
IASB[®] meeting

Date	February 2024	
Project	Power Purchase Agreements (PPAs)	
Topic	Project update	
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. 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*.

Purpose of this meeting

1. The purpose of this meeting is to provide the International Accounting Standards Board (IASB) with an update on the project and outline the next steps for the project. The IASB is not asked to make any decision at this meeting.

The current project progress and activities

2. To date, we have conducted 32 outreach meetings with different groups of stakeholders including investors, accounting firms and preparers. Our consultations with preparers included stakeholders on both sides of a power purchase agreement (PPA)—the energy producers and the energy consumers (ie off-takers)—across multiple geographical areas and market structures (ie gross pool and net pool energy markets).¹
3. Following the preliminary discussion at the January 2024 IASB meeting (see [Agenda Paper 3](#)) we have continued our discussions with stakeholders on potential amendments to IFRS 9 *Financial Instruments* that would better reflect the effects of power purchase agreements in the financial statements. This included obtaining input

¹ The term 'off-taker' is typically used in project financing. It refers to the party who buys the product being produced by the project or uses the services being sold by the project (for example, electricity, mined copper, or a pipeline).

from the Accounting Standards Advisory Forum (ASAF) at a virtual meeting on 29 January 2024.

4. Most stakeholders, including ASAF members, continue to be supportive of the IASB's tailored, but swift, approach to exploring potential narrow-scope amendments that would better reflect the effects of PPAs on entities' financial statements. Most stakeholders are also supportive of exploring amendments to both the own use requirements (from the purchaser's perspective in a physical PPA) and the hedge accounting requirements (from both the purchaser and seller's perspective in a virtual PPA). Many also said that any amendments to the hedge accounting requirements should not be restricted to only virtual PPAs, but also consider physical PPAs.
5. Despite their agreement with the objective and direction of the project, ASAF members have raised questions/concerns, similar to those from some IASB members, about some aspects of the preliminary potential amendments discussed in the January IASB meeting. Their questions or concerns with regards to the 'own use' assessment relate to:
 - (a) the description of the characteristics of the arrangements and the underlying non-financial items to be used to ringfence the application of the potential amendments.
 - (b) the feasibility of requiring an entity to estimate quantities 'over the life of the contract'.
 - (c) whether there is a need for a retrospective assessment of quantities used to date or how such an assessment would apply in the early stages of a contract
 - (d) the costs of providing the information listed on page 16 of Agenda Paper 3, the level of aggregation that might be required and whether the costs would outweigh the benefits.
6. With regards to the hedge accounting requirements, ASAF members agreed (or did not disagree) with exploring possible solutions for entities to achieve cash flow hedge accounting using a PPA as a hedging instrument. However, some members expressed

concerns about making amendments to the requirements more generally that cannot be restricted only to PPAs or that would reduce the rigour and discipline required to ‘earn the right’ to apply hedge accounting.

Next steps

7. Based on the input received from ASAF members, the staff decided to consult further on the characteristics, potential amendments and disclosure requirements proposed, to ensure that stakeholder concerns are appropriately considered. We plan to bring the refinements to the potential amendments to the IASB meeting in March 2024 for discussion and decisions on the direction of the project.