



Update and Discussion on the Emission Trading Schemes

ETS Working Group
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Outline

- ◆ **Current status of IASB/FASB Project on the Emission Trading Schemes**
- ◆ **AOSSG's Preliminary Comments on IASB's Emission Trading Schemes Project**
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 - **Part1: Major Issues on Emissions Trading Schemes**
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I Current status of IASB/FASB Project on the Emission Trading Schemes

- ◆ In 2007, IASB and FASB decided to make the Emission Trading Schemes a joint project.
- ◆ Since 2008, IASB and FASB have jointly researched the recognition, measurement and presentation of the allowances assets and the liabilities related to the allowances, mainly based on the cap and trading schemes and the baseline and credit schemes.
- ◆ In November 2010, the Emission Trading Schemes project was deferred.
- ◆ Currently, IASB is carrying on the Agenda Consultation for the next 3 years, including the Emission Trading Schemes project.

II AOSSG's Preliminary Comments on IASB's Emission Trading Schemes Project

		Primary Comments	Tentative decisions of IASB
Emission Trading Schemes	Recognition of the allowances	The allocated and purchased allowances should be recognized as intangible assets.	The allocated and purchased allowances should be recognized as assets, pending the analysis of their nature.
	Measurement of the allowances	At fair value initially and subsequently.	At fair value initially and subsequently.
	Recognition of the liabilities	The related liabilities should be recognized when actual emission incurs.	The entity should recognize the liabilities for the allocation when it receives the granted allowances.
	Measurement of the liabilities	At fair value initially and subsequently.	At fair value initially and subsequently.
	Presentation and Disclosure	AOSSG proposes separate presentation of the allowances and the liabilities on the balance sheet to help users get more information.	IASB considered 3 alternatives for presenting the asset and the liabilities in an emissions trading scheme: – Presented in gross – Presented in net – Linked presentation
Other Schemes	Clean Development Mechanism	AOSSG provides two proposals for IASB's consideration.	The IASB has not launched any research on this issue yet.

III Current Issues in the Accounting for the Emission Trading Schemes - Part1

◆ Part1: Major Issues on Emissions Trading Schemes

- **Issue 1:** Should an entity recognize a liability when the allowances are allocated from the scheme administrator for no monetary consideration?
- **Issue 2:** Presentation of the allowances and the liabilities on the statement of financial position. Should an entity use a linked presentation, gross presentation or net presentation for the allowances and the liabilities?

III Current Issues in the Accounting for the Emission Trading Schemes - Part2

◆ Part2: Other recognized issues in the Asian-Oceanian region

- **Issue 3:** When the fair value of the allowances could not be determined reliably, how should the allowances be measured subsequently?
- **Issue 4:** When an entity leases the allowances that it controls, how should the entity account for the transaction?
- **Issue 5:** If an entity doesn't lease or sell the superfluous allowances, how should the entity account for the superfluous allowances?

III Current Issues in the Accounting for the Emission Trading Schemes - Part2 (Cont)

◆ Part2: Other recognized issues in the Asian-Oceanian region

- **Issue 6:** When the executive period consists of multiple years and the entity permits to use the own future allowances in next executive period to cover the shortage of reduction target of current executive period, how should the entity account for?
- **Issue 7:** When the part of superfluous allowances are imposed a limitation on sale, how should the entity account for?

IV Next steps

- ◆ Follow up IASB ETS project's progress.
- ◆ Continue to make in-depth research on accounting for CDM, different types of ETS existing in Asian-Oceanian region.
- ◆ Urge IASB to accelerate the ETS project, including exercise more field tests on ETS in Asian-Oceanian region.