

Agenda Item 11: Emissions Trading Schemes

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IPSASB Meeting

March 10-13, 2015

Santiago, Chile

Objective of this Session

- Provide direction on development of an Emissions Trading Schemes (ETSs) consultation paper.

Background

- December 2014—IPSASB education session
- Task Based Group: Aracelly Mendez, Angela Ryan, Fabienne Colignon and Martin Koehler
- Collaboration with IASB:
 - IASB Staff—Jane Pike and Natasha Dara
 - IASB meetings—Appendix A (November 2014 and January 2015)

Overview of Issues

1. Structure of consultation paper
2. Project scope
3. Generic approach to accounting for different Emission Trading Schemes (ETSs)
4. ETS factors relevant to accounting

Issue 1 Draft Structure for Consultation Paper

- See Appendix B of Agenda Item 11.1
- Note that:
 - Structure may change as project proceeds.
 - Proposed structure is based on structures of recent draft consultation papers (Social Benefits, Financial Instruments—Public Sector Specific).

1 Action Requested

Provide direction on draft structure for Consultation Paper.

Issue 2 Project Scope

- Types of entities: Administrators, participants and traders
 - Include traders in scope?
- Types of ETSs
 - All types? (Cap and trade, baseline and credit, mixed)
 - Focus on schemes with *trading* of emission allowances
 - Exclude from scope:
 - Command and control regulatory approaches
 - Other types of emissions reduction mechanisms
 - Environmental reporting and wider set of ETS impacts

2 Action Requested

Indicate whether agree that:

- Scope should include:
 - All entities (administrators, participants and traders); and
 - All types of ETSs (tradable emission allowances);
- Project name should remain “Emissions Trading Schemes”; and
- Outside of scope: Environmental reporting and wider ETS impacts

Issue 3 Generic Approach to Different ETSs

- Aim to identify key factors relevant to all ETSs
- Approach would cover both “cap and trade” schemes and “baseline and credit” schemes
- First, more research on different types of ETSs
- CP could include:
 - Specific Matter for Comment asking for responses on approach
 - Appendix: List of different individual schemes reviewed;
 - Appendix: Illustrative descriptions of two or more types of scheme

3 Action Requested

Indicate whether agree with “generic” approach, which involves:

- (a) Identification of factors common to all ETSs; and
- (b) Development of accounting approaches that focus on those key factors.

4 Common ETS Factors—For Financial Reporting

- Focus on financial element(s) from:
 - Emissions (production of emissions); and
 - Emission allowances, including emission allowance equivalents
- Emission allowance equivalents include (for example) project based certificates that are useable in place of emission allowances
- Other factors, treated as beneath factors above:
 - Type of ETS
 - Price/issuance of emission allowances
 - Timing constraints on emission allowances

Issue 4 Action Requested

Indicate whether:

- (a) Support the proposed approach to identifying key factors, common to all ETSs, that drive ETS financial reporting; and,
- (b) Agree with the initial focus on:
 - (i) Emission allowances and emission allowance equivalents; and
 - (ii) Production of emissions.

5 Next Steps

Staff and the TBG will:

- Draft first chapters of Consultation Paper; and
- Provide draft chapters and issues paper to IPSASB's June 2015 meeting.