



Project	Emissions Trading Schemes
Topic	Cover note

Boards decisions

1. The IASB discussed the Emissions Trading Schemes project last in its March 2009 meeting. The IASB discussed the initial accounting for emissions allowances that entities receive free of charge from government in cap and trade emissions trading schemes.
2. The IASB decided tentatively that an entity should recognise emissions allowances received free of charge from government as assets. The allowances should initially be measured at fair value. The IASB decided tentatively that if an entity receives allowances free of charge from the government, the entity incurs an obligation to repay emissions allowances. The IASB decided tentatively that the entity should recognise a liability for this obligation. The liability is measured initially at the fair value of the allowances received.
3. The FASB discussed the initial accounting for emissions allowances that entities receive free of charge from government in an April 2009 meeting. The FASB did not make any decisions at that meeting. Staff were asked to perform additional analysis about the existence of liabilities in various fact patterns. An initial analysis was presented in a July 2009 FASB education session related to stand-ready obligations

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Purpose

4. The purpose of this meeting is to discuss the accounting for the items that arise in emissions cap & trade schemes. Paper 13a / memo 4a includes questions for the boards that shall assist staff in developing an accounting guidance for the items that arise in an emissions trading scheme. Importantly, the boards are not asked to make any decisions at this meeting.
5. The meeting focuses on the items in a scheme with *voluntary* participation. Membership in a voluntary scheme results from a contract between knowledgeable, willing parties. In contrast, participation in a statutory scheme results from a unilateral decision by a government (or governmental body). The staff find it easier to analyse the accounting for items when the items arise from a contract between knowledgeable, willing parties. This is because a contract provides an unambiguous anchor, establishing rights and obligations.
6. The staff do not take a view at this stage on whether the conclusions reached for voluntary (ie contractual) schemes can be applied to statutory (ie non-contractual) schemes. However, staff believe the discussion of voluntary schemes to be helpful in structuring the discussion of statutory schemes.

Papers

7. Staff have prepared two Agenda Papers:
 - (a) Paper 13a / memo 4a *Accounting for the items in a voluntary scheme*. The paper describes (a) the items that an entity exchanges when it becomes a member of a scheme with voluntary participation and (b) discusses which items meet the element definitions in the boards' frameworks.
 - (b) Paper 13b / memo 4b *Related examples*. The paper aims at providing a broader context for the boards' discussions on the items in a voluntary scheme by identifying related examples in existing IFRSs / US GAAP and joint projects of the boards.