

---

## IFRS Taxonomy Consultative Group (ITCG) meeting

Date **2 July 2024**

Project **IFRS Accounting Taxonomy**

Topic **Review of IFRS Taxonomy Due Process and update on Power Purchase Agreements (PPA) modelling**

Contacts **Jatin Garach ([jgarach@ifrs.org](mailto:jgarach@ifrs.org))**

This paper has been prepared for discussion at a public meeting of the ITCG. This paper does not represent the views of the International Accounting Standards Board (IASB), the International Sustainability Standards Board (ISSB), or any individual IASB or ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards or IFRS Sustainability Disclosure Standards.

---

## Purpose of this session

To provide the ITCG with:

- An update on the staff's review of the IFRS Taxonomy Due Process requirements

### Question 1

Do ITCG members have any questions or comments on the staff's review of Due Process requirements, or suggestions for possible improvements in current Due Process requirements?

- Initial modelling proposals on the Exposure Draft *Contracts for Renewable Electricity* under the IASB's Power Purchase Agreements project

### Question 2

Do the proposed changes to the IFRS Accounting Taxonomy adequately reflect the disclosure requirements in *Contracts for Renewable Electricity*? If not, please specify what changes you suggest and why.

---

# Review of Due Process



---

## Review of Due Process related to Taxonomy development

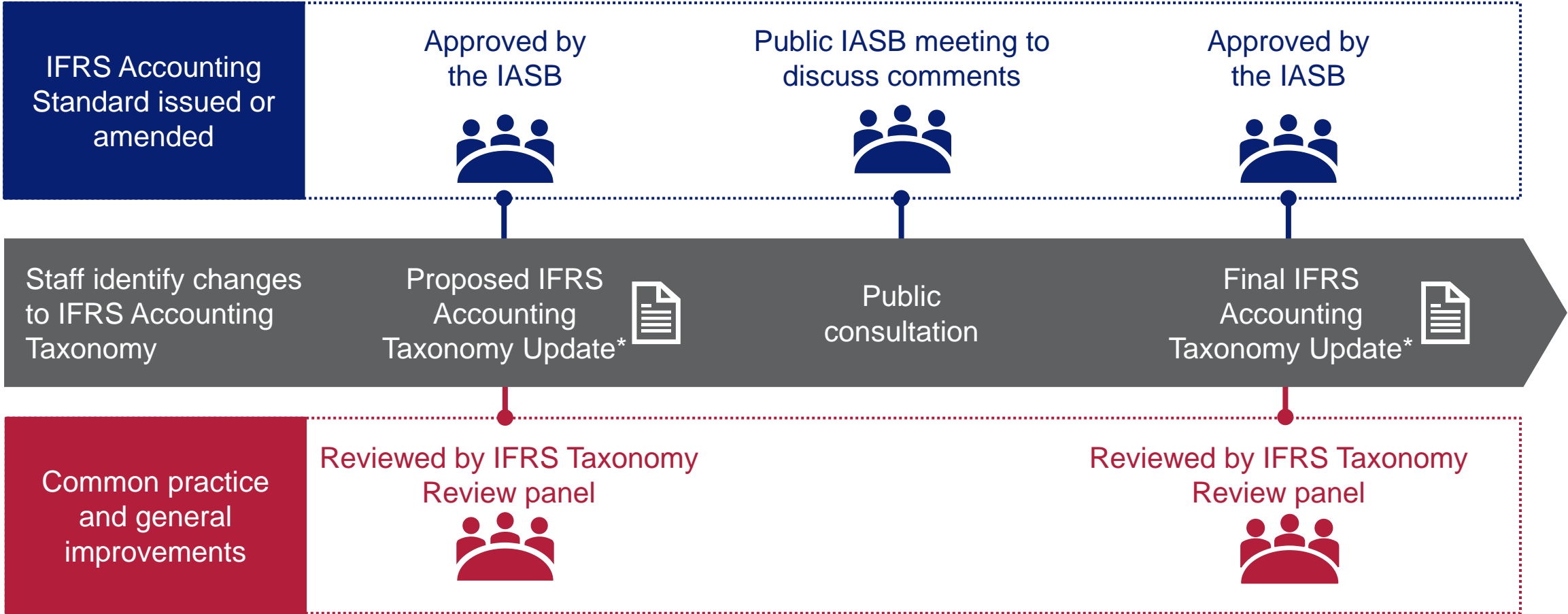
IFRS Foundation **plans to update the Due Process Handbook** to reflect references to the International Sustainability Standards Board, including similar changes to the IFRS Taxonomy Due Process requirements. An Exposure Draft reflecting these changes is expected to be published in H2 2024

Considering these expected changes, we conducted a review of Due Process requirements relating to the IFRS Accounting Taxonomy in H1 2024, to identify changes to the Due Process to facilitate:

- a **more efficient** taxonomy development process; and
- **greater stakeholder engagement** in the consultation process

We considered 3 possible updates to the Due Process (slide 6). At this stage, we recommended no action to be taken but will continue to assess how to improve the taxonomy development process

# Current Due Process for updating the IFRS Accounting Taxonomy



\* Reviewed by IFRS Taxonomy Consultative Group (ITCG)

Possible update	Description	Recommendation
<p>① Remove balloting and consultation of straight-forward Taxonomy updates</p>	<ul style="list-style-type: none"> <li>• <u>Current requirements:</u> IASB ballots and consults on proposed and final taxonomy updates for all amendments to IFRS Accounting Standards</li> <li>• However, some taxonomy updates are <b>straightforward</b>, do not require judgement and receive little feedback</li> <li>• Removing ballot and consultation <b>could improve timeliness but would eliminate key opportunities for stakeholder feedback</b></li> </ul>	<ul style="list-style-type: none"> <li>• No action at present</li> <li>• Document approach to modelling straightforward taxonomy updates.</li> <li>• Establish which types of updates are considered ‘straightforward’</li> <li>• Allow time for ISSB to develop experience with taxonomy updates before making changes</li> </ul>
<p>② Require balloting and consultation of common practice Taxonomy updates</p>	<ul style="list-style-type: none"> <li>• <u>Current requirements:</u> proposed and final updates are reviewed by the IFRS Taxonomy Review Panel</li> <li>• Updates for common practice can involve judgement. Balloting provides <b>opportunity for board member feedback</b>. However, this would increase work for the IASB and could delay updates</li> </ul>	<ul style="list-style-type: none"> <li>• No action at present</li> <li>• May choose to seek additional review by IASB members</li> <li>• Allow time for ISSB to develop experience with taxonomy updates before making changes</li> </ul>
<p>③ Publish proposed Taxonomy update (PTU) based on Exposure Draft (ED) of related Standard/ amendment</p>	<ul style="list-style-type: none"> <li>• <u>Current requirements:</u> PTUs are only prepared for final amendments to IFRS Accounting Standards</li> <li>• Publishing PTUs based on the ED could: <ul style="list-style-type: none"> <li>• make Taxonomy updates <b>available sooner</b>; and</li> <li>• <b>increase engagement</b> with Taxonomy.</li> </ul> </li> <li>• However, significant changes to the amendments <b>may require re-exposure of PTU</b></li> </ul>	<ul style="list-style-type: none"> <li>• No action at present</li> <li>• Arises in limited circumstances—when the IASB develops urgent amendments, made effective immediately</li> </ul>

---

## Way forward

2024

DPOC approval to publish a PTU earlier than a final Standard

- Seek permission from the Due Process Oversight Committee (DPOC) to publish a Proposed Taxonomy Update (PTU) based on the Exposure Draft *Contracts for Renewable Electricity* (ED)
- This will allow the elements related to the ED to be used in the first period in which the related amendments are effective

Future

Long term considerations

- Consider whether possible updates to the Due Process (slide 6) may facilitate a more efficient taxonomy development process and facilitate greater stakeholder engagement
- Identify any other changes that may be beneficial for the taxonomy development process

---

Initial modelling proposals for  
*Contracts for Renewable  
Electricity*





---

## Exposure Draft *Contracts for Renewable Electricity*

In May 2024 the IASB published an [Exposure Draft](#) proposing narrow-scope amendments to ensure that financial statements more faithfully reflect the effects that renewable electricity contracts have on a company

The Exposure Draft proposes to amend IFRS 9 *Financial Instruments* for the ‘own-use’ and hedge accounting requirements for contracts for renewable electricity and to amend IFRS 7 *Financial Instruments: Disclosures* for disclosure requirements relating to contracts for renewable electricity

Applying established taxonomy modelling policies, the staff recommend creating one new table and new elements to reflect the disclosure requirements arising from the amendments (see slides 10 & 11)

The Exposure Draft also proposes consequential amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* to add similar disclosure requirements

The IASB proposes to add references to IFRS 19 to elements that reflect similar requirements arising from *Contracts for Renewable Electricity* for entities within the scope of IFRS 19

**Key:**

ET—Element type; where ‘TB’—text block, ‘M’—monetary, ‘EN’—energy, ‘PER’—percent, ‘DEC’—decimal  
ER—Element reference, where ‘D’—disclosure

42T An entity that is a party to contracts for renewable electricity (that have the characteristics in paragraph 6.10.1 of IFRS 9) shall disclose information that enable users of financial statements to understand how these contracts affect the amount, timing and uncertainty of the entity’s future cash flows. Specifically, an entity shall disclose:

- (a) the terms and conditions of the contracts. Examples of terms and conditions include the remaining contract duration, the type of pricing (including the reference market and whether the contracts include price adjustment clauses), minimum or maximum volume, cancellation clauses and whether the contracts include renewable energy certificates (or similar attributes).
- (b) for contracts for renewable electricity that are not measured at fair value through profit or loss, either:
  - (i) the fair value of the contracts at the reporting date, accompanied by the information required by paragraphs 93(g)–(h) of IFRS 13; or
  - (ii) the volume of renewable electricity a seller under the contracts expects to sell or a purchaser under the contracts expects to purchase over the remaining duration of the contracts. An entity is permitted to provide this information as a range for each of these periods: not later than one year; later than one year and not later than five years; and later than five years. An entity shall also disclose the methods and assumptions the entity used in preparing the information, any changes in those methods and assumptions since the previous reporting period, and the reasons for such changes.

Element label	ET	ER	Reference
Disclosure of information on how contracts for renewable electricity affect amount, timing and uncertainty of entity’s future cash flows	<u>TB</u>	D	IFRS 7.42T
Disclosure of terms and conditions of contracts for renewable electricity	<u>TB</u>	D	IFRS 7.42T(a)
Fair value of contracts for renewable electricity	<u>M</u>	D	IFRS 7.42T(b)(i)
<b>Table text block</b>			
Disclosure of information about expected volume of renewable electricity expected to be transacted	TB	D	IFRS 7.42T(b)(ii)
<b>Axis and members</b>			
Maturity (A)		<u>D</u>	<u>IFRS 7.42T(b)(ii)</u>
Maturity (DM)		<u>D</u>	<u>IFRS 7.42T(b)(ii)</u>
Not later than one year (M)		<u>D</u>	<u>IFRS 7.42T(b)(ii)</u>
Later than one year and not later than five years (M)		<u>D</u>	<u>IFRS 7.42T(b)(ii)</u>
Later than five years (M)		<u>D</u>	<u>IFRS 7.42T(b)(ii)</u>
<b>Line items</b>			
Volume of renewable electricity expected to be sold	<u>EN<sup>1</sup></u>	D	IFRS 7.42T(b)(ii)
Volume of renewable electricity expected to be purchased	<u>EN<sup>1</sup></u>	D	IFRS 7.42T(b)(ii)
Disclosure of information about methods and assumptions used in preparing expected volume of renewable electricity	<u>TB</u>	D	IFRS 7.42T(b)(ii)

**Key:**  
 ET—Element type; where ‘TB’—text block, ‘M’—monetary, ‘EN’—energy, ‘PER’—percent, ‘DEC’—decimal  
 ER—Element reference, where ‘D’—disclosure

- 42U If an entity is a seller under contracts for renewable electricity (that have the characteristics in paragraph 6.10.1 of IFRS 9), the entity shall disclose information that enable users of financial statements to understand how these contracts affect the entity’s financial performance for the reporting period. Specifically, an entity shall disclose the proportion of renewable electricity covered by the contracts to the total electricity sold for the reporting period.
- 42V If an entity is a purchaser under contracts for renewable electricity (that have the characteristics in paragraph 6.10.1 of IFRS 9), the entity shall disclose information that enable users of financial statements to understand how these contracts affect the entity’s financial performance for the reporting period. Specifically, an entity shall disclose for the reporting period:
- (a) the proportion of renewable electricity covered by the contracts to the total net volume of electricity purchased;
  - (b) the total net volume of electricity purchased—irrespective of the source of production;
  - (c) the average market price per unit of electricity in the markets in which the entity purchased electricity; and
  - (d) if (b) multiplied by (c) differs substantially from the actual total cost incurred by the entity to purchase the volume of electricity in (b), a qualitative explanation of the key reasons for this difference.

Element label	ET	ER	Reference
Disclosure of information on how contracts for renewable electricity affect amount, timing and uncertainty of seller’s financial performance	TB	D	IFRS 7.42U
Proportion of renewable electricity sold under contracts for renewable electricity	PER	D	IFRS 7.42U
Disclosure of information on how contracts for renewable electricity affect amount, timing and uncertainty of purchaser’s financial performance	TB	D	IFRS 7.42V
Proportion of renewable electricity purchased under contracts for renewable electricity	PER	D	IFRS 7.42V(a)
Volume of electricity purchased in market, total	EN <sup>1</sup>	D	IFRS 7.42V(b)
Average market price per unit of electricity purchased in market	DEC <sup>2</sup>	D	IFRS 7.42V(c)

<sup>1</sup> The IFRS Sustainability Disclosure Taxonomy includes an ‘energy’ element type that denotes the disclosure format is an amount of energy. The staff recommend introducing this element type to the IFRS Accounting Taxonomy to reflect proposed disclosure requirements related to a ‘volume’ of electricity.

<sup>2</sup> ‘DEC’ refers to ‘decimal’ element type. Alternatively, we could propose to use the “perUnitItem” type to reflect this requirement or register a new “monetaryPerEnergyItem”.