FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

Aug 5, 2024

Dr. Andreas Barcko
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Dr. Andreas Barckow

Response on IFRS Standards Exposure Draft ED/2024 – Contracts for Renewable Electricity (Proposed amendments to IFRS 9 and IFRS 7)
The Federation of Accounting Professions would like to show our appreciation on the opportunity to response on **IFRS Standards Exposure Draft ED/2024 – Contracts for Renewable Electricity (Proposed amendments to IFRS 9 and IFRS 7)**. Overall, we agree with the proposed amendments to these standards. However, there are some concerns and suggestions should be added to the proposed draft particularly the disclosure requirements and transition requirements.

Please find our responses to the specific survey raised in **IFRS Standards Exposure Draft ED/2024 – Contracts for Renewable Electricity (Proposed amendments to IFRS 9 and IFRS 7)** in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand

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Aug 5, 2024

Mr. Muhamed Imran Khan
AOSSG Chair Secretariat Accounting Standards Board
The Institute of Chartered Accountants of Pakistan,
Chartered Accountants Avenue,
Block 8 Clifton,
Karachi-75600

Dear Mr. Muhamed Imran Khan,

Response on IFRS Standards Exposure Draft ED/2024 – Contracts for Renewable Electricity (Proposed amendments to IFRS 9 and IFRS 7)

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Chairman of Thai Accounting Standards Board
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Bangkok, Thailand

IFRS Accounting Standards Exposure Draft ED/2024 – Contracts for Renewable Electricity (Proposed amendments to IFRS 9 and IFRS 7)

Question 1—Scope of the proposed amendments
Paragraphs 6.10.1–6.10.2 of the proposed amendments to IFRS 9 would limit the application of the proposed amendments to only contracts for renewable electricity with specified characteristics. Do you agree that the proposed scope would appropriately address stakeholders' concerns (as described in paragraph BC2 of the Basis for Conclusions on this Exposure Draft) while limiting unintended consequences for the accounting for other contracts? Why or why not? If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

TFAC:

We agree with the proposed scope which limits the application of the proposed amendment.

Question 2—Proposed 'own-use' requirements
Paragraph 6.10.3 of the proposed amendments to IFRS 9 includes the factors an entity would be required to consider when applying paragraph 2.4 of IFRS 9 to contracts to buy and take delivery of renewable electricity that have specified characteristics. Do you agree with these proposals? Why or why not? If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

TFAC:

We agree with the proposed amendment because providing specific characteristic of the contract will enhance user understanding and ensure consistent application of the proposed amendment.

Question 3—Proposed hedge accounting requirements
Paragraphs 6.10.4–6.10.6 of the proposed amendments to IFRS 9 would permit an entity to designate a variable nominal volume of forecast electricity transactions as the hedged item if specified criteria are met and permit the hedged item to be measured using the same volume assumptions as those used for measuring the hedging instrument. Do you agree with these proposals? Why or why not? If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

TFAC:

We agree with the proposal because hedge accounting reduces accounting mismatches and provides useful information to users of financial statements.

Question 4—Proposed disclosure requirements
Paragraphs 42T–42W of the proposed amendments to IFRS 7 would require an entity to disclose information that would enable users of financial statements to understand the effects of contracts for renewable electricity that have specified characteristics on: (a) the entity's financial performance; and (b) the amount, timing and uncertainty of the entity's future cash flows. Do you agree with these proposals? Why or why not? If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

TFAC:

We would like to raise concerns and seek clarification regarding the proposed amendment on the following issues;

Firstly, it is unclear whether the requirement in paragraph 42T-42W applies to all contracts that exhibit the characteristics outlined in section 6.10.1 of IFRS 9, even if such contracts fall outside the scope of IFRS 9. For example, power purchase contracts for renewable electricity with these characteristics but accounted for under IFRS 16 or power purchase contracts for renewable electricity with these characteristics, structured as normal purchase or normal sale (an executory contract) and out of scope of IFRS 16. We also found that Staff Paper Agenda reference: 6 "Capital Markets Advisory Committee and Global Preparers Forum" (Date 14 June 2024 Topic Exposure Draft Contracts for Renewable Electricity page 17) illustrated the Illustrative example-disclosure requirements of renewable electricity contracts accounted for as executory contracts. In contrast, BC12 and BC40 of this ED identified that the proposed amendments relevant for contracts to which the requirements in IFRS 9 apply as well as contracts accounted for as a normal purchase would not be subject to the disclosure requirements of IFRS 7.

Secondly, while the renewable electricity contracts meet the criteria outlined in section 6.10.3 of IFRS 9, making they eligible for the own-use exemption and are treated as normal purchase or normal sale, the ED requires significantly more detailed disclosures for such renewable electricity agreements compared to general sale and purchase agreements for other goods/materials, in fact, these general sale and purchase agreements may be more important to the entity's financial performance than renewable electricity contracts are. This raises concerns about potential inconsistency in disclosure level between similar type of contracts (but different type of goods/materials). Moreover, the extensive disclosure requirements (42T-42V), particularly for contracts for renewable electricity, could lead to a competitive disadvantage, where the costs and efforts may outweigh the benefits. Additionally, this raises the question of how the required disclosures in 42T-42V would enable financial users to make informed economic decisions.

In addition, it raises concerns whether the disclosure requirements in 42V(b)(c)(d) would impose an unnecessary burden on entities treating renewable electricity contracts as normal purchase or normal sale agreements since, in our view, these requirements may deliver the irrelevant information to IN5 (c) of this ED that focuses on renewable electricity contracts. Moreover, these contracts are not treated as financial instruments under the scope of IFRS7 - Financial instruments: Disclosures.

In conclusion, TFAC is of the view that paragraphs 42T – 42W of this ED are unclear for the scope to consider the contracts "that have the characteristics in paragraph 6.10.1 of the ED". Such paragraphs will require a scope-in under IFRS 7 for own-use contracts that have the aforementioned characteristics, whilst such contracts are currently outside the scope of IFRS 7 and IFRS 9. TFAC also questions whether disclosures required for renewable electricity contracts that qualify for own-use purposes counterbalance the cost-benefit between the needs of financial statements users and entities' costs to provide such information.

Question 5—Proposed disclosure requirements for subsidiaries without public accountability
Paragraphs 67A–67C of the proposed amendments to the forthcoming IFRS 19 Subsidiaries without Public Accountability: Disclosures would require an eligible subsidiary to disclose information about its contracts for renewable electricity with specified characteristics. Do you agree with these proposals? Why or why not? If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

TFAC:

Our main concern is that the costs of compliance with these disclosures requirements may outweigh the benefits for subsidiaries without public accountability. Additionally, the lack of clarification, particularly regarding whether an entity need not disclose information for each contract separately (as set out in IFRS 7.42W), could lead to inconsistent reporting and increased burden if not included in IFRS 19. We suggest that if the amendments to IFRS 7 are reflected in IFRS 19, the provision about the level of detail for disclosures should be included to ensure subsidiaries can meet requirements without excessive cost.

Question 6—Transition requirements
The IASB proposes to require an entity to apply: (a) the amendments to the own-use requirements in IFRS 9 using a modified retrospective approach; and (b) the amendments to the hedge accounting requirements prospectively. Early application of the proposed amendments would be permitted from the date the amendments were issued. Do you agree with these proposals? Why or why not? If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

TFAC:

We generally agree with the proposal but recommend that it provide clearer transition requirements, especially regarding how to apply hedge accounting prospectively for contracts that did not meet the qualifying criteria in the past but would qualify if an entity applied the proposed amendments.

Question 7—Effective date
Subject to feedback on the proposals in this Exposure Draft, the IASB aims to issue the amendments in the fourth quarter of 2024. The IASB has not proposed an effective date before obtaining input about the time necessary to apply the amendments. In your view, would an effective date of annual reporting periods beginning on or after 1 January 2025 be appropriate and provide enough time to prepare to apply the proposed amendments? Why or why not? If you disagree, what effective date would you suggest instead and why?

TFAC:

We have no concern on the effective date, however; the effective date shall be subjected to the feedback from all countries whether the preparers have enough preparation time to apply the proposed Amendments.