NATURAL RESOURCES

IPSASB Meeting – September 2023
Edwin Ng, Principal
Zurich, Switzerland
AGENDA

1. Project Management
2. Revised Definition of Natural Resources
3. Revised Recognition and Measurement Proposals
4. Proposed Display and Disclosure Requirements
5. Other Proposals
6. Proposed Topics for Implementation Guidance and Illustrative Examples
**Agenda Item 14.2.1**  
**Natural Resources: Project Management**

**Principle-Related Proposals:**
- Revised definition (14.2.2)
- Revised recognition & measurement (14.2.3)
- Display & disclosure (14.2.4)
- Effective date & transition (14.2.5)
- Amendments to other IPSAS (14.2.5)

**Non-Authoritative Texts:**
- Proposed topics for implementation guidance and illustrative examples (14.2.6)
- Basis for conclusions (Included in draft ED in 14.3.1)

**Items to be Issued:**
- Natural Resources ED
- IFRS 6 Alignment ED
- At-A-Glance
- Introductory webcast(s)

**Timeline:**
- **Preliminary Proposals**  
  June 2023
- **Current Meeting**  
  Sept 2023
- **Review IG & IEs**  
  Dec 2023
- **Approval of EDs**  
  March 2024
- **Finalization & Issuance of EDs**  
  Q2 2024
Revised Definition of Natural Resources

Summary of Development Approach

- Staff looked to the discussion of ‘nature’ and ‘environmental assets’ in TNFD and UN SEEA Frameworks to inform the definition of ‘natural resources’
- Concept of ‘environmental assets’ embodies the key characteristics of ‘natural resources’
  - Term cannot be used due to different definition of ‘asset’
- Propose looking to an entity’s programs as a starting point to identify potential natural resources

Recommendations

- Incorporate key characteristics of ‘environmental assets’ from TNFD and UN SEEA Frameworks
- Explain ‘naturally occurring’ in definition, AGs and BCs
- Explain development of definition in BCs
- Explain identification of natural resources in AGs and IGs
• Modified previously proposed recognition approach
  – Removed scope exclusions for items within the scope of existing IPSAS (see 14.2.1)
  – Retained proposed recognition criteria
  – Removed rebuttable presumption
  – Items which meet the recognition criteria are accounted for based on its use in accordance with existing IPSAS:
    • IPSAS 12, IPSAS 45, IPSAS 27, or IPSAS 16

• Recognition from certain non-transactional events

• Subsequent expenditures natural resource-related activities – leveraged principles from IPSAS 45

Recommendations

• Natural resources that meet the asset recognition criteria are accounted for based on their use in accordance with existing IPSAS

• Accounting for subsequent expenditures for resource-related activities is assessed independently from the resource
Agenda Item 14.2.3

Revised Recognition and Measurement Proposals

Nature: Living and Non-living Components of the Earth

Is the item naturally occurring? [Par. 5]

No

Is item a resource? [Par. 8(a)]

Yes

Is item presently controlled? [Par. 8(b)]

Yes

Did control arise from past events? [Par. 8(c)]

Yes

Can item be reliably measured? [Pars. 7(b)&17]

Yes

Recognized natural resource asset:

- Accounting based on use: [Par. 10]
- IPSAS 12
- IPSAS 16
- IPSAS 27
- IPSAS 45
- Consider disclosures [Pars. 23-24]

Unrecognized natural resource asset:

- Explain difficulties in obtaining reliable measurement [Par. 25]
- Disclose any custodial responsibilities [Par. 26]

Is item important to an understanding of the entity's finances and ability to deliver services? [Conceptual Framework 8.24]

No

Unrecognized naturally occurring items or natural resources:

- Disclosures in the broader GPFRs only [Par. 22]

Note (1):
If the item may lead to an obligation, consider IPSAS 19.

Apply appropriate IPSAS (e.g., IPSAS 31, 41, 43, etc.)

No requirements under IPSAS
Summary of Proposals

- Naturally occurring items which do not meet the definition of an asset → GPFRs
- Recognized natural resource assets
  - Cross reference to requirements from existing IPSAS
  - Cross reference to IFRS 6-aligned ED
- Unrecognized natural resource assets
  - Disclose difficulties in measurement and significance
- Disclose custodial responsibilities

Recommendations

- Clarify that information for items which do not meet the definition of an asset are for reporting in broader GPFRs
- Incorporate requirements from IPSAS 12, 16, 27, 45, and the IFRS 6-aligned ED
- Supplement with disclosures proposed in the CP:
  - Unrecognized natural resource assets
  - Custodial responsibilities
Other Proposals in the [Draft] ED

Summary of Proposals

• Application at same time as IFRS 6-aligned ED
• Retrospective application - not overly onerous
• Amendments to other IPSAS
  – Mineral resources and exploration and evaluation (E&E) assets mentioned in IPSAS 16 and IPSAS 45
    • Amend to refer to EDs
  – IPSAS 33
    • Extend recognition exemption to natural resource and E&E assets
    • Extend deemed cost election to natural resource assets

Recommendations

• Require application at the same time as the IFRS 6-aligned ED
• Require full retrospective application
• Propose amendments to:
  • IPSAS 16
  • IPSAS 33
  • IPSAS 45
# Agenda Item 14.2.6

## Proposed IG and IE Topics

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<tr>
<th>Topic / Principle</th>
<th>AG</th>
<th>Proposed IG</th>
<th>Proposed IE</th>
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<tr>
<td>Definitions</td>
<td>AG2-AG5</td>
<td>Identification of natural resources</td>
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<tr>
<td>Recognition of Natural Resources</td>
<td>AG6-AG8</td>
<td>Recognition of unextracted subsoils resources</td>
<td>Examples of recognition of:</td>
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<td>• Unextracted water</td>
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<td>• Uncultivated living resources</td>
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<td>• Land</td>
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<td>Recognition of Expenditures for Related Activities</td>
<td>None</td>
<td>Not considered necessary, as authoritative text is sufficient and principles are based on IPSAS 45</td>
<td>Examples of recognition of:</td>
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<td>• Extraction costs</td>
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<td>• Animal feed and treatment costs</td>
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<td>• Construction costs for natural spaces</td>
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- See paper Appendix 1 of Agenda Item 14.2.6 for details on why IGs and IEs are not recommended for Objective, Scope, Measurement, Display, Disclosure, and Effective Date and Transition.
[Draft] IPSAS [X], *Natural Resources*

**Section-by-Section Review**

- Authoritative text reflecting the proposals from Agenda Items 14.2.2-14.2.5
- Basis for Conclusions
- Full page-by-page review planned for December 2023 meeting
A natural resource is an item which:

a) Is naturally occurring; and

b) Embodies service potential or the capability to generate economic benefits.