



Federación Argentina
de Consejos Profesionales
de Ciencias Económicas

EEG · NOVEMBER 2026

IFRS 20 in Argentina

Initial implementation analyses in natural gas distribution

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A compilation of initial analyses shared by sector entities — not the presenter's own analysis, nor positions of FACPCE or CENCYA.

What this presentation covers

A compilation of initial IFRS 20 analyses shared by entities in the sector

01

Regulatory setting

How gas distribution tariffs create timing differences

02

Early findings

What the initial analyses suggest for each tariff component

03

Open questions

Recognition and measurement judgements still under review



EVIDENCE BASE

- Initial analyses shared by sector entities
- Complemented by further discussions with practitioners
- Not the presenter's or FACPCE's own analysis
- No company figures; not a representative survey

Three early messages

What the initial analyses gathered so far suggest

01



Gas-cost pass-through is the strongest candidate

The tariff mechanism is designed to true up these differences in future tariffs.

02



Separate the right from its measurement

A recovery mechanism in the agreement creates the right; uncertainty goes to measurement.

03

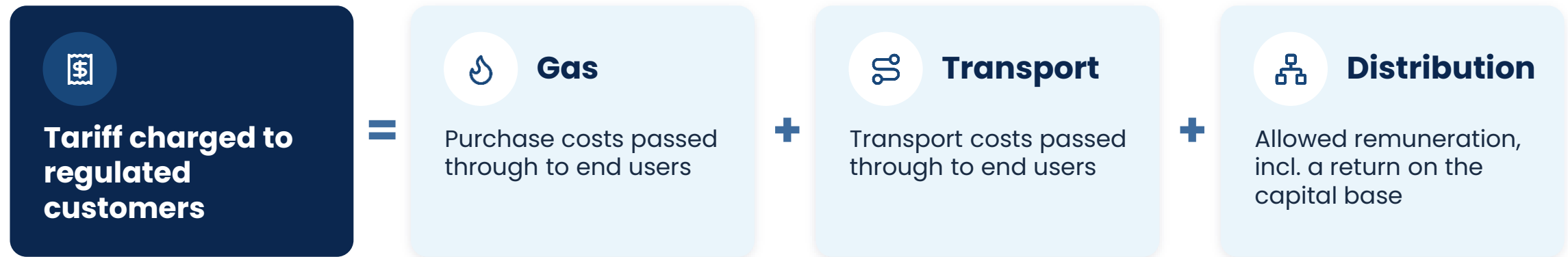


Measurement needs data beyond the ledger

Volumes, regulatory rates and indexation drive the balances.

The economic setting: a regulated distribution business

Tariff components that do not always move at the same speed as costs



Regulatory timing

Costs are incurred and services supplied in one period; amounts are collected from — or returned to — customers through tariffs in later periods.

Effects arise from the terms of the regulatory agreement — a delay alone is not evidence of an IFRS 20 balance.

Components being examined

Preliminary classification in the initial analyses — no conclusions are definitive

Closer to an IFRS 20 balance     Further from



Gas-cost differences

Likely area of regulatory asset / liability analysis

STRONG CANDIDATE

Case 1



Phased tariff increases

Possible asset, dependent on recovery provisions

REQUIRES CONFIRMATION

Case 2



Capital & inflation mechanisms

Rights and measurement need separate examination

UNDER ASSESSMENT



Investment obligations

Not, by themselves, a regulatory liability

DISTINGUISH FROM IFRS 20

Case 3

Further mechanisms to analyse

Raised in further discussions — not yet covered by the initial analyses



Non-controllable cost differences

Salaries, taxes and public utility tariffs recovered through later tariff changes.

Preliminary view: Potential IFRS 20 balance, even without a tracking account



Politically deferred tariff updates

Approved adjustments postponed for policy reasons.

Preliminary view: Key test: is the deferral compensated in later tariffs?



Government-funded investments

Network investment financed through specific government trust funds.

Preliminary view: Other IFRSs may need to be considered first



Tariff subsidies

State subsidies on the gas and transport components.

Preliminary view: Other IFRSs may need to be considered first

By contrast, operating costs subject to an efficiency factor are unlikely to give rise to IFRS 20 balances.

Case 1 · Gas-cost pass-through: the core mechanism

Difference between costs incurred and amounts included in current tariffs



ILLUSTRATIVE — NOT COMPANY DATA

Eligible gas cost	100	
Recovered in tariff	80	20

The 20 is a potential regulatory asset only if the agreement gives an enforceable right to add it to future tariffs.

CENTRAL QUESTION

When does the regulatory agreement establish an enforceable right — or obligation?

Over-recoveries may need to be refunded through future tariffs.

Exceptional imported-gas costs: a practical stress test

A seasonal cost shock can amplify differences across reporting periods

Cost shock

Reporting date

Accumulation

Future tariff

1

Higher imported LNG costs in winter

2

Difference tracked under the tariff mechanism

3

Recovery or refund in later periods



Without regulatory balances

Cost in one period, recovery in another — results swing between periods.



If an enforceable right exists

Regulatory income when the cost is incurred — results reflect total allowed compensation.

The point is timing — not a change in the underlying business. Not every cost difference will qualify.

Recognition: separate the right from its measurement

Whether a right exists is a different question from how much will be recovered, and when

1 Does the right exist?

If the licence or regulatory agreement sets a recovery mechanism, the right exists — a formal tariff schedule may only implement it.

Key judgement: is tariff approval the source of the right, or an implementation step?

2 How much, and when?

Uncertainty about the amount and timing of recovery is reflected in measurement — it does not by itself delay recognition.

Inputs: expected volumes, regulator decisions and timing of tariff updates.

EVIDENCE TO EXAMINE — SUBSTANCE AND ENFORCEABILITY OF THE AGREEMENT; THEN THE INPUTS FOR MEASUREMENT



**Legislation and
licence**



**Regulatory
agreement terms**



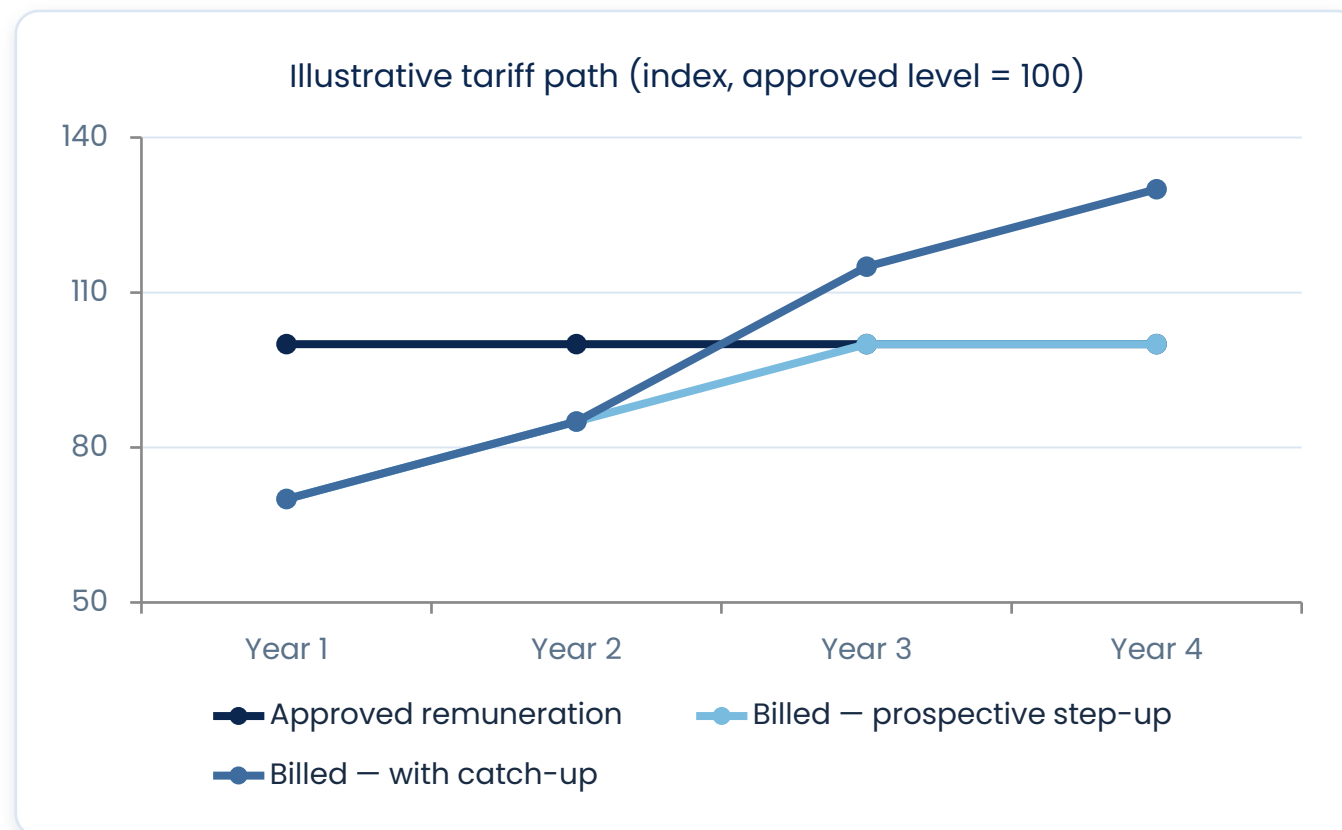
**Regulator decisions
and practice**



**Reliable estimates of
amounts and timing**

Case 2 · Phased tariff increases: does a regulatory asset arise?

A tariff review may approve higher remuneration but phase implementation over time



Prospective step-up

Billing reaches the approved level; the earlier gap is not recovered.

Catch-up recovery

Later tariffs exceed the approved level to recover the earlier gap.

Critical test: do later tariffs compensate for the earlier shortfall, or only apply prospectively?

Deferred remuneration: four critical tests

Factors to settle before concluding on recognition or measurement



1 • Recovery

Are past shortfalls compensated through future tariffs?

Why it matters: Decides whether an asset exists at all.



2 • Financing

Is compensation for the deferral built into the framework?

Why it matters: Shapes the discount rate and regulatory interest.



3 • Volumes

Who bears deviations between actual and forecast demand?

Why it matters: Drives the estimate of future cash flows.



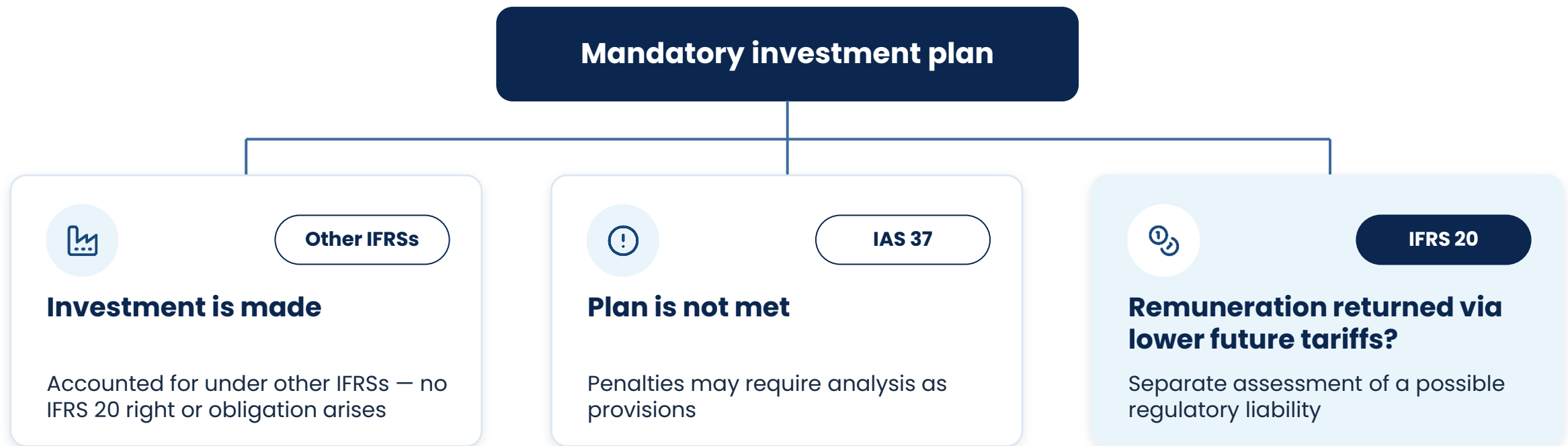
4 • Indexation

How do inflation adjustments affect amounts and rates?

Why it matters: Avoids double counting inflation and time value.

Case 3 · Mandatory investment plans: a different obligation

An investment commitment is not, by itself, a regulatory liability



Regulatory duty $\neq$ regulatory liability under IFRS 20

Measurement: build from the regulatory agreement

A workflow emerging from the initial analyses



Emerging lessons for implementers

Practical points emerging from the initial analyses

1

Start from the agreement, not the ledger



Map each tariff mechanism to rights and obligations before quantifying.

2

Document enforceability



Record the legal and regulatory basis for each balance and its timing.

3

Build the data early



Volumes, regulatory rates and indexation sit outside the general ledger.

4

Engage early



Dialogue with regulators, auditors and users supports consistent application.

Conclusion: where judgement will matter most

Areas the initial analyses point to, where a consistent understanding would be valuable

RECOGNITION

If the agreement sets a recovery mechanism, the right exists; uncertainty about amount and timing goes to measurement.

The key judgement is whether formal tariff approval is the source of the right.

DEFERRAL

Phased tariffs give rise to a regulatory asset only if later tariffs compensate for the earlier shortfall.

A prospective step-up alone is not enough.

MEASUREMENT

Volume risk, indexation and regulatory interest call for modelling beyond the general ledger.

A cost-based shortcut will not meet IFRS 20's requirements.

IFRS 20 outcomes will depend on the terms of each regulatory agreement — not on regulation alone.



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Thank you

Initial implementation analyses from Argentina

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IASB Emerging Economies Group · November 2026