
IASB[®] Meeting

Date	October 2024	
Project	Power Purchase Agreements (PPAs)	
Topic	Due process steps	
Contacts	Matthias Schueler	(mschueler@ifrs.org)
	Dennis Deysel	(ddeysel@ifrs.org)
	Riana Wiesner	(rwiesner@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose of this paper

1. The purpose of this paper is to:
 - (a) explain the steps in the [Due Process Handbook](#) (the DPH) that the International Accounting Standards Board (IASB) has taken in developing the narrow-scope amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* for its project [Power Purchase Agreements](#);
 - (b) ask the IASB's permission to begin the process for balloting the amendments; and
 - (c) ask if any IASB member plans to dissent from the publication of the final amendments.
2. The paper is structured as follows:
 - (a) background (paragraphs 3–6);
 - (b) considering re-exposure (paragraphs 7–14);
 - (c) intention to dissent (paragraphs 15–16);
 - (d) confirmation of due process steps (paragraphs 17–18);

- (e) questions to the IASB; and
- (f) appendix—due process steps.

Background

3. As noted in Agenda Paper 3 of this meeting, in May 2024 the IASB published the [Exposure Draft *Contracts for Renewable Electricity*](#) (Exposure Draft), which proposed amendments to IFRS 9 and IFRS 7. The comment period ended on 7 August 2024. At a supplementary meeting in [August 2024](#), the IASB discussed a summary of feedback on the Exposure Draft but was not asked to make any decisions at that stage.
4. At its meeting in [September 2024](#), the IASB tentatively decided on the finalisation of:
 - (a) the scope of the proposed amendments ([Agenda Paper 3A](#)); and
 - (b) the proposed amendments to the own-use requirements of IFRS 9 ([Agenda Paper 3B](#)).
5. At this meeting, the IASB is discussing the finalisation of:
 - (a) the proposed amendments to the hedge-accounting requirements (Agenda Paper 3A);
 - (b) the proposed disclosure requirements (Agenda Paper 3B); and
 - (c) the effective date and transition requirements for the final amendments (Agenda Paper 3C).
6. We have prepared this agenda paper based on the assumption that the IASB will be able to make decisions on all these matters and decide to finalise the amendments to IFRS 9 and IFRS 7.

Considering re-exposure

7. We recommend that the IASB does not re-expose the proposed amendments. In making this recommendation, we have considered the requirements in paragraphs 6.25–6.29 of the DPH.
8. Feedback evidenced general support for:
 - (a) the swift and speedy development of the proposals;
 - (b) the inclusion of both contracts for delivery of electricity and contracts for difference; and
 - (c) the narrow-scope approach.
9. Although respondents agreed with the general direction of the proposals, they asked the IASB:
 - (a) to clarify the scope of contracts to which the amendments would apply;
 - (b) to clarify aspects of the own-use amendments and the hedge-accounting amendments; and
 - (c) reconsider the items of information an entity needs to disclose to satisfy the disclosure objectives.
10. We think that the clarifications and changes that the IASB has tentatively decided to make are not fundamental and would not require re-exposure. Paragraphs 11–14 set out the most significant of these changes. Considering the feedback received, we also do not think that re-exposure would reveal any new information.
11. With regards to the scope of the proposed amendments, the IASB tentatively decided to finalise the amendments subject to clarifying that contracts within the scope of the proposed amendments:
 - (a) reference nature-dependent electricity generated from sources that depend on natural conditions that cannot be controlled;
 - (b) can be settled net or gross; and

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- (c) expose an entity to variability of the contracted amount of nature-dependent electricity.
12. To finalise the proposed requirements for applying the own use requirements in paragraph 2.4 of IFRS 9 to a contract to buy nature-dependent electricity, the IASB tentatively decided to finalise the amendments subject to clarifying that an entity:
- (a) applies the additional considerations for these electricity contracts only if:
- (i) the contractual features expose the entity to the risk of oversupply of electricity in any delivery interval; and
- (ii) the entity does not have the practical ability to avoid selling any oversupply of electricity at the market-determined time, based on the design and operation of the market in which electricity is bought.
- (b) assesses whether it will be a net purchaser over a reasonable amount of time when applying the own-use requirements to such a contract. An entity is a net purchaser if it buys enough electricity in the market in which it buys electricity to offset sales of any oversupply in that same market.
- (c) making the assessment described in (b), considers:
- (i) the seasonality of the nature-dependent source of electricity generation and the entity's business cycle to decide what constitutes 'a reasonable amount of time'. The IASB tentatively decided that a 'reasonable amount of time' cannot exceed 12 months.
- (ii) all reasonable and supportable information, including forward-looking information, at the date of the assessment.
- (iii) whether it has been a net purchaser over a reasonable amount of time (but not exceeding 12 months).
13. These clarifications also include making clearer the relationship between the proposed requirements and requirements in paragraphs 2.4–2.7 of IFRS 9.

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14. Assuming the IASB agrees with our recommendations in Agenda Papers 3A and 3B to this meeting, the IASB tentatively decided to finalise the proposed hedge-accounting and disclosure requirements as discussed at this meeting.

Intention to dissent

15. In accordance with paragraph 6.23 of the DPH, the staff would like to ask whether any IASB member intends to dissent from the amendments.
16. Two IASB members dissented from the Exposure Draft. Any IASB members who intend to dissent from the final amendments are asked to make their intention known at this meeting.

Confirmation of due process steps

17. The staff believe that the IASB has undertaken all the due process activities identified as being required in the DPH and hence are able to finalise the amendments. In the appendix to this paper, we have summarised the due process steps taken in developing the amendments. We note that the applicable due process steps to date for the issuance of the amendments have been completed.
18. If the IASB is satisfied that it has been provided with sufficient analysis, and has undertaken appropriate consultation and due process, to support the issue of the final amendments, the staff request permission to start the balloting process.

Questions to the IASB

Questions 1–3 for the IASB

1. *Re-exposure*—Does the IASB agree with the staff recommendation not to re-expose the proposals in the Exposure Draft as revised by IASB's tentative decisions (paragraphs 7–14)?
2. *Dissent*—Does any IASB member intend to dissent from the publication of the amendments? If so, on what grounds (paragraphs 15–16)?

Questions 1–3 for the IASB

3. *Permission to begin the balloting process*—is the IASB satisfied that it has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IFRS 9 and IFRS 7?

Appendix —due process steps

The table below shows how the IASB has complied with the due process steps to date, as required to finalise narrow-scope amendments to IFRS Accounting Standards in accordance with the *Due Process Handbook* (DPH).

Step	Required/Optional	Actions
Consideration of information gathered during consultation		
The International Accounting Standards Board (IASB) posts all the comment letters that are received in relation to the Exposure Draft on the project pages.	Required	<p>The IASB received 91 comment letters to the Exposure Draft before the end of the comment period, which can be accessed here.</p> <p>A summary of feedback from comment letters and outreach events was presented to, and discussed by, the IASB at a supplementary meeting in August 2024 (Agenda Paper 3).</p> <p>The detailed feedback on each topic area of the Exposure Draft was included in the relevant agenda papers for the IASB's September 2024 meeting and this meeting.</p>
Round-tables between external participants and members of the IASB.	Optional	<p>Developing the proposals in the Exposure Draft, the IASB discussed its proposals with:</p> <ul style="list-style-type: none"> a) the Accounting Standards Advisory Forum (ASAF) (September 2023; January 2024; July 2024 and September 2024); b) the IFRS Interpretations Committee (November 2023); c) the Emerging Economies Group (May 2024); d) the Capital Markets Advisory Committee and Global Preparers Forum (June 2024).
IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	<p>Since the end of the consultation period, the IASB has discussed the feedback and redeliberated the proposals in the Exposure Draft in three meetings (including this meeting). All decisions with regards to the requirements of the amendments were taken during these meetings.</p> <p>The project page on the IFRS Foundation website contains a full description with up-to-date information. Agenda papers for each meeting were posted on the website before the meeting and a summary of each meeting was included in <i>IASB Update</i>.</p>
Analysis of likely effects of the forthcoming Standard or major	Required	<p>Information relating to the likely effects of the amendments in the Exposure Draft were discussed by the IASB at its March 2024 meeting (Agenda Paper 3D). As there are no fundamental</p>

Step	Required/Optional	Actions																										
amendment, for example, costs or on-going associated costs.		changes to the proposals in the Exposure Draft, this analysis of likely effects remains applicable. A discussion of the likely effects of the amendments will be incorporated in the amendments to the Basis for Conclusions on IFRS 9 and IFRS 7.																										
Email alerts are issued to registered recipients.	Optional	Interested parties have been notified when updates to the project website have been made using the News section of the project page and subscriber email alerts.																										
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	<p>During the development of the proposals in the Exposure Draft, we held 38 outreach meetings with stakeholders (Agenda Paper 3D).</p> <p>In addition to the public meetings with stakeholders listed above, we held an additional 23 outreach meetings with stakeholders. We spoke to one stakeholder twice. We summarise our stakeholder representation by type and jurisdiction:</p>																										
Regional discussion forums are organised with national standard-setters and the IASB.	Optional	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Stakeholders by type</th> <th style="text-align: right;">Number</th> </tr> </thead> <tbody> <tr> <td>Accounting profession and auditors</td> <td style="text-align: right;">9</td> </tr> <tr> <td>Investors or investor groups</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Preparers or preparer groups</td> <td style="text-align: right;">5</td> </tr> <tr> <td>Regulators</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Standard-setters (other than meetings with ASAF listed above)</td> <td style="text-align: right;">6</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">22</td> </tr> <tr> <th style="text-align: left;">Stakeholders by jurisdiction</th> <th style="text-align: right;">Number</th> </tr> <tr> <td>Asia-Oceania</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Europe</td> <td style="text-align: right;">9</td> </tr> <tr> <td>Global</td> <td style="text-align: right;">6</td> </tr> <tr> <td>North America</td> <td style="text-align: right;">4</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">22</td> </tr> </tbody> </table>	Stakeholders by type	Number	Accounting profession and auditors	9	Investors or investor groups	1	Preparers or preparer groups	5	Regulators	1	Standard-setters (other than meetings with ASAF listed above)	6		22	Stakeholders by jurisdiction	Number	Asia-Oceania	3	Europe	9	Global	6	North America	4		22
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Due process steps are reviewed by the IASB.	Required	This paper asks the IASB to review the due process steps taken and whether the IASB is satisfied that it has complied with all the applicable requirements. This paper will be provided to the Due Process Oversight Committee (DPOC).																										
Need for re-exposure of a Standard is considered.	Required	The staff think that the revisions to the Exposure Draft respond to the feedback received and no fundamental changes to the proposals have been made. We also do not think that re-exposure would reveal any new information that could																										

Step	Required/Optional	Actions
		change the IASB's tentative decisions. In this paper the staff provide its rationale for recommending that the IASB does not re-expose the proposed amendments for another round of public comment.
The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	Required	As a necessary step before beginning the balloting process, at this month's meeting (Agenda Paper 3C of this meeting), the staff have recommended an effective date of 1 January 2026 for the amendments, with early application permitted.
Drafting		
Drafting quality assurance steps are adequate.	Required	This step will be completed throughout the drafting and balloting process for issuing the final amendments.
Drafting quality assurance steps are adequate.	Optional	<p>The Editorial team will review the amendments in different stages of the balloting process.</p> <p>The staff also intend to send a draft of the amendments to external parties for review. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments. The external review process does not grant external parties the opportunity to question the IASB's technical decisions.</p>
Publication		
Press release to announce final Standard.	Required	<p>This step will be completed toward the end of the project.</p> <p>The project team will work with the Communications team to plan and prepare a press release for the amendments.</p>
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received.	Required	Not considered necessary because these amendments are narrow in scope. According to paragraph 6.38 of the DPH, a Feedback Statement is required for all new IFRS Accounting Standards and major amendments. The amendments to the Basis for Conclusions on IFRS 9 and IFRS 7 will explain how the IASB has responded to the comments received.
Podcast to provide interested parties with high level updates or other useful information about the Standard.	Optional	Updates about the project were provided in some of the IASB podcasts produced by the IFRS Foundation after each IASB meeting.

Step	Required/Optional	Actions
Standard is published.	Required	The new amendments will be made available on the IFRS Foundation website when published. The DPOC will be informed when the amendments are published.