

Secretariaat:
Antonio Vivaldistraat 2-8, 1083 GR Amsterdam
Postbus 7984, 1008 AD Amsterdam

T +31(0)20 301 02 35
F +31(0)20 301 03 02
rj@rjnet.nl
www.rjnet.nl

EFRAG
Attn. EFRAG Technical
Group
35 Square de Meeûs
B-1000 Brussels
Belgique

Our ref: RJ-EFRAG 548 C
Direct dial: 0031 20 3010235
Date: Amsterdam, April 29th 2013
Re: Comment on Draft comment Paper *Emission Trading Schemes*

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment paper regarding emissions trading schemes.

We like to comment on the proposed accounting of emission rights under the trading model, although no specific question was raised.

In the comment paper EFRAG concludes that emission rights under the trading-model are recognized at fair value with changes in the profit-and loss statement. We believe that a policy choice (fair value or cost) would be more in line with the accounting of inventory of commodity traders (IAS 2.5).

The answers to the questions to constituents are included in the attachment of this letter.

Yours sincerely,



Hans de Munnik
Chairman Dutch Accounting Standards Board

The specific nature of emission rights

Questions to constituents

28 Do you agree that specific accounting guidance is needed? Please explain why.

29 Do you agree with the arguments presented above? Should any other arguments be included?

Answers DASB:

28 Yes, we agree that specific accounting guidance would be needed as no perfect analogy can be made with current IFRS and accounting mismatches should be avoided.

29 Yes, we agree with the argument presented in the paragraphs 12 to 27 of the draft comment paper.

Considering the business purpose of the rights

Questions to constituents

39 Do you agree with the analysis of information needs of users for each business model?

40 Do you agree that this should result in different accounting requirements?

Answers DASB:

39 Yes, we agree with the analysis of information needs of users for each business model.

40 Yes, we agree that different accounting requirements should be applied for the different models.

Accounting for compliance activities – initial measurement of rights allocated for free

Questions to constituents

56 Do you agree that free allowances should be measured at fair value at inception, this fair value being their deemed cost?

57 If not, what arguments detailed above do you not find convincing? How do you respond to them?

Answers DASB:

56 Yes, we agree that free allowances should be measured at fair value at inception.

57 Not applicable

Accounting for compliance activities – determining the nature of the credit if free allocations are initially measured at fair value

Question to constituents

70 Which of the above options would you support? Please explain why.

Answer DASB:

70 We would be in favour of recognizing the credit as deferred income, which can be released over the period the respective emissions occur. This method best reflects the costs of the emissions, which is the most relevant information need for the users. Although deferred income may not match the liability definition, it results in matching and the concept also still currently exists for government grants.

Accounting for compliance activities – separate presentation of the asset and liability in a compliance model**Questions to constituents**

76 Do you agree that in a compliance model an entity should not offset the asset and the liability separately, because separate presentation provides more relevant information?

77 Do you agree that the liability should not be derecognised before the entity surrenders the rights to the Regulator (i.e. surrendering rights affects the entity's financial position and is not solely a compliance exercise)?

78 Do you agree that the entity's value changes with the act of emitting and that settling the obligation to the Regulator has economic value? Do you agree that balance sheet presentation is relevant to users?

Answers DASB:

76 Yes, we agree that in the compliance model the entity should not offset the asset and the liability. As the asset can be sold separately, conceptually a net presentation can not be supported.

We do believe that in certain situations a gross presentation provide limited information. In the situation that the company has received sufficient emission rights for its operations and will use these rights to settle the liability, without additional purchases or sales of rights, a gross up of the balance sheet does not provide more relevant information. The transactions have no impact on cash flows. For practical reasons, we would suggest to allow as an alternative, a net-presentation only for the emissions rights that have been allocated for free. The amount that could be presented net would be the deferred income, being the credit of emission rights received for free, to the extent not yet released to income, similar to IAS 20.24.

77 Yes, we agree.

78 Yes, we agree. Reference is made to the answer regarding paragraph 76. For practical reasons, we would suggest to allow as an alternative, a net-presentation only for the emissions rights that have been allocated for free.

Accounting for compliance activities – subsequent measurement of assets and liabilities in a compliance model

Question to constituents

88 Do you agree or disagree with EFRAG’s proposal on the subsequent measurement of assets and liabilities? Please explain why.

Answers DASB:

88 We do not agree with EFRAG’ proposal on the subsequent measurement of liabilities. EFRAG proposes to apply the expected weighted average cost of the rights currently on hand and the expected shortfall based on current market value.

We believe that a fifo method will better reflect the economic situation. Higher prices of emission rights in the future may be charged to the customer resulting in higher prices/ revenue. We therefore support the subsequent measurement of the liability based on fifo method, in line with IAS 2

We do agree with EFRAG’s proposal on the subsequent measurement of assets.

Accounting for compliance activities – segregation of models - should transfers be allowed?

Question to constituents

102 Which of the above alternatives would you support? Please explain why.

Answers DASB:

102 We would support to allow transfers in occasional and marginal quantities, for excess (or shortage) of emission rights for compliance purposes.

We believe that the value upon a transfer from compliance model to trading model should be treated as revaluation, which is only recognized upon realization of the rights through sale to external parties similar to IAS40.61 and a transfer from trading model to compliance model as deemed costs.

Options for the IASB going forward

Question to constituents

107 Which of the above alternative approaches would you prefer and why?

Answer DASB:

107 DASB prefer that the IASB would develop a standard. A research project would take too much time and an interpretation would be based on existing standards, whereas we believe specific guidance is needed, also since the previous interpretation process has not been effective.