

## TECHNICAL NOTES

### A. Conceptual Framework of the Energy Accounts

The Energy Accounts of the Philippines is a publication that presents the physical and monetary asset accounts for coal, oil, natural gas, and condensate. This is an update of the energy asset accounts released last January 2021.<sup>1</sup>

The System of Environmental-Economic Accounting 2012 Central Framework (SEEA-CF), a multi-purpose framework for measuring the environment and its interaction with the economy, serves as the framework for this study. It is also a statistical framework that consists of a comprehensive set of tables and accounts which guides the compilation of consistent and comparable statistics and indicators for policymaking, analysis, and research.

The SEEA Central Framework covers measurement in three main areas: (1) the flows of resources within the economy and between the economy and the environment; (2) the economic activity and transactions related to the environment; and (3) the stocks and the changes in stocks of environmental assets, such as energy resources, which is the main focus of this study.

The accounts provide information on the available stocks of the four non-renewable energy resources at the start and end of each year, as well as the changes that occurred during the period. These energy resources were also classified following the United Nations Framework Classification for Fossil Energy and Mineral Resources (UNFC-2009) as follows: Class A, commercially recoverable resources; Class B, potentially commercially recoverable resources; and Class C, non-commercial and other known deposits.

A basic physical asset account for energy resources is compiled by type of resources, each with the same unit of measurement, and by class of resources.

**Table 1. Structure of physical asset account for energy resources**

Type of energy resource (Class A: Commercially recoverable resources)	
<b>Opening stock</b>	
<b>Additions to stock</b>	
Discoveries	
Upward reappraisals	
Reclassifications	
<i>Total additions to stock</i>	
<b>Reductions in stock</b>	
Extractions	
Catastrophic losses	
Downward reappraisals	
Reclassifications	
<i>Total reductions in stock</i>	
<b>Closing stock</b>	

<sup>1</sup> <https://psa.gov.ph/environment/peenra/releases/163735>

The structure of the monetary asset account is similar to that of the physical asset account but with an additional entry: revaluations. It is recommended to value only Class A deposits in monetary terms.

**Table 2. Structure of monetary asset account for energy resources**

Type of energy resource (Class A: Commercially recoverable resources)	
<b>Opening stock</b>	
<b>Additions to stock</b>	
Discoveries	
Upward reappraisals	
Reclassifications	
<i>Total additions to stock</i>	
<b>Reductions in stock</b>	
Extractions	
Catastrophic losses	
Downward reappraisals	
Reclassifications	
<i>Total reductions in stock</i>	
<i>Revaluations</i>	
<b>Closing stock</b>	

## B. Definition of Terms

Terms	Definition
Asset	A store of value representing a benefit or series of benefits accruing to an economic owner by holding or using the entity over a period of time. It is a means of carrying forward value from one accounting period to another.
Environmental assets	Environmental assets are the naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity.
Individual environmental asset	Individual environmental assets are those assets that may provide resources for use in economic activity. They comprise mineral and energy resources, land, soil resources, timber resources, aquatic resources, other biological resources and water resources.
Catastrophic losses	These rarely occur with energy resources. Catastrophes such as collapsing of mines may occur but this does not reduce the stocks of the resources.
Depletion, <i>in physical terms</i>	Depletion, in physical terms, is the decrease in the quantity of the stock of a natural resource over an accounting period that is due to the extraction of the natural resource by economic units occurring at a level greater than that of regeneration.

Terms	Definition
Discoveries	Discoveries are additions representing the arrival of new resources to a stock and commonly arise through exploration and evaluation.
Extraction	Extractions are reductions in stock due to physical removal or harvest of an environmental asset through a process of production.
Energy resources	Energy resources comprise known deposits of coal, oil, and natural gas resources.
Reappraisals	Reappraisals reflect changes in the measured stock of assets due to the use of updated information that permits a reassessment of the size of the stock.
Reclassifications	Reclassifications are changes in assets that result from situations in which an asset is used for a different purpose. A reclassification of an asset in one category should be offset by an equivalent reclassification in another category.

Source: System of Environmental-Economic Accounting 2012 Central Framework

### C. Data Sources

The data for estimating the physical and monetary asset accounts were gathered from the following:

Data	Data Sources
<ul style="list-style-type: none"> <li>Reserves and extractions of coal, oil, natural gas, and condensate</li> </ul>	Energy Resource Development Bureau, Department of Energy
<ul style="list-style-type: none"> <li>National Accounts of the Philippines, 2000 to 2020</li> <li>2018 Supply and Use Tables</li> <li>Total revenue, book value of fixed assets, and interest expense of establishments engaged in the extraction of energy resources</li> </ul>	Philippine Statistics Authority
<ul style="list-style-type: none"> <li>Treasury bill rates</li> </ul>	Bangko Sentral ng Pilipinas
<ul style="list-style-type: none"> <li>Social discount rate</li> </ul>	National Economic Development Authority

## D. Estimation Methodology

### Physical Asset Accounts

1. Encode the available data and set up the physical asset accounts by region for coal and by service contracts for oil, natural gas, and condensate.
2. Determine the year of discovery based on the energy resource inventory and information on the service contracts and recorded the reserves data as discoveries on that year.
3. Estimate the opening stocks, closing stocks and reappraisals (balancing item using residual method) based on the available data and determined the appropriate class using the criteria discussed below.
4. Determine the timepoints when reclassifications occurred and the corresponding stocks for each contractor.
5. Consolidated the results by class.

### Monetary Asset Accounts

1. Using the 2018 Use Table, calculate the ratio of compensation of employees, consumption of fixed capital, and taxes less subsidies to gross output by industry.
2. Multiply the ratio to the Gross Output series to estimate the respective values from 2000 to 2020.
3. Compute Gross and Net Operating Surplus.
4. Collect data on book value of fixed assets, total revenue, and interest expense from the CPBI and ASPBI. Calculate ratio of book value to total revenue.
5. Compute Return to Produced Assets.

$$\text{Return to Produced Assets} = \text{Ratio} \times \text{Gross Output} \times \text{Treasury Bill rate}$$

6. Compute the Resource Rent.

$$\text{Resource Rent} = \text{NOS} - \text{Return to Produced Assets} - \text{Interest Expense}$$

7. Derive the asset life for each resource.

$$\text{Asset Life} = \frac{\text{Closing Stocks of Class A}}{\text{Extractions}}$$

8. Compute the resource value using the Net Present Value (NPV) method, and unit resource value.

$$\text{Resource value} = \sum_{i=1}^t \frac{RR_i}{(1+r)^i} \quad \text{Unit Resource Value} = \frac{\text{Resource Value}}{\text{Closing Stocks of Class A}}$$

where RR is the resource rent  
r is the discount rate  
t is the asset life

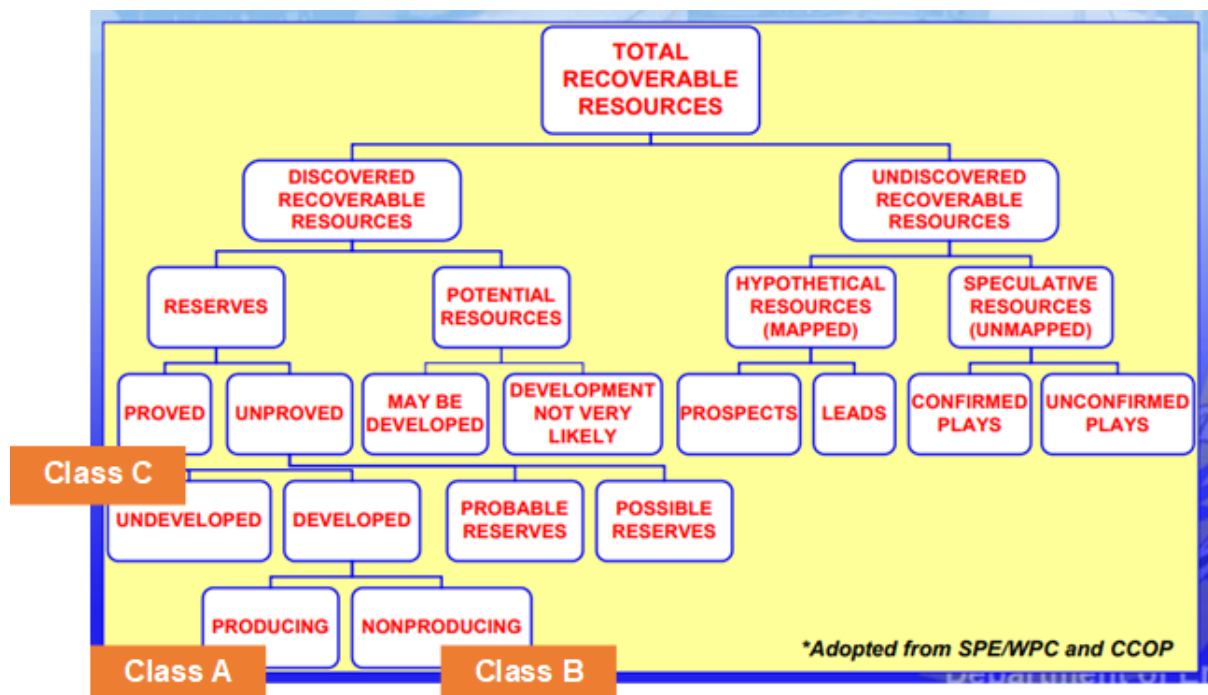
9. Multiply the unit resource value to the entries in the Class A physical asset account to come up with the monetary asset accounts. Estimate the revaluations using residual method.

### E. Operationalized Classification Criteria

The classification of coal resources was based on the localized UNFC-2009 used for the compilation of the Mineral Accounts of the Philippines through the Wealth Accounting and the Valuation of Ecosystem Services (WAVES) Project. Moreover, the classification of oil, natural gas, and condensate resources was based on the Philippine Petroleum Resource Classification System.

Class	Criteria for Coal Resources
A	Producing during the reference year
B	Not yet producing during the reference year but has production in succeeding years
	Suspended operation for one year; Temporary suspension
C	Not producing during the reference year and no production in succeeding years
	Stopped operation for 2 or more years; Permanently stopped operations
	Inactive; Expired contract and not applying for renewal

### Philippine Petroleum Resource Classification System



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