Harvest Energy Trust

January 19, 2009

International Accounting Standards Board
30 Cannon Street
London, United Kingdom EC4M 6XH

Dear Sirs:

Re: Comment on Exposure Draft for IFRS 1 Amendment

Our company, Harvest Energy Trust, is a publicly traded integrated energy trust with oil and natural gas operations in eastern Canada and a 115,000 barrel per day refinery in eastern Canada.

Under Canadian GAAP we use the full cost method of accounting for our upstream property, plant and equipment costs, as do most other Canadian companies in our industry. As a result, applying IFRS 1 as currently published would require our company to enter into a very costly process of recreating detailed historic records as at the transition. As investors, bankers and other creditors already rely on independently evaluated oil and natural gas reserve reports, including related discounted and undiscounted values, a costly conversion process to recreate the historic records in accordance with IFRS guidelines would have little or no economic benefit to stakeholders.

Therefore, our company strongly endorses the exemption for full cost oil and gas companies as specifically outlined in the September 25, 2008 IASB Exposure Draft titled "Additional Exemptions for First-time Adopters – Proposed amendments to IFRS 1", which will allow the historic net book value of the property, plant and equipment accounts to be allocated at the IFRS transition date between exploration and evaluation assets and property, plant and equipment, subject to capitalization limits imposed by impairment testing.

Attached are our detailed responses to the questions posed in the Exposure Draft.

Yours truly,

R Fotheringham

Robert W. Fotheringham
Chief Financial Officer

Attachment

T: 403 265 1178 F: 403 265 3490 www.harvestenergy.ca
2100, 330 – 5th Avenue SW, Calgary, Alberta T2P 0L4

Q1 – Deemed cost for oil and gas assets

Do you agree with the proposed deemed cost options for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

We agree with and strongly endorse the proposed deemed cost option. Virtually all of Canada's independent oil and gas exploration and production companies, including Harvest Energy Trust, use the full cost method of accounting for their property, plant and equipment costs. Under the full cost method, exploration and development costs, including production equipment and facilities as well as acquisition costs allocated to oil and gas exploration and development activities under the purchase method for business combinations, have all been recorded in country-by-country cost centres or pools. Subsequent depletion, depreciation and impairment provisions are all determined and recorded on this pool basis, never being allocated to individual assets. Once costs are recorded in a pool, they lose their individuality and are no longer identified as specific assets for either accounting or income tax purposes.

It is the nature of the oil and gas industry in Western Canada for producers to have a high number of wells producing relatively low to medium volume. For example, Harvest Energy Trust currently has approximately 9,000 wells located in Western Canada, producing a total volume of approximately 55,000 boe/d. Additionally, the Canadian oil and gas industry is characterized by a high level of acquisition activity, resulting in poor quality historic records and unverifiable historic information. Harvest Energy Trust has, in its six year history, completed 13 significant acquisitions.

As all of our oil and gas assets (and associated depletion, depreciation and impairment) are accounted for in one pool, our reporting system does not enable us to disaggregate the relevant data to recalculate the net book value under IFRS from inception. Therefore, applying IFRS 1 as currently published would cause us, and the majority of our peers, to enter into the process of recreating detailed historic records as at the transition date. This would be very costly, extremely time consuming and, in many cases, almost impossible due to the number of assets, the unavailable and/or potentially unverifiable documentation of past activities and the increased need to use more subjective estimates.

The current exemption under IFRS 1 to use fair value as the deemed cost of property, plant and equipment at transition also presents issues given the difficulty and cost involved in assessing a reliable and accurate fair value and the large fluctuations that are common in oil and gas prices. Using fair value as deemed cost would likely result in many companies having to write up their oil and gas assets. As commodity prices subsequently fluctuate, these companies would likely also incur significant impairments. The resulting volatility in the financial statements renders them less relevant and meaningful to stakeholders.

As investors, bankers and other creditors already rely on independently evaluated oil and natural gas reserve reports, including related discounted and undiscounted values, a costly conversion process to recreate the historic records in accordance with IFRS guidelines would have little or no economic benefit to stakeholders.

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Q2 – Oil and gas assets – disclosure

Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

We agree with the proposed disclosure requirements relating to the deemed cost options for oil and gas assets. Disclosure of the election to use the exemption outlined in the exposure draft, and the basis of carrying value allocations to the new categories of property, plant and equipment accounts provides stakeholders with the information to understand the effects of the transition from the previous GAAP to IFRS.

Q3 – Deemed cost for operations subject to rate regulation

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

No comment

Q4 – Leases

Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

No comment

Q5 – Assessments under previous GAAP before the date of transition to IFRSs

Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

No comment

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