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## IASB® meeting

Date	<b>April 2025</b>
Project	<b>Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38)</b>
Topic	<b>Finalisation of agenda decision</b>
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## Introduction

1. At its March 2025 meeting, the IFRS Interpretations Committee (Committee) decided not to add a standard-setting project to the work plan in response to a submission about whether an entity's acquisitions of carbon credits and expenditure on research activities and development activities meet the requirements in IAS 38 *Intangible Assets* to be recognised as intangible assets.
2. The purpose of this meeting is to ask the International Accounting Standards Board (IASB) members whether they object to the agenda decision, as required by paragraph 8.7 of the IFRS Foundation [Due Process Handbook](#).

## Background

3. In November 2024, the Committee discussed a request that described an entity's climate-related expenditure to (a) acquire carbon credits; and (b) create intellectual capital from innovation programs through research activities and development activities. The fact pattern is summarised in [Agenda Paper 3](#) and the submission is reproduced in [Agenda Paper 3A](#) for the November 2024 Committee meeting. The

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request asked whether such expenditure meets the requirements in IAS 38 to be recognised as intangible assets.

4. At its November 2024 meeting, the Committee observed that:
  - (a) it did not consider the question about the accounting for carbon credits because the IASB has been researching the prevalence and significance of pollutant pricing mechanisms (PPMs), some of which include the use of carbon credits; and
  - (b) evidence it gathered indicated no material diversity in the accounting for expenditure on research activities and development activities.<sup>1</sup>
5. Based on its findings, the Committee concluded that the matter described in the request about the accounting for expenditure on research activities and development activities does not have widespread effect.<sup>2</sup> Consequently, the Committee decided to publish a [tentative agenda decision](#) explaining its reasons for not adding a standard-setting project to the work plan.

## Feedback on the tentative agenda decision

6. The Committee received 13 comment letters on its tentative agenda decision by the comment letter deadline.<sup>3</sup> The letters were from five national standard-setters, four accounting practitioners, two individuals, one accountancy professional body and one organisation involved in sustainability or impacts-related policy and reporting. [Agenda Paper 4](#) for the Committee's March 2025 meeting summarised respondents' comments and set out our analysis of those comments, presented separately for comments related to (a) carbon credits; and (b) research activities and development activities.

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<sup>1</sup> Upon receiving the submission, we sent an information request to members of the International Forum of Accounting Standard Setters, securities regulators and large accounting firms. Their responses are summarised in paragraphs 16–20 of [Agenda Paper 3](#) for the Committee's November 2024 meeting.

<sup>2</sup> See paragraph 5.16(a) of the [Due Process Handbook](#).

<sup>3</sup> At the date of posting this agenda paper, there was one late comment letter.

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### ***Carbon credits***

7. Regarding the Committee's conclusion to not consider the question about the accounting for carbon credits separately from the IASB's research on PPMs:
  - (a) seven respondents agreed;
  - (b) two stated or implied that they disagreed because, in their view, the Committee could have engaged in a technical discussion about the accounting for carbon credits; and
  - (c) four respondents did not comment.
8. One respondent that agreed with the Committee's conclusion suggested that if the IASB decides to delay the PPMs project, the Committee could consider providing clarification on this issue in the interim. In this respondent's view, there is an urgency to address carbon credit accounting.
9. The staff noted the IASB's discussion at its January 2025 meeting about the results of its research and stakeholder engagement on PPMs. Although the results of the IASB's research provided evidence of diversity in accounting for PPMs, there is insufficient evidence to suggest those arrangements are currently material to a significant number of entities such that a time-sensitive solution in IFRS Accounting Standards is needed.<sup>4</sup> A project on PPMs remains on the IASB's reserve list, and the IASB plans to continue to monitor the topic. In the staff's view, the accounting for carbon credits is not sufficiently narrow in scope for it to be addressed efficiently by the Committee.

### ***Research activities and development activities***

10. Regarding the Committee's findings that there is no material diversity in the accounting for expenditure on research activities and development activities and that the matter described in the request does not have widespread effect:

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<sup>4</sup> [Agenda Paper 10](#) for the IASB's January 2025 meeting summarises research on PPMs up to the date of the posting of that paper.

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- (a) six respondents agreed.
  - (b) seven respondents did not comment. One of these respondents said existing requirements in IAS 38 are sufficient to determine whether expenditure on research activities and development activities should be recognised as intangible assets.
11. Some respondents provided additional comments:
- (a) two respondents said diversity in applying IAS 38 might arise in future;
  - (b) two respondents asked the IASB to address the accounting for climate-related expenditure on research activities and development activities in its intangible assets project; and
  - (c) one respondent recommended that the IASB take action in the interim—before the intangible assets project is completed—to develop examples in the form of educational materials to illustrate how current IFRS Accounting Standards apply to climate-related expenditure on research activities and development activities.
12. In the staff’s view, the comment letters on the tentative agenda decision confirm the Committee’s initial findings that there is no material diversity in the accounting for expenditure on research activities and development activities and, consequently, the matter described in the request does not have widespread effect. Stakeholders may submit questions in future in the light of any new evidence about potential diversity that could be expected to have a material effect on entities’ financial statements.

## The Committee’s discussion and feedback

13. The Committee considered the feedback at its March 2025 meeting. All Committee members agreed with the staff’s analysis in response to the comments on the tentative agenda decision.

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14. All 14 Committee members voted to finalise the agenda decision and some suggested changes to the wording of the tentative agenda decision. The [appendix](#) to this paper includes the wording of the agenda decision approved by the Committee.
15. Some Committee members also requested to report to the IASB:
- (a) their support for the IASB to consider adding a project on PPMs to its work plan during its next agenda consultation; and
  - (b) respondents' suggestions (a) to address the accounting for climate-related expenditure on research activities and development activities in the research project on intangible assets; and (b) to develop illustrative examples in the interim while the intangible assets project is in process.

#### Questions for the IASB

Do you object to the Committee's:

- a. decision not to add a standard-setting project to the work plan?
- b. conclusion that the agenda decision does not add or change requirements in IFRS Accounting Standards?

## Appendix—the agenda decision

A1. The agenda decision below was approved by the Committee at its March 2025 meeting.

### **Recognition of Intangible Assets from Climate-related Expenditure (IAS 38 *Intangible Assets*)**

The Committee received a request about whether an entity's acquisitions of carbon credits and expenditure on research activities and development activities meet the requirements in IAS 38 to be recognised as intangible assets.

#### **Fact pattern**

A summary of the fact pattern described in the request is as follows:

- (a) an entity made a commitment in 2020 and 2021 to other parties to reduce a percentage of its carbon emissions by 2030 (referred to as a '2030 commitment').
- (b) the entity has taken 'affirmative actions' and, in its view, has created an established pattern of practice to achieve its 2030 commitment. These affirmative actions include: (i) creating a transition plan; (ii) engaging with 'net zero focused investors'; (iii) publishing its commitment and plans on its website; (iv) joining coalitions with a mission to collaborate to achieve emissions reductions; (v) stating its emission reduction targets in its financial statements and in presentations to investors and others; and (vi) allocating capital to buying carbon credits and investing in 'innovation programs' purposed to find solutions to reduce emissions to meet its 2030 commitment.
- (c) the entity's innovation programs will typically involve creating teams of people with know-how, expertise and other intellectual property to create and develop solutions for emissions reductions specific to the entity or its sector and will result in the creation of intellectual capital.
- (d) the entity's investors, insurers and bankers have made their own transition commitments relying on the entity's actions.

- (e) the entity has concluded that its 2030 commitment and subsequent affirmative actions have created a constructive or legal obligation applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

As described in the April 2024 Agenda Decision [Climate-related Commitments \(IAS 37\)](#), if an entity has a constructive or legal obligation, the entity considers the criteria in paragraph 14 of IAS 37 in determining whether it recognises a provision for the costs of fulfilling that obligation. The Committee also observed that the entity separately assesses whether it recognises an asset or an expense.

The request asks whether, during its 2024 annual reporting period, the entity's acquisitions of carbon credits and expenditure on research activities and development activities, resulting in intellectual capital from innovation programs as described in the fact pattern, meet the requirements in IAS 38 to be recognised as intangible assets.

### **Additional background**

The IASB has been researching and engaging with stakeholders about the prevalence and significance of pollutant pricing mechanisms (PPMs), some of which include the use of carbon credits. While a project on PPMs remains on its reserve list, the IASB expects to decide during its next agenda consultation whether to add a project on the accounting for PPMs to its work plan.

Accordingly, the Committee did not consider the question about the accounting for acquisitions of carbon credits separately from the IASB's research on PPMs. The Committee instead considered only the question about the accounting for expenditure on research activities and development activities.

### **Findings and conclusion**

Evidence gathered by the Committee indicated no material diversity in the accounting for expenditure on research activities and development activities. Based on its findings, the Committee concluded that the matter described in the request does not have widespread

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effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.