10.5 Fiscal revenues from non-renewable natural resources (NRNR)

Several countries in Latin America and the Caribbean (LAC) have non-renewable natural resources (NRNRs), mainly hydrocarbons (oil and gas), metals and minerals, which constitute a significant source of public revenue. However, these resources are finite, and the revenue they generate can be highly volatile due to fluctuations in international market prices. The management of NRNRs should also address intergenerational equity: ensuring that exploiting these natural resources will not compromise opportunities for future generations or environmental sustainability.

Benchmark prices for oil and mining production rebounded sharply in 2021, driven by improved macroeconomic conditions and a supply lag. Russia's war of aggression against Ukraine along with the lifting of COVID-19 restrictions in China, prompted further price increases in 2022. Revenues from oil and gas exploration and sales in the LAC region are estimated to have risen from 2.6% of gross domestic product (GDP) in 2021 to 4.2% in 2022. However, this average is affected by developments in the comparatively small economies of Guyana and Trinidad and Tobago, as they reduce the LAC average by 1 percentage point (p.p.) (OECD et al., 2023). In 2022, revenues from mining production reached their highest level since 2011, accounting for 0.7% of GDP on average. This was a result of increased mining production coupled with rising prices on the international market (Figure 10.11).

However, over the longer term, revenues from NRNRs have significantly declined relative to GDP across the LAC region since the period from 2011 to 2014, when commodity prices last peaked. In 2011, NRNR revenues accounted for an average of 7.1% of GDP in LAC countries. A decade later, in 2021, the figure had fallen to 3.3%, but with significant differences across countries. For instance, NRNR revenues plummeted by 8 p.p. in Ecuador from 16.3% of GDP in 2011 to 8.3% in 2021 driven by a price slump and a drop in production. Bolivia (-8.8 p.p.) and Trinidad and Tobago (-7.5 p.p.) also experienced significant relative falls in NRNR revenues. Other countries such as Brazil, Chile and Peru, experienced more modest relative decreases, ranging from 0 to 3 p.p. over the course of the decade. Guyana is a noteworthy exception. Following a substantial crude oil discovery in 2015, the country commenced oil production in late 2019 (OECD et al., 2023). In 2021, oil revenues accounted for 5.1% of Guyana's GDP, a figure projected to increase in the coming years (Figure 10.12).

The composition of NRNR revenues varies among LAC countries. Hydrocarbons are the chief source of revenue in Argentina, Brazil, Colombia, Ecuador, Guyana, Mexico, and Trinidad and Tobago, compared to mining revenues. In contrast, Chile and Peru rely more on mining production for their revenue and less on hydrocarbons. Hydrocarbons have been the main source of revenue volatility over the period since 2011, while revenue from mining has changed less in most countries (Figure 10.13).

Methodology and definitions

Data are from the CEPALSTAT database. Fiscal revenues from non-renewable natural resources refer to tax payments and property rents that the public sector receives for the exploitation of these resources. These payments are classified by each NRNR considered and by the type of fiscal instrument. Fiscal regimes for such revenues relate to royalties, income tax, other taxes on income and other levies. Non-renewable natural resources refer to metals and minerals and hydrocarbons. Fiscal revenues from hydrocarbons include revenues from upstream (exploration and production) and downstream (refining and commercialisation) activities. General government and public corporations constitute the public sector. Public corporations in the case of non-renewal natural resources refer to non-financial enterprises. For further information see https://statistics.cepal.org/portal/cepalstat/.

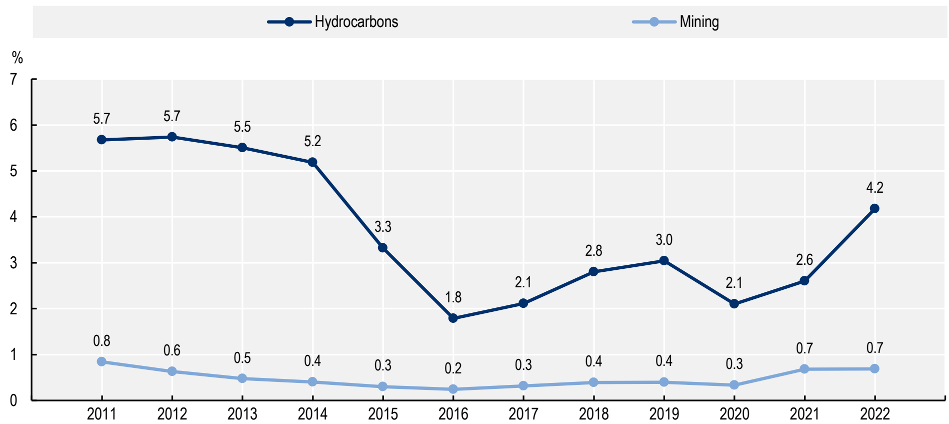
Further reading

OECD et al. (2023), *Revenue Statistics in Latin America and the Caribbean 2023*, OECD Publishing, Paris, https://doi.org/10.1787/a7640683-en.

Figure notes

Figure 10.11. The averages for hydrocarbon revenues are based on data from 10 countries (Argentina, Bolivia, Brazil, Colombia, Ecuador, Guatemala, Guyana, Mexico, Peru, and Trinidad and Tobago) and for revenues from mining are based on 12 countries (Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Nicaragua and Peru). Figures for 2022 are based on official sources, forecasts and estimates based on the 2022 annual variation in representative products applied to 2021 revenues.

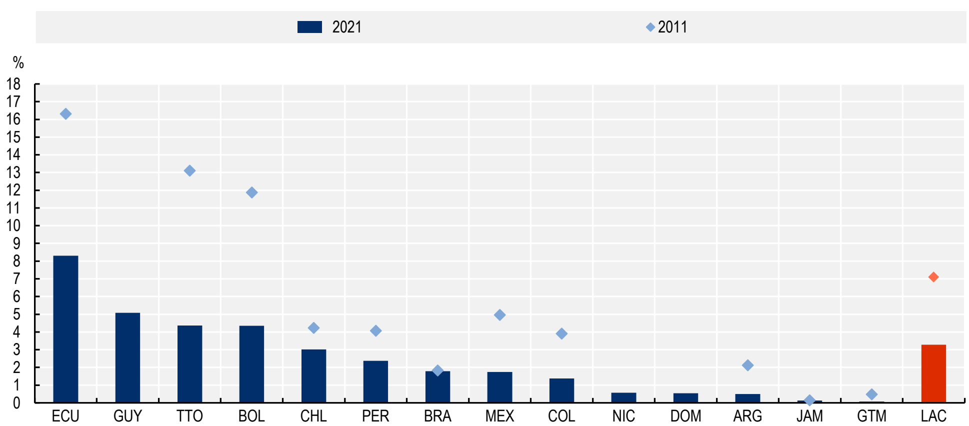
Figure 10.11. Fiscal government revenues from hydrocarbon and mining as a percentage of GDP average in LAC, 2011-22



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean (database).

StatLink https://stat.link/5viebf

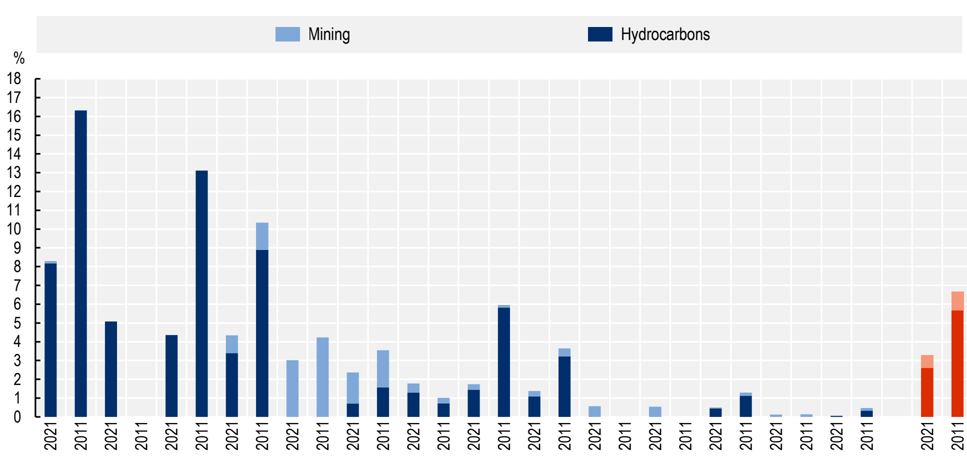
Figure 10.12. Fiscal revenues from non-renewable natural resources as a percentage of GDP, 2011 and 2021



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean (database).

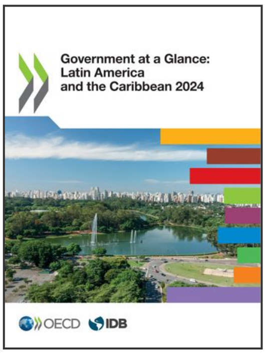
StatLink https://stat.link/fyohbl

Figure 10.13. Fiscal revenues from non-renewable resources by commodity as a percentage of GDP, 2011 and 2021



Source: ECLAC, based on data from ECLAC's Fiscal Revenues from Non-Renewable Natural Resources in Latin America and the Caribbean (database).

StatLink https://stat.link/mf9is2



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