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Staff paper

Agenda reference: 8

Accounting Standards Advisory Forum meeting

Date	**September 2024**
Project	**Power Purchase Agreements**
Topic	**Exposure Draft *Contracts for Renewable Electricity***
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Purpose of this session

- At a supplementary meeting of the International Accounting Standards Board (IASB) in August, we provided a summary of the feedback we received on the Exposure Draft *Contracts for Renewable Electricity*. This paper reproduces the information that was included in the agenda paper for that meeting.
- At the meeting of the IASB in September, the IASB discussed our analysis of the feedback and made some tentative decisions about the amendments. This paper was finalised before the September meeting of the IASB. We will provide an oral update to you about the tentative decisions of the IASB. For a deeper understanding of our oral update, we recommend you familiarise yourself with the agenda papers for the September IASB meeting.
- Our purpose with this session is to ask whether you have questions or comments about the feedback we received or the IASB's tentative decisions.

Contents

Question for ASAF members

1 Do you have questions or comments about the feedback we received or the IASB’s tentative decisions?

Overall feedback

Overall feedback summary

- General support for:
  - the swift and speedy development of the proposals
  - the inclusion of both physical delivery contracts and financial contracts for difference
  - the narrow-scope approach

- Although stakeholders agreed with the general direction of the proposals, they asked for clarification on some aspects of the proposals, most notably on:
  - the scope of contracts for renewable electricity to which the amendments would apply
  - the own use requirements; and
  - the disclosure requirements

Overview of feedback

Topic	Feedback
Question 1: Scope	
Question 2: Own-use requirements	
Question 3: Hedge accounting requirements	
Question 4: Disclosure requirements	
Question 5: Disclosure requirements for subsidiaries without public accountability	
Question 6: Transition requirements	
Question 7: Effective date	

	Legend
	Proposals require significant clarification
	Proposals require some clarification
	Proposals require minor clarification

Scope of the proposals

Scope of the proposals

To provide a targeted and timely solution while mitigating the risk of unintended consequences

Proposals—extract from paragraph 6.10.1:

‘Contracts for renewable electricity can be structured in many ways. Some contracts are structured as a normal purchase or a normal sale (an ‘executory contract’) of renewable electricity. Other contracts require net settlement of the difference between the prevailing market price and the contractually agreed price for the volume of electricity produced from a referenced production facility…’

Feedback summary:

- **Most** stakeholders agree and appreciate the approach taken:
  a) to include both physical and virtual PPAs in the scope;
  b) to restrict the scope using specified characteristics; and
  c) to not allow analogising.
- A few suggested scope to be expanded to all contracts held for ‘purposes of ESG’ or hedge accounting amendments to apply to all contracts with volumetric uncertainty.
- However, **a few** stakeholders do not agree with the proposed approach and said that any amendments should not be subject to restricted scope:
  a) some consider the proposed approach to be rules-based and/or favouring renewable electricity over other commodities;
  b) others want economically similar contracts to be accounted for the same.

Scope of the proposals

Proposals—extract from paragraph 6.10.1:

‘Contracts for renewable electricity can be structured in many ways. Some contracts are structured as a normal purchase or a normal sale (an ‘executory contract’) of renewable electricity. Other contracts require net settlement of the difference between the prevailing market price and the contractually agreed price for the volume of electricity produced from a referenced production facility…’

Feedback summary (continued):

With regards to the scope as proposed in the Exposure Draft:

- Most respondents asked for clarification to the characteristics (see slides 10 and 11).
- Some asked for clarification on how to determine the unit of account (ie element of a contract) to which the proposals apply and other elements such as renewable electricity certificates.
- Some ask for clarification on the linkage between the proposed amendments and other requirements in IFRS 9, ie contracts for renewable electricity that already apply own use or interaction with other hedge accounting requirements.

Scope of the proposals

Proposals—extract from paragraph 6.10.1:

'…An entity shall apply the requirements in paragraphs 6.10.3–6.10.6 to a contract for renewable electricity with both of the following characteristics:

(a) the source of production of the renewable electricity is nature-dependent so that supply cannot be guaranteed at specified times or for specified volumes. Examples of such sources of production include wind, sun and water.

(b) ...'

Feedback summary:

Most respondents agree that the source for the generation of electricity has to be nature-dependent, but **some** asked for clarification with regards to:

a) what 'nature-dependent' is intended to capture as all 'renewable' electricity is to some extent nature-dependent for example hydro, biomass and geothermal electricity and/or include uncertainty about timing or volume to be supplied.

b) whether it refers to both nature of source and inability of producer to control timing and volume of production, ie producer's ability to control production (for example by using batteries or dams).

c) what 'guaranteed at specified times or for specified volumes' means as some contracts guarantee a minimum quantity to be supplied regardless of production.

Scope of the proposals

Proposals—extract from paragraph 6.10.1:

'…An entity shall apply the requirements in paragraphs 6.10.3–6.10.6 to a contract for renewable electricity with both of the following characteristics:

(a) ...

(b) that contract exposes the purchaser to substantially all the volume risk under the contract through 'pay-as-produced' features. Volume risk is the risk that the volume of electricity produced does not align with the purchaser's demand for electricity at the time of production.'

Feedback summary:

- **Most** respondents agreed with concept of volume risk but asked for clarification with regards to:
  a) the intended meaning of 'substantially all' and whether it refers to contracted volume or volume of the reference facility.
  b) features other than 'pay as produced', eg 'pay as nominated' and 'pay as forecasted'.
  c) the relevance of other features such as caps and floors, guaranteed minimum amounts or fixed volumes subject to variable fee, in assessing volume risk.
  d) the relevance of intermediaries required by market design and ancillary contracts to mitigate volume risk.

Own-use proposals

Feedback overview

To enable the forced sales that a company has no control over to not affect the own-use assessment

- **Almost all** respondents agreed in principle. **A few** respondents agreed without asking for further clarification. However, **most** asked for clarification of certain aspects with the proposals, asking for clarification of certain aspects of the proposals. See slides 14-18.
  - we identify the top-two aspects due to their higher degree of prevalence
- **A few** respondents disagreed, mainly because they believe the proposals are not sufficiently principle-based.
- **A few** respondents also asked for additional guidance or examples to improve consistent application.

General

Proposals—intro to paragraph 6.10.3:

'For the purpose of applying the requirements in paragraph 2.4 to contracts to buy and take delivery of renewable electricity that have the characteristics in paragraph 6.10.1, an entity shall consider at inception of the contract and at each subsequent reporting date:…'

Feedback summary:

- **Some** respondents asked for clarification about the proposed own-use requirements in general. They include (ranked from most to least prevalent):

  a) how the proposals interact with paragraphs 2.4 and 2.6 of IFRS 9 (including suggestions about the location of any final amendments);

  b) whether an entity is required to assess changes in expectations throughout a reporting period;

  c) the level at which an entity is required to perform the own-use assessment: the contract, the referenced electricity market or the reporting entity; and

  d) how to understand 'delivery' in situations, for example, where delivery and consumption occurs in different locations.

The purpose, design and structure of the contract

Proposals—paragraph 6.10.3(a):

'the purpose, design and structure of the contract including the volumes of electricity expected to be delivered over the remaining duration of the contract. In assessing how the volumes expected to be delivered under the contract continue to be in accordance with the entity's expected purchase or usage requirements, the entity is not required to make a detailed estimate for periods that are far in the future—for such periods an entity may extrapolate projections from reasonable and supportable information available at the reporting date. However, an entity shall consider reasonable and supportable information available at the reporting date about expected changes in the entity's purchase or usage requirements for a period not shorter than 12 months after the reporting date (or the entity's normal operating cycle as described in paragraph B95 of IFRS 18).'

Feedback summary:

- **Many** respondents asked for clarifications about the proposals in paragraph 6.10.3(a) of the ED. They include (ranked from most to least prevalent):
  a) what constitutes an 'oversized contract' and when could these contracts still achieve own-use;
  b) whether entity-specific factors, like access to storage, should affect whether the contract continues to be in accordance with the entity's expected purchase or usage requirements;
  c) whether the proposals incorrectly exclude situations where (i) information for periods longer than 12 months is available, or (ii) a shorter period of assessment remains; and
  d) whether proposed paragraph 6.10.3(b) in isolation is sufficient (ie paragraph (a) is not needed).

Sales arise due to 'volume risk'

Proposals—paragraph 6.10.3(b)(i):

'the reasons for past and expected sales of unused renewable electricity within a short period after delivery and whether such sales are in accordance with the entity's expected purchase or usage requirements. A sale of unused renewable electricity is in accordance with the entity's expected purchase or usage requirements only if all the following criteria are met:

(i) the sale arises from the entity's exposure to the volume risk, giving rise to mismatches between the renewable electricity delivered and the entity's electricity demand at the time of delivery.'

Feedback summary:

- **A few** respondents asked for clarifications about the proposals in paragraph 6.10.3(b)(i) of the ED. These comments mainly deals with understanding 'volume risk' and, therefore, links more closely to the same comments respondents raised under the scope of the proposals.
- As reported on page 14, some respondents also asked about the meaning of 'delivery', for example, in cases where sales occur before the actual delivery ('day-ahead' market).

The inability to determine the timing or price of the sale

Proposals—paragraph 6.10.3(b)(ii):

'the reasons for past and expected sales of unused renewable electricity within a short period after delivery and whether such sales are in accordance with the entity's expected purchase or usage requirements. A sale of unused renewable electricity is in accordance with the entity's expected purchase or usage requirements only if all the following criteria are met:

…

(ii) the design and operation of the market in which the electricity is sold results in the entity not having the practical ability to determine the timing or price of the sale.'

Feedback summary:

- **A few** respondents asked for clarifications about the proposals in paragraph 6.10.3(b)(ii) of the ED. These comments mainly deals with understanding:
  a) 'timing' of sales in situations where an entity could store energy, even for a short time;
  b) whether reference to 'price' is needed if an entity cannot influence the timing of the sale; and
  c) whether the requirements could be met if an entity agrees a predetermined price (forward price) based on its forecast excess electricity sales or purchases.

Net-purchaser over a ‘reasonable time’

Proposals—paragraph 6.10.3(b)(iii):

‘the reasons for past and expected sales of unused renewable electricity within a short period after delivery and whether such sales are in accordance with the entity’s expected purchase or usage requirements. A sale of unused renewable electricity is in accordance with the entity’s expected purchase or usage requirements only if all the following criteria are met:

…

(iii) the entity expects to purchase at least an equivalent volume of electricity within a reasonable time (for example, one month) after the sale.’

Feedback summary:

- **Almost all** respondents asked for clarifications about the proposals in paragraph 6.10.3(b)(iii) of the ED. These comments mainly deals with understanding:

  a) how an entity is required to assess a ‘reasonable time’. Many respondents offer examples of factors an entity may consider to make such a judgement. Many say 1 month as an indicator is not appropriate;

  b) the mechanics to match purchases with sales. Some respondents provide examples of different ways to apply the proposals that could result in a different conclusion; and

  c) whether the purchases or sales needs to be restricted to the same referenced market (basis risk).

IFRS Accounting

Hedge accounting proposals

Feedback overview

To enable the hedge accounting relationship to not be affected by volume uncertainty

Feedback summary

- **Almost all** respondents agreed (or did not disagree) in principle with the proposals, although many also asked for clarification of particular aspects of the proposals (see slides 21-24). **Some** respondents asked for additional guidance or examples to improve consistent application. We identified the top-two aspects due to their higher degree of prevalence.
- A **few** respondents disagreed, because they believe the proposals are not operable and/or might have unintended consequences.

Designation of a variable nominal volume as the hedged item in a CFH

Proposals—paragraph 6.10.4:

For the purpose of applying the requirements in Section 6.3 to a cash flow hedging relationship in which a contract for renewable electricity that has the characteristics in paragraph 6.10.1 is designated as the hedging instrument, an entity is permitted to designate a variable nominal volume of forecast electricity transactions (either sales or purchases) as the hedged item, if, and only if:

(a) the hedged item is specified as the variable volume of electricity to which the hedging instrument relates; and

(b) the variable volume of forecast electricity transactions designated in accordance with (a) do not exceed the volume of future electricity transactions that are highly probable, except if paragraph 6.10.5 applies.

Feedback summary:

- **Almost all** respondents supported an exception to the general hedge accounting requirements with respect to the designation of a variable nominal amount as the hedged item. However, most asked for clarifications about the application of the proposals in practice as this is seen as a new hedge accounting concept.
- **Some** respondents questioned why this exception only applies to contracts of renewable electricity and not to other commodity contracts with similar volume-linkage between the hedged item and the hedging instrument, ie load-following swaps.

Application of the ‘highly probable’ criterion to the proposals

Proposals—paragraph 6.10.4 (b)

[…] (b) the variable volume of forecast electricity transactions designated in accordance with (a) do not exceed the volume of future electricity transactions that are highly probable, except if paragraph 6.10.5 applies.

and paragraph 6.10.5:

If an entity designates renewable electricity sales in accordance with paragraph 6.10.4(a), such forecasted sales are not required to be highly probable if the hedging instrument relates to a proportion of the total future renewable electricity sales from the production facility as referenced in the contract for renewable electricity.

Feedback summary:

- **Many** respondents asked for clarifications on how to apply the ‘highly probable’ criterion to the purchaser of electricity. Questions raised include:
  - a) how to determine the recurring level of future electricity purchases (‘capacity’) when the corresponding hedging instrument is a long-term contract (ie in excess of 10 years);
  - b) clarifying the period over which the ‘do not exceed’ should be assessed to determine if a hedging relationship is eligible (ie discrete time periods compared to the whole contract length);
  - c) the level of probability that should be used when assessing whether a purchase is highly probable or not.
- **A few** respondents said that paragraph 6.10.5 is not needed because for the seller forecasted sales are highly probable by nature.

Measurement of the hedged item

Proposals—paragraph 6.10.6

To account for a qualifying cash flow hedging relationship as required by paragraph 6.5.11, an entity shall measure the hedged item using the same volume assumptions as those used for measuring the hedging instrument. However, all other assumptions and inputs used for measuring the hedged item, including pricing assumptions, shall reflect the nature and characteristics of the hedged item and shall not impute the features of the hedging instrument (see paragraph B6.5.5).

Feedback summary:

- **Many** respondents questioned how to measure the hedged item using the same volume assumptions as those used for measuring the hedging instrument, in particular from the perspective of the purchaser. For example:
  - a) the granularity of the modelling required (ie the time period of the volume forecast amount), when settlement uses hourly pricing; and
  - b) how pricing difference can be reflected in the hedged item when usage of electricity is not aligned with delivery (for example day/night or week/weekend).
- **A few** respondents said that the application of the proposals may be too complex from a purchaser's perspective, particular for smaller entities if the modelling of short-term mismatches is required to be very granular.

Measurement of the hedged item (cont'd)

Proposals—paragraph 6.10.6

To account for a qualifying cash flow hedging relationship as required by paragraph 6.5.11, an entity shall measure the hedged item using the same volume assumptions as those used for measuring the hedging instrument. However, all other assumptions and inputs used for measuring the hedged item, including pricing assumptions, shall reflect the nature and characteristics of the hedged item and shall not impute the features of the hedging instrument (see paragraph B6.5.5).

Feedback summary:

- **Some** respondents asked for clarification on how to identify whether the hedged transaction occurs when designating a variable nominal volume because the hedged transaction can only be confirmed when the notional of the hedging instrument has been determined.
- **Some** respondents expressed concern that the proposal does not contain guidance on how to reclassify amounts deferred in cash flow hedging reserve and asked for clarification and/or detailed examples that cover multiple periods.
- **A few** respondents said that amendments should also apply to IAS 39 requirements.

Disclosure proposals

To enable investors to understand the effect on financial performance and future cash flows

Feedback overview

- **Some** respondents (mainly from the accounting profession and auditors and standard-setters) agreed, or did not disagree, with most of the proposals.
- However**, many** respondents (including from the accounting profession and auditors, companies and standard-setters, CMAC and GPF members[1] and notably one investor group) disagreed with many of the proposals. Although many of these respondents acknowledged the need for additional disclosures about contracts within the scope of the amendments, they have concerns about:
  a) the scope of the proposed disclosure requirements—the scope is too broad, resulting in disclosure that is not proportional to other similar contracts or are already required by other IFRS Accounting Standards.
  b) the proposed items of information—the proposals appear excessive and would be costly to apply (particularly for multi-national companies and that are sellers or traders of electricity) and could still result in disclosure of commercially sensitive information.
- **Some** of these respondents offered alternative items of information that could still satisfy the disclosure objectives.
- **A few** respondents noted that the scope of IFRS 7 would need to be amended to make the amendments applicable to contracts accounted for as normal purchases.
- **Most** respondents agreed (or did not disagree) to not reduce disclosures under IFRS 19 if the overall disclosures are reduced.

[1]Our feedback summaries in this section includes feedback from the June 2024 joint meeting of the Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF)

The amount, timing and uncertainty of the entity's future cash flows

Proposals—paragraph 42T

'An entity…shall disclose:

(a) the terms and conditions of the contracts…

(b) for contracts for renewable electricity that are not measured at fair value through profit or loss, either:

(i) the fair value of the contracts at the reporting date…; or

(ii) the volume of renewable electricity a seller under the contracts expects to sell or a purchaser under the contracts expects to purchase over the remaining duration of the contracts…'

Feedback summary:

- Of the **few** respondents that commented on this paragraph, **some** agreed with proposed paragraph 42T. A few of these respondents suggested:
  - a) the disclosable terms and conditions need to be specified (incl. CMAC members);
  - b) similar to other commitment disclosures, expected future cash flows, as opposed to volumes of electricity, should be required;
  - c) time buckets should not be specified; and
  - d) CMAC members said forward-looking information is more useful than backward-looking information.
- **Of the few** respondents that commented, **many** disagreed with proposed paragraph 42T. They are concerned that:
  - a) information about pricing and cancellation clauses could be commercially sensitive, particularly if there are limited suppliers.
  - b) fair value information is not useful information because of the high level of estimation uncertainty. However, the investor group said that fair value information is valuable for these types of contracts.

Financial performance—sellers

Proposals—paragraph 42U

'If an entity is a seller under contracts for renewable electricity (that have the characteristics in paragraph 6.10.1 of IFRS 9), the entity shall disclose information that enables users of financial statements to understand how these contracts affect the entity's financial performance for the reporting period. Specifically, an entity shall disclose the proportion of renewable electricity covered by the contracts to the total electricity sold for the reporting period.'

Feedback summary:

- Of the **few** respondents that commented on paragraph 42U, **almost all** disagreed with proposed paragraph 42U. Linked to their comments on the scope of the disclosures, they think that:
  a) additional disclosures for sellers or traders of electricity are not needed because IFRS 15 already requires sufficient disclosures;
  b) the costs to prepare the information outweighs the benefits, particularly for multi-national companies with a large volume of contracts; and
  c) the type of disclosure is better suited as part of sustainability disclosures.

Financial performance—sellers

Proposals—paragraph 42V

'If an entity…shall disclose for the reporting period:

(a) the proportion of renewable electricity covered by the contracts to the total net volume of electricity purchased;

(b) the total net volume of electricity purchased—irrespective of the source of production;

(c) the average market price per unit of electricity in the markets in which the entity purchased electricity; and

(d) if (b) multiplied by (c) differs substantially from the actual total cost incurred by the entity to purchase the volume of electricity in (b), a qualitative explanation of the key reasons for this difference.'

Feedback summary:

- **Some** respondents commented on paragraph 42V. **Almost all** disagreed with proposed paragraph 42V. They think that:
  a) the items of information do not appropriately satisfy the disclosure objective. A few of these respondents said the important effect of these contracts on an entity's performance stems from the purchaser's exposure to the production risk of the reference production facility;
  b) a few respondents said that market prices of electricity are observable outside of financial statements. Others said average market prices are not easily available because of laws and regulations; and
  c) many of these respondents said the qualitative information required under proposed paragraph 42V(d) would not provide useful information because differences will arise primarily because market prices have changed since the contracts was negotiated.

Aggregating information

Proposals—paragraph 42W

‘As required by paragraph B3, an entity shall consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information the entity has disclosed. For example, an entity need not disclose information for each contract separately. An entity also need not duplicate information that is already disclosed in accordance with other IFRS Accounting Standards.

Feedback summary:

- **A few** respondents suggested a similar requirement as proposed paragraph 42W needs to be added to IFRS 19. A few of these respondents acknowledged that IFRS 19 includes requirements for aggregating information and suggests the IASB can clarify this in the Basis for Conclusions on the final amendments.

Effective date and Transition

Feedback overview

To respond swiftly to stakeholder concerns and enable companies to apply the amendments as soon as issued

Effective date

Feedback summary

- **Most** respondents suggested an effective date of 1 January 2026 (or stated that an effective date of 1 January 2025 is too early).
- **Most** respondents also stated early application should be permitted.
- **A few** respondents commented that the proposed disclosure requirements affect their view about the effective date.

Transition

- **Most** respondents agreed (or did not disagree) with the proposals, although they asked for clarification of particular aspects of the proposals. **A few** respondents asked for additional guidance or examples to improve consistent application. See slides 34-36.
- **A few** respondents disagreed with paragraph 7.2.51 of the proposal, mainly because they believe the paragraph would not achieve its objective or would not be operable in practice. See slide 35.

Transition proposals for own use

Proposals—paragraph 7.2.50:

An entity shall apply paragraph 6.10.3 retrospectively in accordance with IAS 8. An entity is not required to restate prior periods to reflect the application of these amendments. The entity is permitted to restate prior periods if, and only if, it is possible to do so without the use of hindsight. If an entity does not restate prior periods, it shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the reporting period in which the entity first applies the amendments in the opening retained earnings (or other component of equity, as appropriate) at the beginning of that reporting period.

Feedback summary:

- **Some** respondents asked for clarification on the assessment date (ie contract inception or date of first application) for the own-use requirement. These respondents said it is not clear how paragraph 6.10.3 interacts with the transition requirements as it refers to the inception of the contract.
- **A few** respondents asked how to apply transition part way through a reporting period with others requested clarification on contracts which have made use of the fair value option in paragraph 2.5 of IFRS 9.
- **A few** others asked for clarification on how to treat capitalised energy costs resulting from contracts which previously have been accounted for as a derivative.

Transition proposals for own use (2/2)

Proposals—paragraph 7.2.51:

However, if an entity applies paragraph 6.10.3 in a reporting period that includes the date the amendments are issued, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the date when the amendments are issued in the opening retained earnings (or other component of equity, as appropriate) at the beginning of that reporting period.

Feedback summary:

- **A few** respondents asked for clarification on how to apply transition part way through a reporting period and asked for an illustrative example.
- **Some** other respondents said that the requirement would not achieve its objective and should be deleted. A few of these respondents said that initial application during a reporting period create opportunities for earnings management through the use of hindsight.

Transition proposals for the hedge accounting requirements

Proposals—paragraph 7.2.52

An entity shall apply paragraphs 6.10.4–6.10.6 prospectively to new hedging relationships designated on or after the date the amendments are first applied (see paragraph 7.1.12). An entity is permitted to change the designation of the hedged item in a cash flow hedging relationship that was designated before the date the amendments are first applied. For the avoidance of doubt, such a change to the designation of the hedged item constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship

Feedback summary:

- **Some** respondents expressed concerns about permitting a change to an existing hedging relationship for a number of reasons, which include:
  a) concerns about earnings management through back-dating the hedging relationship;
  b) concerns about the measurement of the hedged item and the subsequent treatment of the cash flow hedge reserve when applying such an approach.

In contrast, **some** other respondents supported a full retrospective approach to hedge accounting. They said that significant ineffectiveness would arise when designating an off-market derivative.

IFRS Accounting

Addressing the feedback received

How to address feedback received

Scope:

- Improve the scope criteria to better reflect the nature of both physical and virtual PPAs, for example by:
    - clarifying that the nature-dependency characteristic refers to both nature of source for electricity generation and the inability to control whether any electricity is produced
    - relocating volume risk characteristic to own use section and instead focussing on uncertainty about timing and volume of electricity generated by referenced facility because of nature-dependent source; and
    - considering providing further explanation and/or examples

How to address feedback received

Own-use requirements:

- Clarify the link between the amendments and the current requirements in paragraph 2.4 and 2.6 of IFRS 9, including:
  - the notion of ‘delivery’ and the impact of price risk management activities on the assessment;
  - the level at which the own-use assessment is done (for example, contract, entity or market); and
  - when to perform the own-use assessment (contract inception vs. continuous).
- Include the concept of volume risk (or supply risk) in the own-use requirements, clarifying:
  - ‘volume’ refers to the contracted volume and not the total of the referenced facility;
  - the focus is about timing and volume mismatches as opposed to contractual ‘labels’ like ‘pay-as-produced’; and
  - the effects of features such as caps and floors, guaranteed minimum etc.
- Clarify how an entity assesses whether it has been a ‘net-purchaser’ for a ‘reasonable time’.
- Clarify the information an entity is required to consider to assess whether ‘the purpose, design and structure of the contract…continue[s] to be in accordance with the entity’s expected purchase or usage requirements.

How to address feedback received

Hedge accounting:

- Clarify the link between the amendments and current hedge accounting requirements
- Provide additional explanation for why highly probable requirement is not needed for the seller and clarify that a seller must also be the producer of the electricity
- Clarify the link between highly probable capacity of forecast purchases and the variable nominal amount designated as the hedged item
- Clarify the level of granularity of forecast purchases needed to assess the economic relationship
- Consider providing illustrative examples to application of proposed amendments, for example designating variable notional, measurement of ineffectiveness

How to address feedback received

Disclosure:

- Consider reducing scope of disclosures to either contracts accounted for as normal purchases after applying the own-use proposals, or contracts accounted for applying the amendments.
- Amending the scope of IFRS 7 to include contracts accounted for as normal purchases after applying the amendments
- Clarifying the items of information to be disclosed to better achieve the refined disclosure objectives.
- Considering whether specified items of information achieve a balance between not requiring disclosure of commercially sensitive information with the need for providing useful information to investors.

How to address feedback received

Transition requirements:

- Consider permitting early application only from beginning of a reporting period
- Consider clarifications to transition requirements for hedge accounting including changes to existing hedging relationships

Effective date

- Consider effective date of 1 January 2026 with early application permitted.

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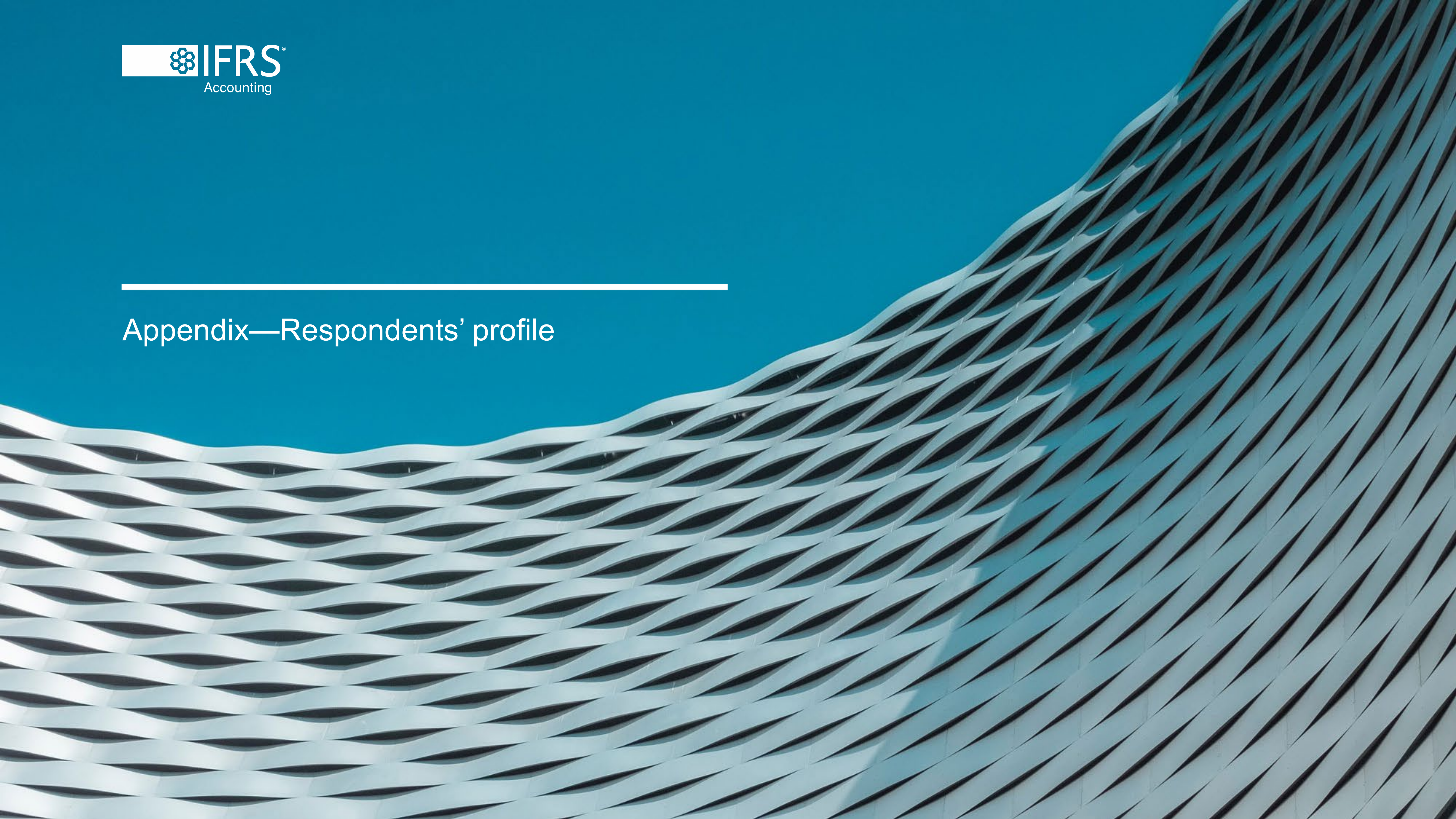
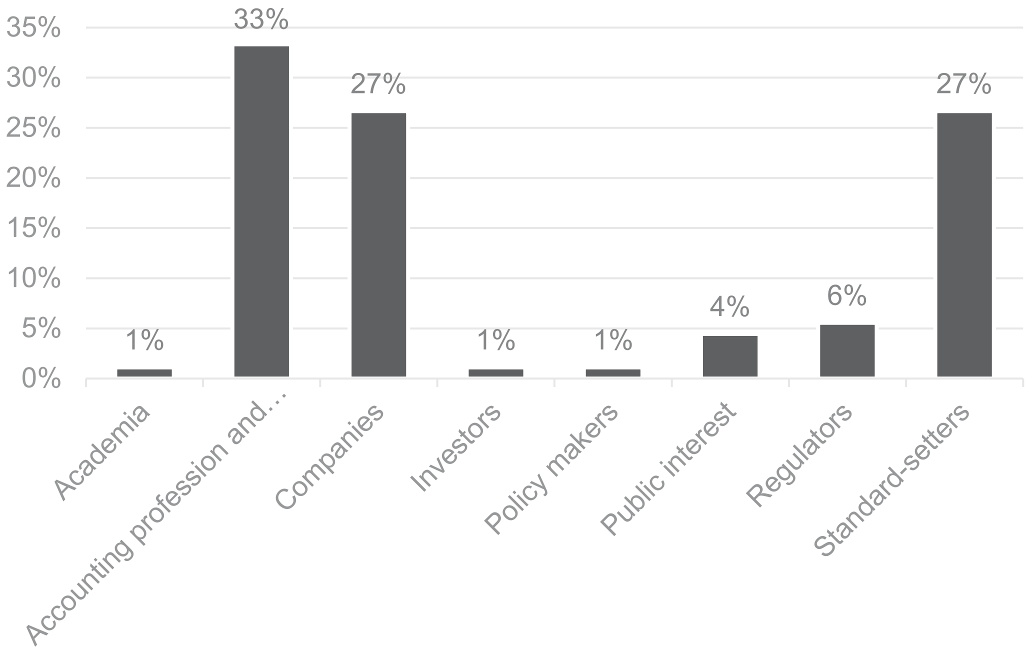
IFRS Accounting

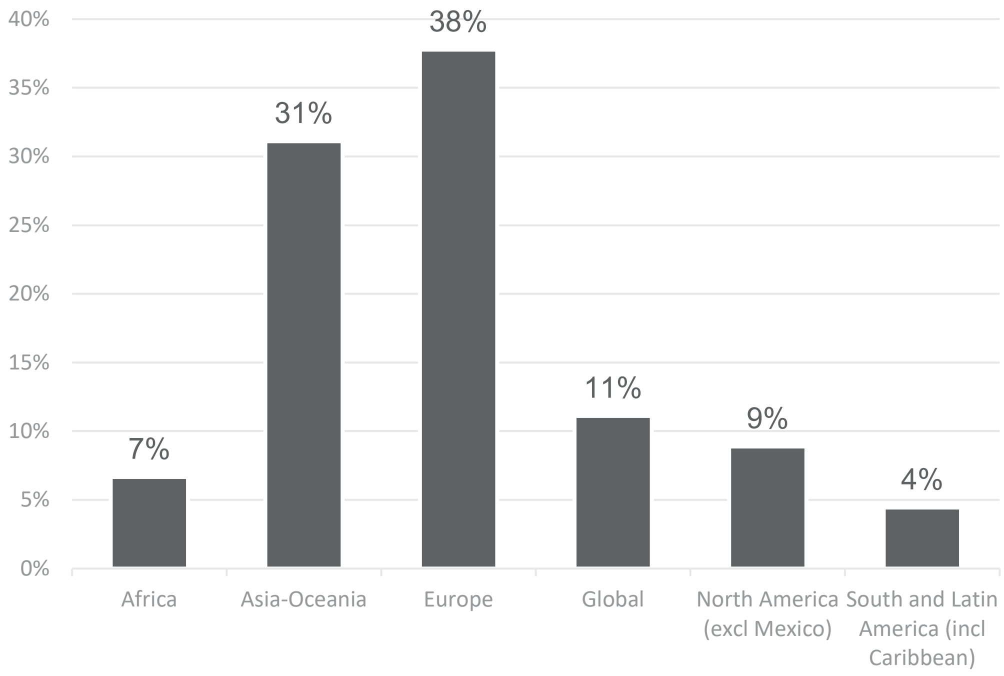
Appendix—Respondents’ profile



Comment letters by type and jurisdiction

- 90 Comment letters received*

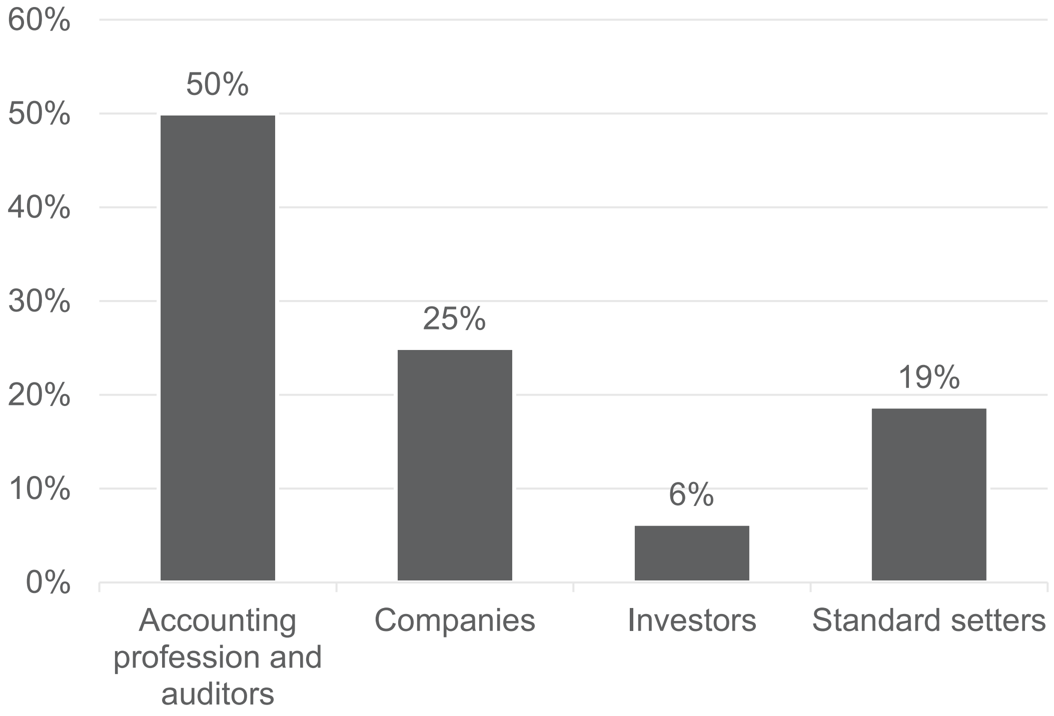


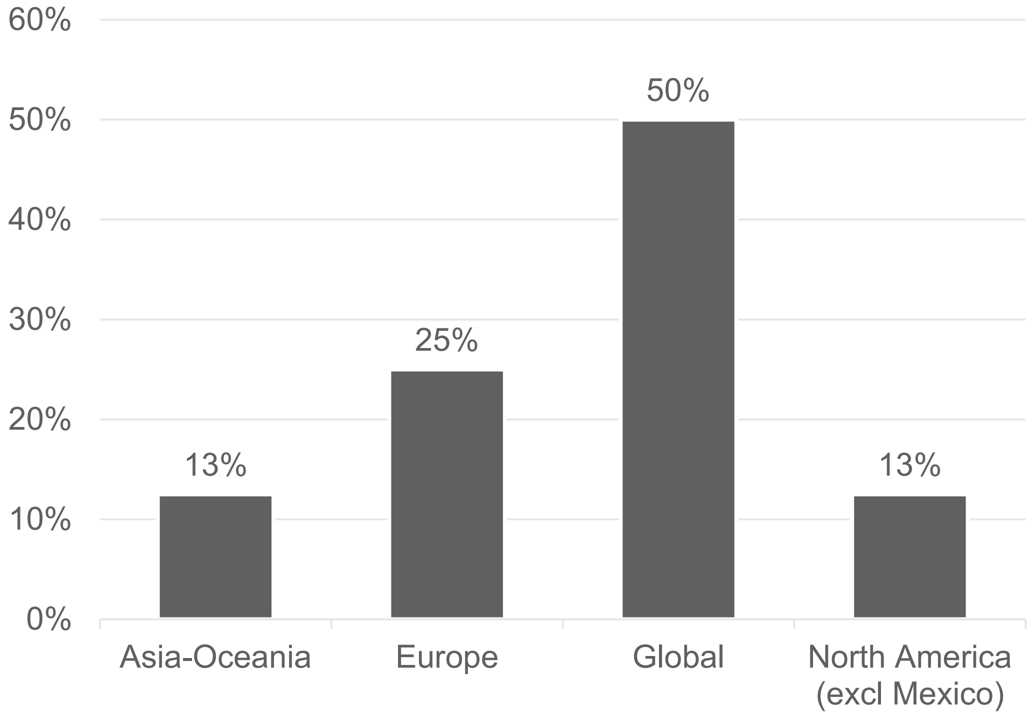


*including 2 comment letters received after the deadline.

Additional outreach meetings since publication of the ED

- 16 meetings*





*including the June 2024 joint meeting of the Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF) and the July 2024 meeting of the Accounting Standards Advisory Forum (ASAF).