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## **Power Purchase Agreements Issues paper**

### **Objective**

- 1 The objective of this session is:
  - (a) to provide an overview of the IASB's [Exposure Draft Contracts for Renewable Electricity](#) published on 9 May 2024 with the proposed amendments to IFRS 9 and IFRS 7;
  - (b) to gather CFSS members input on the related questions in order to prepare for the ASAF meeting that will be held on 8 July 2024.

### **Background of the IASB project**

- 2 The IFRS IC received a submission about the application of paragraph 2.4 of IFRS 9 to contracts for the procurement of renewable energy as part of a company's commitment to reduce the effects of climate change and to decarbonise their production and products.
- 3 The IASB Staff had conducted a request for information ('RFI') on the prevalence and materiality of the issue and concluded the issue to be prevalent and material.
- 4 At its June 2023 meeting, the IASB tentatively decided to research whether narrow-scope amendments could be made to IFRS 9 to better reflect how financial statements are affected by power purchase agreements, both physical ('PPAs') and virtual ('vPPAs').
- 5 At its December 2023 meeting, the IASB discussed the research made by the IASB staff and a potential approach to narrow-scope standard setting. The IASB tentatively decided: (a) to undertake narrow-scope standard-setting to amend IFRS 9 Financial Instruments, with the next project milestone to be an exposure draft; and (b) to explore an approach to this standard-setting that includes amending the 'own use' and hedge accounting requirements in IFRS 9.
- 6 At its January 2024 ASAF meeting, the IASB further collected the views of the ASAF members on the potential narrow-scope standard-setting solution.
- 7 At its March 2024 meeting, the IASB discussed the proposed amendments to IFRS 9 Financial Instruments and IFRS 7, Financial Instruments: disclosures and IFRS 19 Subsidiaries without Public Accountability: Disclosures and the due process steps in relation to the upcoming Exposure Draft.

- 8 In May 2024 the IASB issued the [Exposure Draft Contracts for Renewable Electricity](#) with the comments due on 7 August 2024.

### Background of the EFRAG project

- 9 EFRAG was closely monitoring the project providing feedback gathered from its working groups, FR TEG and CFSS in September 2023 ASAF meeting and in January 2024 ASAF meeting.
- 10 EFRAG Secretariat consulted on the ED proposals with FIWG members, User Panel, FR TEG and FR Board. Based on the collected views, on 13 June 2024 EFRAG issued its [Draft Comment Letter](#) (DCL) open for comments until 15 July 2024.

### Next steps

- 11 EFRAG Secretariat will analyse received comment letters on its DCL and search for approval of a Final Comment Letter in a joint EFRAG FR TEG / FRB meeting 29 July to issue the Final Comment Letter by 7 August 2024.
- 12 IASB’s supplementary meeting to discuss the feedback on the ED will take place on 28 August 2024.

### Agenda Papers

- 13 In addition to this paper, agenda papers for this session are:
- (a) Agenda paper 06-02 – ASAF paper on Exposure Draft Contracts for Renewable Electricity

#### Questions to EFRAG FR TEG and CFSS

- 14 In your view, would the proposed requirements (as presented on slides 9-14 of the agenda paper 06-02) address the objectives the IASB aims to achieve (as set on slide 7 of the agenda paper 06-02)? If not, why not and what alternatives would you suggest?
- 15 Are you aware of any operational challenges in providing the proposed disclosures (as presented on slide 13 of the agenda paper 06-02)? If so, what reasons did your stakeholders provide and do they have any alternative suggestions to provide useful information to users of financial statements?
- 16 Do you have views about an appropriate effective date for the proposed amendments given the ask from stakeholders for a timely solution?