

POWER PURCHASE AGREEMENTS

EFRAG FRB / SRB JOINT MEETING
28 February 2024



IASB PROJECT POWER PURCHASE AGREEMENTS

BACKGROUND

- Narrow-scope standard-setting project: Exposure Draft expected in May 2024
- Principle-based amendments to IFRS 9 for both own-use exception and hedge accounting
- Aiming to address accounting issues for PPAs and vPPAs

POWER PURCHASE AGREEMENTS

MAIN CHARACTERISTICS

- Generally long-term agreements
- Complex contracts containing Renewable Energy Certificates (RECs) and various other features
- Significant volumes often load-following from the producer
- Can be physical (PPAs) and virtual (vPPAs)

ACCOUNTING ISSUES

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Variability (unpredictability) of the volumes • Net-settlement of excess volumes (storage constraints) • Production / consumption mismatch (nights, weekends...) • Shift of production risk from producer to consumer | } | <ul style="list-style-type: none"> • Own-Use exception for physical PPAs? • Related disclosures? • Hedge accounting application for virtual PPAs? |
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KEY PROPOSALS

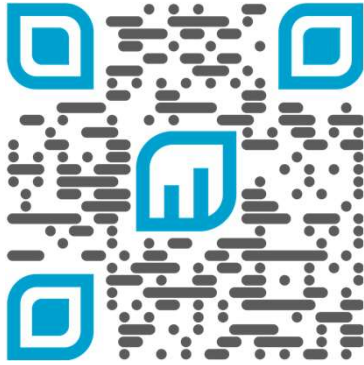
- Identification of unique characteristics specific to (v)PPAs
- Own-use application requirements proposals
- Disclosure requirements proposals specific to PPAs in case of own-use exception
- Hedge accounting application requirements proposals
- Scope does not include the accounting for RECs

DISCUSSION POINTS

MAIN ISSUES RAISED ON THE PROPOSALS

- Definition of unique characteristics is not clear (ex. applicability to hydro? biomass?)
- Ring-fencing to renewable energy but excluding other green energy sources (carbon capture and storage)
- Extensive disclosure requirements for PPAs if applying own-use exception leaving other own-use agreements off-scope
- Application questions on own-use requirements and hedge accounting requirements
- Scope focused on IFRS 9 and will not apply to IAS 39

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