
FASB | IASB Education Meeting

Date **11 October 2024**

Project **Pollutant Pricing Mechanisms**

Topic **Horizon-scanning**

Contacts **Rachel Knubley** (rknubley@ifrs.org)
Vanessa Hanna (vanessa.hanna@ifrs.org)

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Purpose of the meeting

To brief the FASB on the IASB's horizon-scanning activities conducted in relation to Pollutant Pricing Mechanisms (PPM).



What are pollutant pricing mechanisms?

Mechanisms, also known as 'schemes', designed to achieve a reduction of greenhouse gases (GHG) through the use of tradable emissions allowances or carbon credits



Compliance market

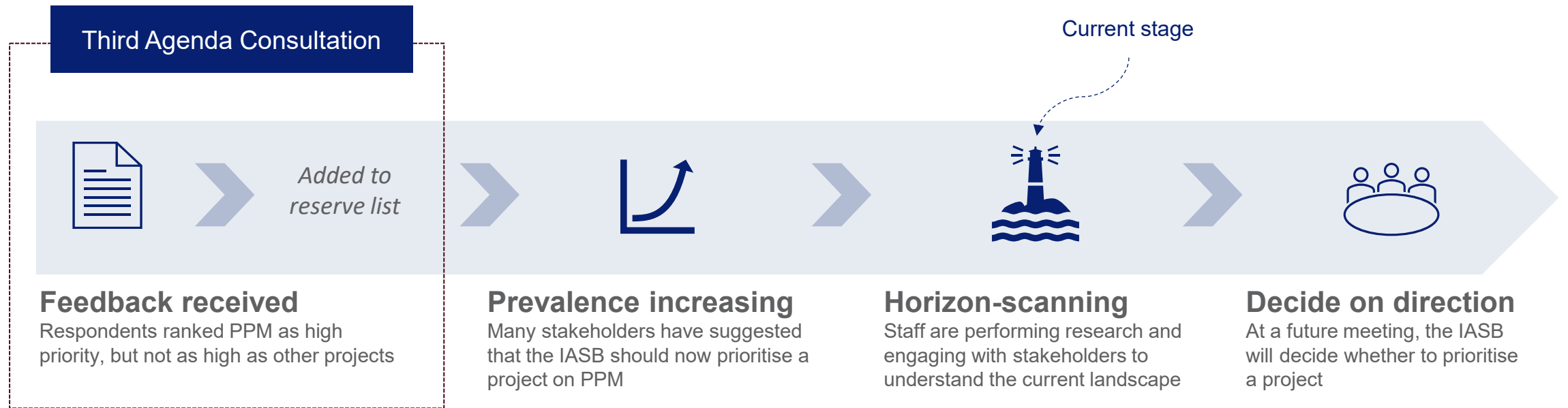
- Established and regulated by governments
- Emissions trading schemes (ETS) are used as a means to limit GHG emissions
- Participation is mandatory for entities covered by the ETS



Voluntary market

- Operates outside of the compliance market
- Enables carbon emitters to offset emissions by purchasing carbon offsets on a voluntary basis
- A project-based system is used, where carbon offsets are created through the development of projects that remove or reduce GHG emissions from the atmosphere

Status on IASB work plan



Horizon-scanning activities

Outreach with stakeholders



Investors

Survey distributed to targeted group of investors (slide 7)



Regulators

Meetings held with securities regulators (slide 7)



National standard-setters

Survey distributed to ASAF members (slides 8–9)



IFRS Interpretations Committee

Session held with Committee (slide 13)



Preparers

Holding meetings with GPF members

Horizon-scanning activities

Key observations



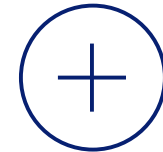
The **prevalence** of both compliance schemes and voluntary schemes is **increasing**.



Compliance markets are **more mature** than voluntary markets and the accounting **issues** are **better defined**.



There is **diversity in accounting** for both compliance and voluntary schemes.



Difficult to assess materiality of these schemes to entities, but an **increasing number** are participating, and **effects** are **material** to some.

Feedback from outreach

Investors and regulators

Investors



- Of those respondents who follow entities that participate in PPM, **almost all** indicated that the information provided in financial statements about their use of carbon credits is insufficient*.
- **Many respondents** indicated that the IASB should prioritise a project on PPM, rating the project as either very important or somewhat important.

Regulators



- **Some** of the regulators we met noted an increase in the prevalence of PPM, particularly in the compliance market.
- **Many** indicated the need for the IASB to provide accounting guidance.
- **Most** are experiencing enforcement challenges due to the diversity in accounting.

* We received a total of 17 responses. Ten indicated that they follow companies that participate in PPM. The analysis is based on these ten respondents

Feedback from outreach—ASAF survey

Compliance schemes

Prevalence

- **Most** respondents reported that some form of compliance scheme exists in their jurisdiction.
 - **Almost all** respondents noted that there are plans to introduce new schemes or expand the scope of existing schemes.
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Significance

- **Many** respondents reported that the financial effects of compliance schemes do not appear to be significant to entities in their jurisdiction at this time.
 - **Some** noted that the impacts can be significant, but it depends on factors such as; the size of the entity and the sector they operate in.
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Diversity

- **Many** respondents reported observing diversity in accounting for compliance schemes.
- **Many** said it was difficult to assess whether the diversity adversely affects the usefulness of information provided to users of financial statements.



Feedback from outreach—ASAF survey

Voluntary schemes

Prevalence

- **Almost all** respondents reported that IFRS reporters in their jurisdictions participate in the voluntary market.
- **Most** respondents reported that the prevalence of voluntary schemes is increasing.

Significance

- **Many** respondents said that the financial effects of voluntary schemes do not appear to be significant to entities in their jurisdiction at this time.
- **Some** suggested that the financial effects are expected to become material as prevalence increases.

Issues

- **Most** respondents indicated that these schemes give rise to accounting issues that are difficult to resolve.
- **Some** reported observing diversity in accounting for voluntary schemes.



June 2024 IASB meeting

The IASB discussed the results of the horizon-scanning activities performed to date at its June 2024 meeting

Agenda Paper 10—Cover paper

Agenda Paper 10A—Horizon-scanning activities and feedback summary

- This paper provides an overview of horizon-scanning activities performed to date and summarises feedback received from outreach with users and regulators. It also includes additional background information on PPM, including the different approaches to accounting for PPM.

Agenda Paper 10B—Feedback summary—national standard-setters

- This paper summarises feedback from outreach with national standard-setters, including ASAF member responses to the questionnaire on PPM.

Agenda Paper 10C—Survey and questionnaire

- This contains the survey distributed to users and questionnaire distributed to ASAF members.



[Recording of meeting](#)

Feedback—June IASB meeting

We heard mixed views from IASB members

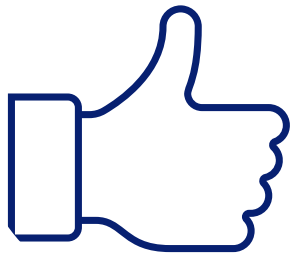




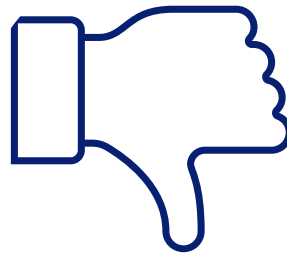
[Recording of meeting](#)

Feedback—July ASAF meeting

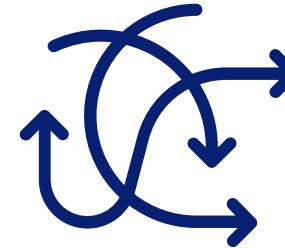
We heard mixed views from ASAF members on whether the IASB should prioritise a project



Some ASAF members would like the IASB to **prioritise a project** on PPM, suggesting that their prevalence and significance is increasing and there is diversity in accounting.



Some ASAF members were **less supportive** of the IASB **prioritising a project** on PPM, suggesting that the feedback they received from stakeholders did not indicate that the financial effects of PPM are significant enough.



ASAF members commented on the **interaction** between a project on PPM and **Intangible Assets**. Some suggested first progressing Intangible Assets, while others cautioned that it would be too late if the IASB waited for Intangible Assets.



[Recording of meeting](#)

Feedback—September IFRS Interpretations Committee meeting



The **prevalence** of PPM is **increasing**, and although perhaps not material today, their **significance** is **increasing**.



There is **diversity in practice** for both types of schemes, and many IC members expressed support for the IASB to **start** a project **sooner rather than later**.



Many would like a project to address **both schemes together**. Some suggested addressing **compliance** schemes **separately** and including **voluntary** schemes within the scope of the **Intangible Assets** project.



Most support addressing both **recognition and measurement**, while one IC member suggested a **disclosure only** project would be sufficient.

Questions

Do FASB members have any questions or comments on the IASB's horizon-scanning activities in relation to PPM?



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