

POSITION PAPER



ESBG Position Paper to the EFRAG's draft comment letter on Contracts for Renewable Electricity

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ESBG welcomes the opportunity to comment on the EFRAG’s Draft Comment Letter in response to IASB’s Exposure Draft Contracts for Renewable Electricity issued on 8 May 2024 (the “ED”).

In general, ESBG welcomes the IASB’s efforts and approach in publishing amendments to IFRS 9 and IFRS 7, aimed at addressing the rapid growth of power purchase agreements occurring in the current context.

Overall, ESBG supports EFRAG’s views and comments, with particular emphasis on the following issues:

- In paragraph 6.10.1(b) of the ED, the expression “substantially all” is used to define the volume risk to which the purchaser is exposed. We agree with EFRAG recommendation to define and delineate the term “substantially all” given the subjective judgment it entails.
- Regarding paragraph 6.10.3(b)(iii) of the ED, on the issue of defining what is considered a “reasonable time”, ESBG endorses EFRAG’s arguments that the frequency of making a new purchase should be adapted to the specific circumstances of each entity (seasonality, sector, etc.).

Nevertheless, ESBG would like to highlight the following comment concerning the phrase “at least an equivalent volume of electricity” mentioned in the same paragraph, the purchase volume should not be linked to timing but rather to the best estimate of production or consumption that the management of the entities can provide. For instance, if management estimates a significant increase or decrease in production for a justified reason, the volume purchased would not align with the term “equivalent volume” in relation to the previous purchase. It would be interesting to explore this point further when finalising the ED by the IASB.

- Regarding the proposed disclosure requirements, ESBG supports EFRAG’s comments, advocating that the proposed disclosure requirements should only apply to contracts within the scope of the ED that qualify for the own-use exception.



About ESBG (European Savings and Retail Banking Group)

ESBG is an association that represents the locally focused European banking sector, helping savings and retail banks in 16 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 871 banks, which together employ 610,000 people driven to innovate at 41,000 outlets. ESBG members have total assets of €6.38 trillion, provide €3.6 trillion billion in loans to non-banks, and serve 163 million Europeans seeking retail banking services.



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