



Comprehensive Resource Policy

THE THIRD PILLAR



PRIME MINISTER'S OFFICE

Arnar Guðmundsson



Resource Policy Committee

Government Resolution May 31 2011

Prime Minister's Office; chairman

Ministry for the Environment

Ministry of Industry

Ministry of Finance

Ministry of the Interior

Ministry of Economic Affairs



3 pillars of resource policy

**Research, advice
and policy regarding
utilisation or
conservation**

**Decisions on
utilisation and
supervision of
exploitation
licences**

**Management of
resources where the
state is owner or
caretaker on behalf
of the nation**

Allocation of licences,
licensing periods, fees,
the distribution of
resource rent og



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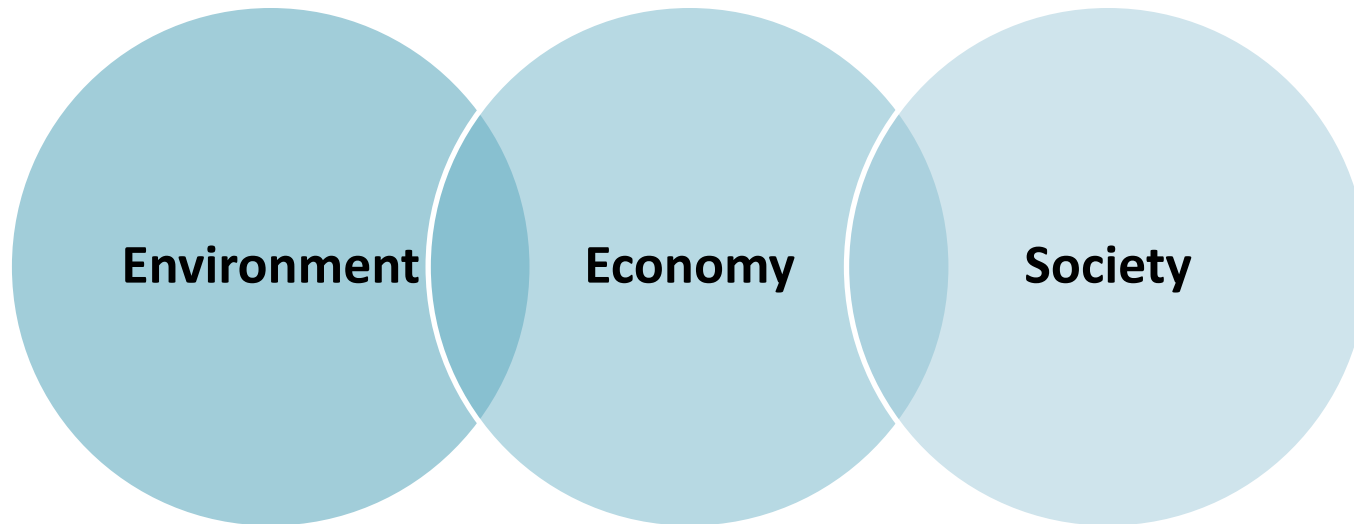
**These two pillars were outside
the scope of this committee**

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The Resource Policy Committee regards the three dimensions of sustainable development as a kind of measure for state resource management





The goals of a comprehensive resource policy

Reach a consensus and future stability

Balance the **rights of future generations** and the **profitability and growth potential** of the resource based industries



Three given principles from the government

Licenses to utilise the nation's resources shall only be allocated **temporarily**, for **fair fees** and based on the principles of **transparency** and **equal access**



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A national resource wealth fund shall be established



Resource rent

Resource rent can be realised within industries dependent on licenses for utilising natural resources. The resource rent is the surplus value left after all costs have been accounted for, including normal return on the capital invested, based on the risk included.



Resource Rent Collection

Auction or tender of licenses

Resource Rent Tax

Licensing Fees



Renewable resources – Account rather than fund

Resource rent from renewable resources will not be invested in a resource fund but allocated transparently

Income from resource rent will be published in the National Resource Account in the state accounts and be part of the state budget

The allocation to specific projects or sectors will be decided by the parliament

A national resource wealth fund will be established for resource rent from nonrenewable resources



The distribution of the resource wealth

The communities closest to the resource utilisation do often have to make sacrifices because of the utilisation or the development within the resource based industries

Part of the resource wealth should be directed to these communities, e.g. to strengthen the infrastructure and create positive business environment for regional development

Such allocation is part of creating a broad consensus on resource policy



Main goals of comprehensive resource policy

Permanent ownership and right of the nation to its common resources and part of the surplus value generated

The resource rent or surplus value shall be visible and managed and **allocated** in a **transparent** manner



**The Resource Policy Committee endorses
proposals put forward by in a report published
2000 by a parliament appointed panel**

The Constitution of Iceland shall have a new clause
stipulating a **permanent**
national ownership of
natural resources



The importance of transparent resource wealth management

Common awareness of the value of the resources and their visible contribution to the society entails that all **decisions** concerning some **different allocation** of the resource wealth has to be thoroughly **argued** and **explained**



Important distinction

Resources

**Licenses for
utilisation**



Licensing period

The democratic argument that the **next generations** can decide on allocating licenses for the utilisation of resources and are **not bound** by extensive licenses

VS

The importance of **maximising the resource rent** for the nation by taking into consideration the **interests of the licensee**



Nature of resource and investment and licensing period

Factors to consider	+	÷
Payback period of the investment	long	short
Mobility of the investment	none	great
Market for licences	inactive	active



The Third Pillar: The Centre of Resource Management

Goal

Coordinated management of resources that the states owns or takes care of on behalf of the nation

Common principles regarding allocation, claim of resource rent and licensing periods



Resource management by the nature of resources

- ✓ A limited number of licences available
- ✓ The resource can only be utilised locally
- ✓ Difficult to create an active market for licenses



Allocation of temporary licenses based on „beauty contest“ principles – research and exploitation programs, resource management experience etc.

Resource rent estimated and claimed via resource rent tax

Applies to:

Hydrocarbons (oil and gas)

Energy resources (hydro and geothermal)



Resource management by the nature of resources

- ✓ Numerous transferable licenses
- ✓ Resource utilisation not localised
- ✓ Active market with market pricing for licenses



Allocation of temporary licenses

- based on a grandfathering system or experience
- increasingly by auctioning/tender

Resource rent claimed by

- licensing fees, based on estimation of resource rent
- Auctioning of licences on a market

Applies to:

Marine resources (the fishing stocks)

Emission permits (European Emission Trading Scheme - ETS)



Resource management by the nature of resources

- ✓ Limited but growing demand for licences
- ✓ Localised utilisation of resource
- ✓ Pricing of licenses being formed



Temporary licences granted by auctioning or based on „beauty contest“ principles

Monitor the creation of resource rent and reserve the right for it

Adopt a utilisation policy and set examples

Applies to

Licences for business operations on state land

Freshwater

Wealth from resources

FAIRNESS, EQUAL ACCESS,
TRANSPARENCY



PRIME MINISTER'S OFFICE