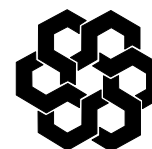




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This document is provided as a convenience to observers at the joint IASB-FASB meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB).

These notes are based on the staff papers prepared for the IASB and FASB.

Paragraph numbers correspond to paragraph numbers used in the joint IASB-FASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IASB/FASB Meeting: 21 October 2008, Norwalk
Project: Emissions Trading Schemes
Subject: Cover note (Agenda Paper 9)

OBJECTIVE OF THIS MEETING

- 1 At the October 2008 joint meeting, the staff will ask the Boards to begin considering the main accounting issues at inception of emissions related 'cap and trade' and emissions related 'baseline and credit' schemes ('the schemes'), specifically the recognition upon allocation of granted 'emission allowances' or a 'baseline'. The staff believe these issues to be among the most difficult and contentious accounting issues to address in these schemes.
- 2 Despite their different approaches, both schemes provide for tradable instruments to offset emissions obligations. The major difference is that in a baseline and credit scheme those tradable offsets are only issued at the end of the respective compliance period to participants whose emissions were below

their baseline; whereas, in a cap and trade scheme, emission allowances are allocated to participants at the beginning of the compliance period. Provided that all emissions targets were absolute, cap and trade schemes are said to be theoretically equivalent to cap and trade schemes. Therefore, the staff think that the accounting issues at the outset of both schemes should be resolved jointly.

- 3 The staff have prepared the following agenda papers for this meeting:
 - a Cover note (Agenda Paper 9);
 - b Background material (Agenda Paper 9A);
 - c Accounting issues (Agenda Paper 9B);
 - d Outreach (Agenda Paper 9C).
- 4 The staff will not ask the Boards to make any decisions at this meeting. Rather, the staff intend to present the schemes and how they interrelate as part of an Education Session. The focus of the discussion will be on the accounting issues arising at the outset of the schemes. The staff will present different views on how to address these issues.
- 5 The staff are aware that some of the answers to those issues may affect the subsequent accounting. For example, if a baseline is not recognised as an asset upon assignment, this will reflect upon the subsequent accounting in a baseline and credit scheme.
- 6 At this meeting, the staff will be seeking input from the Boards about the issues that need to be considered more fully before the Boards can reach decisions about an accounting model for emission schemes. As a next step, the staff plan to present alternative accounting models to the Boards.