and Equipment;
   
   (d) IPSAS 27, Agriculture; and
   
   (e) IPSAS 31, Intangible Assets.

10. The above scope clarification does not rely on the concept of being in a natural state or human intervention, which respondents noted would be problematic. By using the scope of existing IPSAS, which respondents also noted was well-understood, the resulting exposure draft should provide a principled but practical means for constituents to delineate between natural resources and resources within the scope of other IPSAS.

Definition of Natural Resources

11. As the issue of delineating between natural resources and other resources is addressed by the scope clarification proposed in paragraphs 7-10, the proposed definition of natural resources can be simplified as follows:
"A natural resource is a tangible item which is:

(a) Naturally occurring; and

(b) Is a resource as defined in this [draft] Standard."

12. Staff also propose to define "resource" as, "a right to either service potential or the capability to generate economic benefits, or a right to both." This wording is based on the definition of a resource in paragraph 5.6A of the revised Conceptual Framework approved in March 2023 (Conceptual Framework).

Clarification of “Resource”

13. Paragraphs 5.8-5.10 of the Conceptual Framework define service potential as the capability of a resource to provide services that contribute to achieving the entity’s objectives, while economic benefits are cash inflows or a reduction in cash outflows.

14. Paragraph BC5.3 of the Conceptual Framework explains that resources provide benefits to an entity in the form of service potential or the capability to generate economic benefits, and that while these benefits do not have to have already flowed to the entity for a resource to exist, the benefits must be capable of being accessed by the entity.

15. Based on this discussion in the Conceptual Framework, staff propose to explain in the exposure draft that for a naturally occurring item to be considered a resource, it must be readily accessible and be currently capable of:

(a) Being used in a service delivery program (e.g., the subject matter of a resource preservation or conservation program);

(b) Being used in the production and/or sale of services; or

(c) Being exchanged for cash or other resources.

16. Examples of naturally occurring items that could be a natural resource (which may or may not meet the criteria to be recognized as an asset) include:

(a) Organisms that are currently an endangered species and are actively protected by a preservation or conservation program; and

(b) Unextracted mineral or hydrocarbon reserves that could be readily and feasibly extracted, refined, and sold.

The above examples only consider whether a naturally occurring item meets the definition of a natural resource, not whether the natural resource can be recognized as an asset.

17. In contrast, not all naturally occurring items within a jurisdiction are considered natural resources. An item whose existence is uncertain calls into question whether it is truly accessible by an entity. Items which do not have any currently known potential use or cannot be feasibly, quantified (inventoried), extracted or harvested are also not considered resources, as there is no realistic way for an entity to access the item's possible economic benefits or service potential.

3 The wording “currently capable” means the item should be capable of being used or exchanged based on the existing facts and circumstances at the time when the assessment of whether it is a resource is made. This issue is highlighted by the example in paragraph 18.
18. For example, certain species of weeds are inedible, do not have any medicinal purposes, and cannot be used as raw materials for any purpose. These plants are not considered resources for accounting purposes and therefore cannot be a natural resource as defined in paragraph 11. If a future scientific discovery leads to possible economic benefits or service potential, an entity will need to reassess if the item is a resource at that time. The mere possibility of such a future discovery does not warrant meeting the definition of a resource at the present time.

Conclusion

19. Staff believes that the above proposed approach because it addresses constituents' concerns as:

(a) The proposed definition of natural resources does not include the requirement to be in its natural state or rely on the concept of human intervention, which constituents noted was problematic. Using the scope of existing IPSAS to clarify the scope of the natural resources project will provide a practical and principled approach to delineating between natural resources and other resources that are within the scope of an existing IPSAS; and

(b) Clarification of what is considered a resource as defined in the Conceptual Framework will prompt constituents to carefully consider which naturally occurring items are truly within the scope of the exposure draft. This will address respondents' concerns over the need to inventory all naturally occurring items within their jurisdiction.

Decision Required

20. Does the IPSASB agree with the Staff recommendation?
Rebuttable Presumption for Not Recognizing Natural Resources

Question
1. Does the IPSASB agree with the proposed approach to address the recognition of natural resources as assets in the general purpose financial statements (GPFS)?

Recommendation
2. Staff propose to:
   (a) Include detailed criteria for the recognition of natural resources as assets in the GPFS in the exposure draft (ED);
   (b) Include a rebuttable presumption that natural resources generally cannot be recognized as assets; and
   (c) Include recognition and measurement guidance for the rare circumstances where a natural resource does meet the asset recognition criteria.

Background
3. As noted in the IPSASB’s preliminary views in the Consultation Paper, Natural Resources (CP), the recognition of natural resources as assets in the GPFS is expected to be challenging and only occur in rare circumstances. While respondents to the CP generally agreed that the recognition of natural resources would be limited, some respondents indicated that the recognition of natural resources as assets, particularly subsoil resources, would not be possible in their view.

4. Some constituents also highlighted that the recognition analysis in the CP was focused too heavily on measurement issues, and that there could be significant issues with meeting all aspects of the asset recognition criteria, such as existence uncertainty, control, as well as whether the resources can truly generate economic benefits or service potential for an entity.

5. Based on the above concerns, many constituents noted that reporting of natural resources appeared to be more appropriate in the broader general purpose financial reports—i.e., there was not widespread support that recognition of natural resources as assets in the GPFS was feasible.

6. This paper walks through the staff’s proposed approach to address recognition of natural resources by incorporating the research from the CP stage of the project and feedback from constituents.

Analysis

Asset Recognition Criteria

7. Consistent with the Conceptual Framework and the preliminary view in the CP, staff will propose that a natural resource shall be recognized as an asset if it meets the definition of an asset and can be reliably measured. This is reflected in paragraph 6 of the draft ED in Agenda Item 9.3.2.

8. Because respondents noted that the analysis in the CP was focused too heavily on the measurement aspect of the asset recognition criteria, it will be important for the ED to expand on what is required to meet the definition of an asset. Paragraph 7 of the draft ED, which is summarized below to facility the board’s review, proposes:
*A natural resource meets the definition of an asset if, and only if, an entity can demonstrate all of the following:

(a) The naturally occurring item is a natural resource:
   
   (i) It is technically feasible that the natural resource can be made available for use or sale;

   (ii) The entity has the intention and ability to access the service potential or economic benefits from the use or sale of the natural resource;

   (iii) The entity has a clear plan on how the natural resource will generate probable future economic benefits or service potential;

   (iv) The entity has adequate technical, financial, and other resources to make the natural resource available for use or sale; and

   (v) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity. An entity shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of economic conditions that will exist over the useful life of the asset;

(b) The resource is presently controlled by the entity based on consideration of:

   (i) Legal ownership;

   (ii) Access to the resource or the ability to deny or restrict access to the resource;

   (iii) The means to ensure that the resource is used to achieve the entity’s objectives; or

   (iv) The existence of an enforceable right to service potential or ability to generate economic benefits arising from a resource; and

(c) Control of the resource arises from past events.

Recognition Criterion 1: Consideration of Whether an Item is a Resource

9. As noted in Agenda Item 9.2.3, some respondents were unclear on what items are considered resources, and many respondents also pointed out that this lack of clarity also impacts asset recognition. Therefore, it will be important to also clarify what items are considered resources in the context of asset recognition in the ED.

10. To accomplish this, staff developed specific criteria, which are listed in paragraph 8(a), based on the criteria to recognize an internally developed intangible asset in IPSAS 31, Intangible Assets. These criteria are also consistent with the definition of a resource in the Conceptual Framework (as discussed in Agenda Item 9.2.3) but tailored to the context of a natural resource.

11. Paragraphs AG1-AG5 of the draft ED further expands on the consideration of whether an item is a resource by incorporating the discussion from paragraphs 13-18 of Agenda Item 9.2.3.

12. In addition, based on feedback from constituents regarding how existence uncertainty can prevent an item from being considered a resource, staff explicitly noted in paragraph AG4 that an entity should carefully consider if an item is a truly resource if there are uncertainties over whether an item exists.
Recognition Criterion 2: Consideration of Control

13. The factors to be considered in paragraph 8(b) are based on paragraph 5.12 of the Conceptual Framework.

14. As discussed at the March 2023 meeting, some respondents to the CP questioned whether it was possible to control the service potential arising from a living resource’s ability to maintain biodiversity or absorb carbon dioxide from the atmosphere. This concern is in line with paragraph 5.7D of the revised Chapter 5 of the Conceptual Framework approved in March 2023, which states that for a resource to be an asset, the service potential or economic benefits that are controlled by an entity must be beyond those available to all other parties.

15. When applied to living resources, the revised Conceptual Framework clarifies that benefits such as the maintenance of biodiversity or carbon absorption could not, on their own, form the basis for asset recognition, as it is not possible to limit their benefits to the only party controlling the resource. Staff clarified this line of thinking in paragraph AG6 of the draft ED.

Recognition Criterion 3: Past Event

16. Paragraph 5.13 of the Conceptual Framework provides information on when an asset may arise from the exercise of sovereign powers. This discussion is consistent with Appendix C of the CP, which stated that for an asset to exist, an entity’s sovereign powers must have been exercised in a way that results in the creation of rights to receive resources. Staff included this discussion in paragraph AG7 of the draft ED.

Recognition Criterion 4: Can be Reliably Measured

17. To be consistent with the general structure of other IPSAS, the discussion of when an item can be reliably measured is included in the Measurement section in paragraph 12 of the draft ED. The draft wording in this paragraph is based on paragraph 23 of IPSAS 45, Property, Plant, and Equipment.

Rebuttable Presumption for No Recognition

18. As noted in paragraph 3, the IPSASB’s preliminary view was that the recognition of natural resources as assets would be challenging and would only occur in rare circumstances. This view was reinforced by constituent feedback from the CP, with some constituents stating that, in their view, the recognition of natural resources was not only challenging, but not possible.

19. To be consistent with the principles from the Conceptual Framework, rather than that categorically stating that recognition is not possible, a rebuttable presumption was included in paragraph 9 of the ED to state that natural resources generally do not meet the criteria to be recognized.

Accounting for Recognized Resources

20. At this stage of the project, staff have not finalized the analysis of the potential recognition requirements for the rare circumstance where a natural resource can be recognized as an asset in the GPFS. As noted in the shell ED (see Agenda Item 9.2.2), staff will present an analysis in September 2023. This analysis will also address the subsequent measurement of recognized resources.

21. In terms of the initial measurement, presentation, and disclosure of recognized natural resources, the current draft ED proposes:
(a) That recognized natural resources are initially measured at transaction price if it is acquired in an exchange transaction or at deemed cost if it is acquired in a non-exchange transaction (see paragraph 11 of the draft ED);

(b) That recognized natural resources apply the same presentation requirements as those for property, plant, and equipment in IPSAS 1 (see paragraphs 15 and 16 of the draft ED); and

(c) To include disclosures specific to recognized natural resource assets (see paragraph 21 of the draft ED.)

**Decision Required**

22. Does the IPSASB agree with the Staff recommendation?
[Draft] IPSAS [X], **Natural Resources**

**Question**

1. Does the IPSASB agree with text drafted to date in the [draft] IPSAS [X], *Natural Resources*?

**Recommendation**

2. Staff recommend inclusion of the proposed text in [draft] IPSAS [X], *Natural Resources*.

**Background**

3. Staff developed a shell ED for the financial reporting of natural resources in the GPFS—see Agenda Items 9.2.2 and 9.3.1. Based on the key principles highlighted in the shell ED and the issues discussed in Agenda Items 9.2.3 (on the definition of natural resources) and 9.2.4 (on the rebuttable presumption for not recognizing natural resources), staff drafted an ED and would like the IPSASB to perform a detailed page-by-page review of the document.

**Analysis**

4. Staff developed the core text of the draft ED included in Agenda Item 9.3.2 based on the principles highlighted in the shell ED.

5. Where the finalization of a principle or non-authoritative guidance is pending further consideration, staff have included placeholders in the draft ED.

**Decision Required**

6. Does the IPSASB agree with the Staff recommendation?
Supporting Document 1 – Shell Exposure Draft, *Natural Resources*

The shell exposure draft referenced in Agenda Item 9.2.2 is posted separately for easier readability.
Supporting Document 2 – [Draft] IPSAS [X], *Natural Resources*

The exposure draft referenced in Agenda Item 9.2.5 is posted separately for easier readability.