
IFRS[®] Interpretations Committee meeting

Date	March 2026
Project	Economic Benefits from Use of a Battery under an Offtake Arrangement
Topic	Comment letters on tentative agenda decision
Contacts	Stefano Tampubolon (stampubolon@ifrs.org) Jenifer Minke-Girard (jminke-girard@ifrs.org)

This paper has been prepared for discussion at a public meeting of the IFRS Interpretations Committee (Committee). This paper does not represent the views of the International Accounting Standards Board (IASB), the Committee or any individual member of the IASB or the Committee. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*. The Committee's technical decisions are made in public and are reported in IFRIC[®] *Update*.

Introduction

1. At its September 2025 meeting, the IFRS Interpretations Committee (Committee) published a [tentative agenda decision](#) about how an entity applies the requirements in paragraph B9(a) of IFRS 16 *Leases*—specifically, how an entity determines whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset.¹
2. The objective of this paper is:
 - (a) to summarise and analyse comments on the tentative agenda decision; and
 - (b) to ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

¹ The tentative agenda decision was published in response to two requests that illustrated the question about application of paragraph B9(a) of IFRS 16 by describing a fact pattern involving a battery offtake arrangement. The requests and the staff's related analysis are set out in [Agenda Paper 3](#) for the September 2025 Committee meeting (September Agenda Paper).

Structure of the paper

3. This paper includes:
 - (a) [background](#) (paragraphs 5–14);
 - (b) [comment letter summary](#) (paragraphs 15–17);
 - (c) [staff analysis](#) (paragraphs 18–34);
 - (d) [staff recommendation](#) (paragraph 35); and
 - (e) questions for the Committee.
4. The [appendix](#) to this paper sets out the proposed wording of the agenda decision.

Background

5. In the fact pattern described in the requests, a battery owner and an electricity retailer are registered participants in a gross pool electricity market. The battery owner and the electricity retailer enter into a battery offtake arrangement.
6. Under the terms and conditions of the offtake arrangement, the battery owner retains custody of the battery but is contractually obliged to operate it in accordance with the electricity retailer's instructions, which cover 100% of the capacity of the battery; the battery cannot be substituted. The electricity retailer's instructions would typically specify whether and when the battery owner charges and discharges the battery. The electricity retailer can instruct the battery owner to charge and discharge the battery throughout the period of use (including multiple times during each day).
7. The fact pattern in the tentative agenda decision describes how transactions occurring under the offtake arrangement are settled. In summary:
 - (a) the electricity retailer pays a fixed amount to the battery owner over the period of the contract for the right to use the battery; the fixed amount is payable regardless of whether the battery is charged or discharged.

-
- (b) the battery owner operates the battery according to the electricity retailer's instructions by buying and selling electricity and settles those transactions with the market operator. The battery owner pays the resulting cash flows to (or receives the resulting cash flows from) the electricity retailer.
 - (c) the battery owner and the electricity retailer settle transactions in (a) and (b) periodically, net in cash.
 - 8. Paragraph 9 of IFRS 16 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. Applying paragraph B9 of IFRS 16, to assess whether a contract conveys the right to control the use of an identified asset for a period of time, the customer—throughout the period of use—must have *both*:
 - (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
 - (b) the right to direct the use of the identified asset.
 - 9. The fact pattern described in the requests assumed that the electricity retailer has the right to direct the use of the battery (paragraph B9(b) of IFRS 16). The requests asked whether, under the offtake arrangement, the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16).
 - 10. Paragraph B21 of IFRS 16 specifies that:
 - ... A customer can obtain economic benefits from use of an asset directly or indirectly in many ways, such as by using, holding or sub-leasing the asset. The economic benefits from use of an asset include its primary output and by-products (including potential cash flows derived from these items), and other economic benefits from using the asset that could be realised from a commercial transaction with a third party.

-
11. The Committee observed that, in the fact pattern described in the requests:
- (a) the economic benefits from use of the battery are derived from its storage capability and capacity; the battery is used to store, and then release, electricity.
 - (b) the battery offtake arrangement provides the electricity retailer with the economic benefits derived from the battery storage because the electricity retailer has the exclusive right:
 - (i) to use the entire capacity of the battery throughout the period of use (for the duration of the arrangement); and
 - (ii) to direct the battery owner as to whether, when and by how much to charge and discharge the battery.
12. Therefore, applying paragraph B21 of IFRS 16 to the fact pattern, the Committee concluded that the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery.
13. The Committee also observed that an entity, in determining whether it has the right to direct the use of an identified asset, considers the terms and conditions of the arrangement and all relevant facts and circumstances. Because the fact pattern described in the requests assumed that the electricity retailer has the right to direct the use of the battery, the Committee did not analyse the application of paragraph B9(b) of IFRS 16 to the fact pattern.
14. Based on its analysis, the Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an electricity retailer, as the customer in a battery offtake arrangement as described in the requests, to determine whether it has the right to obtain substantially all of the economic benefits from use of the battery. Therefore, the Committee tentatively decided not to add a standard-setting project to the work plan and, instead, published a tentative agenda decision.

Comment letter summary

15. The Committee received 13 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#).² This agenda paper includes analysis of only the comment letters received by the comment letter deadline.
16. Of the 13 respondents:
- (a) eleven respondents agree—or do not disagree—with the Committee’s conclusion and tentative decision not to add a standard-setting project to the work plan for the reasons set out in the tentative agenda decision.
 - (b) one respondent disagrees. Paragraphs 19–25 of this paper summarise and analyse the respondent’s reasons for disagreement.
 - (c) one respondent does not express agreement or disagreement.
17. A few of these respondents raise other comments about the tentative agenda decision. Paragraphs 26–34 of this paper summarise and analyse these other comments.

Staff analysis

18. This section analyses respondents’:
- (a) reasons for disagreement with the tentative agenda decision (paragraphs 19–25); and
 - (b) other comments (paragraphs 26–34).

² At the date of posting this agenda paper, there were no late comment letters.

Disagreement with the tentative agenda decision***Respondent's comments***

19. One respondent—Origin Energy—disagrees with the Committee's conclusion. The respondent says 'the Committee's application of paragraph B21 of IFRS 16 has resulted in inconsistent conclusions when compared to the 2021 [Agenda Decision [Economic Benefits from Use of a Windfarm \(IFRS 16\)](#) (Windfarm Agenda Decision)]'. This respondent says that if the reasoning from the Windfarm Agenda Decision was applied to the battery fact pattern, 'the scenario addressed in the tentative agenda decision would be captured as a derivative on the balance sheet' (and not as a lease).
20. This respondent says the tentative agenda decision:
- (a) emphasises the economic benefits associated with the battery's storage function even though, in a gross market, a retailer does not have physical access to store or utilise its own electrons in a battery. This respondent says this approach diverges from the Windfarm Agenda Decision, which focused on a retailer's ability to access the physical output (the electrons generated by the windfarm) in a gross market.
 - (b) highlights the electricity retailer's exclusive right of use of the battery as a key factor leading to the conclusion that the retailer has the right to obtain substantially all of the economic benefits of the battery, and this reasoning could equally apply to the electricity retailer's relationship with a windfarm as described in the Windfarm Agenda Decision.
 - (c) places greater weight on the financial benefits of batteries; however, the electricity retailer in the fact pattern in the Windfarm Agenda Decision accesses economic benefits from the windfarm, via the cash flows, that are analogous to the financial benefits derived from a battery.

-
21. In the light of its disagreement, Origin Energy suggests:
- (a) being consistent in assessing the ‘unit of account’ when defining the economic benefits from use of a battery and a windfarm; and
 - (b) reconsidering the matter as part of a broader project initiative, with particular attention to clarifying the definition of economic benefits and the rights to obtain those benefits—whether physical or financial—in the context of a gross pool market.

Staff analysis

22. We continue to agree with the Committee’s analysis and conclusions in the tentative agenda decision and recommend no action in response to the respondent’s comments.
23. We disagree with the suggestion that the Committee has been inconsistent in analysing the fact pattern in the Windfarm Agenda Decision and the fact pattern in the tentative agenda decision.
24. In both matters, applying paragraph B21 of IFRS 16, the Committee focused on the rights of the electricity retailer under the contract and the function and economic benefits of the identified asset. As our previous staff analysis notes (set out in paragraphs 36–41 of the [September Agenda Paper](#)), the rights of the electricity retailer under the contract and the function and economic benefits of the identified asset in each of those fact patterns are dissimilar. In particular:
- (a) the economic benefits from use of a windfarm include the electricity it produces (as its primary output). Under the contractual terms of the agreement in the fact pattern in the Windfarm Agenda Decision, the electricity retailer *has no right* to obtain, or obligation to purchase, any of the electricity the windfarm produces throughout the period of the agreement.

-
- (b) the economic benefits from use of a battery are derived from its storage capability and capacity; the battery does *not produce* electricity but is used to *store*, and then release, electricity. Under the contractual terms of the agreement in the fact pattern in the tentative agenda decision, the electricity retailer *has the exclusive right*:
- (i) to use the entire capacity of the battery throughout the period of use (for the duration of the arrangement); and
 - (ii) to direct the battery owner as to whether, when and by how much to charge and discharge the battery.
25. Based on our analysis, we continue to agree with the Committee’s conclusion that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an electricity retailer, as the customer in a battery offtake arrangement as described in the requests, to determine whether it has the right to obtain substantially all of the economic benefits from use of the battery. We think it is unnecessary to undertake a broader project initiative as described in paragraph 21(b) of this paper.

Other comments

26. A few respondents raised other comments related to the tentative agenda decision that this section analyses, including:
- (a) suggestion to clarify that market-settlement mechanics are irrelevant (paragraphs 27–29);
 - (b) concern about the tentative agenda decision being applied too broadly (paragraphs 30–32); and
 - (c) suggestion to consider other fact patterns (paragraphs 33–34).

Suggestion to clarify that market-settlement mechanics are irrelevant

Respondent's comment

27. The Saudi Organization for Chartered and Professional Accountants (SOCPA) suggests clarifying in the agenda decision that market-settlement mechanics do not alter the assessment of control of use applying IFRS 16—that is, ‘market-settlement arrangements do not, in themselves, preclude the existence of a lease, provided the customer has the exclusive right to use the asset’s capacity’. The respondent said such a clarification would ‘promote consistent application across both gross- and net-pool electricity markets.’

Staff analysis and conclusion

28. We recommend no action in response to the respondent’s suggestion in paragraph 27 of this paper. We continue to observe (as paragraph 40 of the [September Agenda Paper](#) explains) that ‘the structure of the market (a gross pool market) in both the windfarm and battery fact patterns is not determinant to the analysis. Rather, it is the contractual rights to use the identified assets that are relevant to the analysis—whether in a gross pool or other type of market.’
29. The Committee did not consider other fact patterns and therefore, in our view, cannot make any broad or generic statements about whether and how market-settlement mechanics might affect an analysis of other fact patterns.

Concern about the tentative agenda decision being applied too broadly

Respondents' comments

30. A few respondents provide comments related to the potential for the tentative agenda decision to be inappropriately applied too broadly. In particular:
- (a) Forvis Mazars says they are concerned that the conclusion in the tentative agenda decision could be ‘generalized’ to all battery offtake arrangements, without taking into consideration the specificities of each contract or market.

-
- (b) Origin Energy says that applying the tentative agenda decision ‘will likely give rise to unintended accounting consequences’—for example, if applied to a fact pattern in which two electricity retailers enter into separate offtake arrangements with a single battery owner over the same battery, and neither retailer obtains substantially all the economic benefits.
- (c) SOCPA suggests including a reminder that the assessment is highly fact-specific.

Staff analysis and conclusions

31. Paragraph 8.4 of the IFRS Foundation [Due Process Handbook](#) states that explanatory material in an agenda decision ‘explains how the applicable principles and requirements in IFRS [Accounting] Standards apply *to the transaction or fact pattern described in the agenda decision*’ (emphasis added). Therefore, an agenda decision should not be applied by default to other fact patterns. In our view, the tentative agenda decision is already clear and explicit about the Committee’s analysis and conclusions being based on applying the requirements in IFRS 16 to the fact pattern in the requests.
32. We think further clarification—such as by adding disclaimer language as suggested in paragraph 30(c) of this paper—is unnecessary and would be inconsistent with past agenda decisions that do not include such disclaimers. Nonetheless, we note that the tentative agenda decision already includes the Committee’s observation that ‘an entity, in determining whether it has the right to direct the use of an identified asset, considers the terms and conditions of the arrangement and all relevant facts and circumstances.’ We think it might be helpful to emphasise the need for this consideration *both* when an entity assesses whether it has the right to obtain substantially all of the economic benefits from use of an identified asset *and* when it assesses whether it has the right to direct the use of that asset. The [appendix](#) to this paper includes our suggested wording changes to the agenda decision in this respect.

Suggestion to consider other fact patterns

Respondents' comments

33. Some respondents suggest additional facts or other fact patterns for the Committee to analyse:
- (a) David Hardidge says other electricity market participants (other than electricity retailers) use battery energy storage systems and enter into offtake agreements, and therefore the Committee should review its use of the term ‘electricity retailer’ in the tentative agenda decision.
 - (b) the IFRS Accountant says if the electricity retailer chooses to share some of the economic benefits with the battery owner, that fact would need to be factored into the analysis.
 - (c) Richard Chilinski says the battery owner might receive incentives and tax benefits to produce a battery—and those should be considered in analysing the economic benefits from use of the battery.
 - (d) SOCPA suggests that the tentative agenda decision:
 - (i) analyse and contrast fact patterns involving assets that generate a commodity (such as wind or solar farms) with fact patterns involving assets that store or transmit a commodity (such as batteries and pipelines); and
 - (ii) include consideration of which counterparty bears the operational and performance risks associated with the asset, and whether the rights conveyed are substantive and enforceable over the contract term.

Staff analysis

34. The respondents' suggestions to consider additional facts or other fact patterns (as summarised in paragraph 34 of this paper) go beyond the original requests to the Committee. As we explain in paragraph 33 of this paper, an agenda decision applies only to the fact pattern described in it. Therefore, we recommend no further action in respect of these suggestions.

Staff recommendation

35. Based on our analysis in paragraphs 19–34 of this paper, we recommend finalising the agenda decision, as published in [IFRIC Update September 2025](#), with the changes to the tentative agenda decision as explained in paragraph 32 of this paper. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Questions for the Committee

1. Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 35 of this paper?
2. Do Committee members have any comments on the wording of the agenda decision in the [appendix](#) to this paper?
3. Do Committee members have additional observations they would like to report to the IASB regarding this matter?

Appendix—Proposed wording of the agenda decision

A1. We propose the following wording for the final agenda decision (new text is underlined and deleted text is struck through).

Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16 Leases)

The Committee received requests about how an entity applies the requirements in paragraph B9(a) of IFRS 16—specifically, how an entity determines whether a customer has the right to obtain substantially all of the economic benefits from use of an identified asset. The requests illustrate the question by describing a fact pattern involving a battery offtake arrangement.

Fact pattern

In the fact pattern described in the requests, a battery owner and an electricity retailer are registered participants in a gross pool electricity market.

The battery owner and the electricity retailer enter into a battery offtake arrangement. Under the terms and conditions of the offtake arrangement, the battery owner retains custody of the battery but is contractually obliged to operate it in accordance with the electricity retailer's instructions, which cover 100% of the capacity of the battery; the battery cannot be substituted. The electricity retailer's instructions would typically specify whether and when the battery owner charges and discharges the battery. The electricity retailer can instruct the battery owner to charge and discharge the battery throughout the period of use (including multiple times during each day).

In a gross pool electricity market, settlement of electricity transactions requires a single registered participant to transact with the market operator. As the battery owner is the registered participant, transactions occurring under the offtake arrangement are settled as follows:

- a. the electricity retailer pays a fixed amount to the battery owner over the period of the contract for the right to use the battery. This fixed amount reflects the size of

the battery and the period of use and is payable regardless of whether the battery is charged or discharged.

- b. the battery owner operates the battery according to the electricity retailer's instructions by buying and selling electricity and settles those transactions with the market operator. In accordance with the gross pool market structure, all transactions with the market operator occur at the spot price. The battery owner pays the resulting cash flows to (or receives the resulting cash flows from) the electricity retailer.
- c. the battery owner and the electricity retailer settle transactions in (a) and (b) periodically, net in cash.

Paragraph 9 of IFRS 16 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'. Applying paragraph B9 of IFRS 16, to assess whether a contract conveys the right to control the use of an identified asset for a period of time, the customer—throughout the period of use—must have *both*:

- a. the right to obtain substantially all of the economic benefits from use of the identified asset; *and*
- b. the right to direct the use of that asset.

The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery (paragraph B9(b) of IFRS 16). The requests ask whether, under the offtake arrangement, the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16).

Applying IFRS 16 to the fact pattern

The Committee observed that an entity—in determining whether it has the right to obtain substantially all of the economic benefits from use of an identified asset (paragraph B9(a) of IFRS 16) and the right to direct the use of that asset (paragraph B9(b) of IFRS 16)—considers the terms and conditions of the contract and all relevant facts and circumstances.

Does the electricity retailer have the right to obtain substantially all of the economic benefits from use of the battery (paragraph B9(a) of IFRS 16)?

Paragraph B21 of IFRS 16 specifies that ‘a customer can obtain economic benefits from use of an asset directly or indirectly in many ways, such as by using, holding or sub-leasing the asset. The economic benefits from use of an asset include its primary output and by-products (including potential cash flows derived from these items), and other economic benefits from using the asset that could be realised from a commercial transaction with a third party.’

The Committee observed that, in the fact pattern described in the requests, the economic benefits from use of the battery are derived from its storage capability and capacity; the battery is used to store, and then release, electricity.

The Committee also observed that the battery offtake arrangement provides the electricity retailer with the economic benefits derived from the battery storage because the electricity retailer has the exclusive right:

- a. to use the entire capacity of the battery throughout the period of use (for the duration of the arrangement); and
- b. to direct the battery owner as to whether, when and by how much to charge and discharge the battery.

Therefore, applying paragraph B21 of IFRS 16 to the fact pattern, the Committee concluded that the electricity retailer has the right to obtain substantially all of the economic benefits from use of the battery.

Does the electricity retailer have the right to direct the use of the battery (paragraph B9(b) of IFRS 16)?

~~The Committee observed that an entity, in determining whether it has the right to direct the use of an identified asset, considers the terms and conditions of the arrangement and all relevant facts and circumstances. Because the~~ The fact pattern described in the requests assumes that the electricity retailer has the right to direct the use of the battery. ~~Therefore,~~

the Committee did not analyse the application of paragraph B9(b) of IFRS 16 to the fact pattern.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an electricity retailer, as the customer in a battery offtake arrangement as described in the requests, to determine whether it has the right to obtain substantially all of the economic benefits from use of the battery. Consequently, the Committee {decided} not to add a standard-setting project to the work plan.