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International Accounting Standards Board

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.
These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: **March 2009, London**

Project: **Emissions Trading Schemes**

Subject: **Addendum to Agenda paper 13B**

INTRODUCTION

1 The objective of this Addendum is to present to the boards for their consideration a fourth model to account for the credit entry, if the boards decide that issued offsets should be initially measured at fair value. This model arose from a small group meeting the staff held with certain FASB board members.

2 This model is similar to the performance obligation model described in IASB Agenda Paper 13b (FASB Memorandum #3b); however, this model presents an alternative view for why an obligation is created as issued offsets are received.

MODEL B'

3 Under this model, an entity would recognise a liability for the full amount of the issued offsets it receives.

4 This model considers the overall economics of the scheme and views an entity as having entered into an enforceable arrangement with the scheme administrator by virtue of the scheme having been passed into law. Under this view, when an entity receives and accepts issued tradable offsets, it also accepts an obligation to deliver

enough of those offsets back to the scheme administrator to cover its emissions. That is, by accepting the offsets the entity has a stand ready obligation to deliver the offsets to the scheme administrator once it reaches specific emission levels in the future. This obligation meets the definition of a liability and therefore should be recognised as such.

5 By contrast, an entity that has not received issued offsets does not have an unconditional obligation until it emits. Under such an enforceable arrangement, neither party recognises an accounting consequence from the contract until one of the parties begins to perform. Without having received issued offsets, there is no performance by the entity and, therefore, no enforceable obligation. However, an obligation would be created under the scheme when the entity emits. This obligation meets the definition of a liability because the act of emitting creates an obligation to remit tradable offsets or (in certain schemes) to pay a fee to the administrator. An entity that received issued offsets would only have an incremental obligation beyond that already recognised upon receipt of the tradable offsets when its emissions exceed the number of issued offsets it received.

STAFF ANALYSIS AND UPDATED RECOMMENDATION

6 The staff note that this model is similar to the performance obligation model described in IASB Agenda Paper 13b (FASB Memorandum #3b). The staff agree with the conclusion that an obligation arises from receiving issued offsets and acknowledge that there may be different ways of viewing that obligation.