January 12, 2009

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

Re: Comment on Exposure Draft for IFRS 1 Amendment

Pengrowth Energy Trust (Pengrowth) follows the full cost method of accounting for oil and gas properties and facilities whereby all costs of developing and acquiring oil and gas properties are capitalized. The 20 year history of Pengrowth includes over 50 asset acquisitions and business combinations for proceeds in excess of $5 billion. As Pengrowth operates exclusively in Canada, all of these costs have been capitalized to a single cost center or pool under Canadian GAAP. Subsequent depletion and impairment provisions have been determined on this single pool basis. Once costs are added to the pool, they lose their identity and are no longer identified with specific assets for either accounting or income tax purposes.

Conversion to IFRS, as currently published, would cause Pengrowth to enter into a very costly and, in many cases, almost impossible process of recreating detailed historic records as at the transition date due to unavailable and/or potentially unverifiable documentation of past activities together with the increased need to use more subjective estimates. Investors, bankers and other creditors currently rely heavily on independently determined oil and natural gas reserve reports, including related discounted and undiscounted values, which are required to be filed and made publicly available on an annual basis under Canadian securities legislation. A costly conversion process to recreate the historic exploration and evaluation costs and property, plant and equipment accounts would have little or no economic benefit to stakeholders.

I strongly endorse 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”. Attached are my detailed responses to the questions posed in the Exposure Draft.

Yours truly,

Jeff Dashkin, CA
IFRS Project Coordinator
Pengrowth Energy Trust

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?

I agree with and strongly endorse the proposed deemed cost option.

As outlined previously in the covering letter, Pengrowth uses the full cost method of accounting for their fixed asset accounts and all capitalized costs have all been recorded in a single country-wide cost center, or pool.

Recalculation of historical cost is an enormous project that would be impossible to complete for the transition to IFRS on January 1, 2011. Further, historical cost is not a measure that the users of our financial statements are particularly interest in. Cash flow, production and reserve replacement are.

In the absence of this proposed exemption, most Canadian up stream oil producers would be forced to use fair value as deemed cost. Fair value is a very subjective number that is dramatically influenced by commodity prices and discount rates, both of which have been extremely volatile in the current economic climate and would not add value to financial statement users.

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?

I 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 fixed asset accounts provides stakeholders with the necessary 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?

I do agree with the deemed cost option for rate regulated entities. These entities will continue to be subject to rate regulation after implementation of IFRS. Historical cost is not important to investors or creditors, only cash flow and distributions of this cash flow to investors.

The application of the proposed amendment only when it is impracticable to determine historical costs imposes an extremely high hurdle before the proposed deemed cost option is available. I would therefore support removal of this qualification criteria for use of the proposed deemed cost option.

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