

Agenda Item 14: Emissions Trading Schemes

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IPSASB Meeting

New York, USA

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Objective of this Session

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

Background—1

- During 2015, the IPSASB directed:
 - Work with IASB project staff (Pollutant Pricing Mechanisms)
 - Develop background paper
 - Identify ETS accounting approaches (Include IASB--symmetrical approach)
- Task Based Group—Aracelly Mendez, Angela Ryan, Fabienne Colignon, Martin Koehler and Umar Saeed
- IASB: Staff: Jane Pike. Last IASB session: October

Background—2

1. ETS accounting approaches:

Approach 1, *Emission Notes (Financial Liability)*

Approach 2, *Emission Licenses (Intangible Asset)*

Approach 3, *Pollutant Pricing Mechanisms—Rights and Obligations*

Approach 4, *Emission Limits (formerly Approach 3, Revenue)*

2. IASB--symmetry: **IASB progress slower than expected**

3. Background paper: Public policy, government interventions, economic impacts

Overview of Issues

1. Background paper:

- IPSASB directions on type of paper, process to finalize and inclusion of case studies
- See agenda items 14.2 and 14.3

2. Accounting options:

- Discuss options—focus on administrators
- Scenarios in Appendix B of agenda item 14.1
- Descriptions in agenda item 14.4

Issue 1 Background Paper—Publication

- Publication options:
 - Meeting paper, (status as “final” noted);
 - Staff paper; or
 - Information paper, approved by IPSASB
- Each option allows circulation to IASB for its information
- Recommendation: Publish as staff paper

Issue 1 Background Paper—Publication

Recommendation: Publish as staff paper (See item 14.2)

- Why a staff paper?
 - Status and reaches wider audience (compared to meeting paper)
 - Inform stakeholders of work in-progress
 - Information for others considering ETS accounting issues
- Why not a consultation paper?
 - No questions for constituents, no accounting options identified
 - Paper is for information only

Issue 1 Background Paper—Process

- Recommended process to finalize:
 - Staff revise paper: TBG input, review and agree
 - Provide to IPSASB Chair
 - Refer to Technical Director for final review, then publish
- Further IPSASB input: By email or review and discuss at June IPSASB meeting?

Issue 1 Background Paper: Case Studies

1. The Kyoto Protocol
2. European Union ETS
3. Western Alliance Initiative: ETS (California and Quebec)
4. Australia: results-based financing
5. Brazil: incentives to protect forests
6. Canada: Provinces of Alberta and Quebec
7. New Zealand: ETS
8. South Africa: Carbon tax
9. Switzerland: Carbon tax, ETS
10. U.S.A.: Clean Air Act e.g. command and control and Regional Greenhouse Gas Initiative

Issue 1 Background Paper: Case Studies

- Which case studies and how many?
 - More case studies?
 - Exclude any case studies?
 - Note that time to publication depends on:
 - Government agencies' confirmations on case study descriptions
- Reproduction permissions related to case studies

Action Requested

1. IPSASB direction on background paper:

Should paper be:

- Developed into a staff paper; and
- Finalized through process in paragraph 20?
- Case studies: Include more or exclude any?

Issue 2 Accounting Options

- Three emission scenarios (Appendix B, agenda item 14.1)
- Four accounting options (agenda Item 14.4)
 - Approach 1, *Emission Notes (Financial Liability)*
 - Approach 2, *Emission Licenses (Intangible Asset)*
 - Approach 3, *Pollutant Pricing Mechanisms—Rights, Obligations*
 - Approach 4, *Emission Limits (formerly Approach 3, Revenue)*
- IASB developments may lead to other accounting options

Action Requested

2. (a) Discuss administrators' accounting for ETS involvement, with reference to:

- (a) Three emission scenarios; and
- (b) Four accounting approaches

(b) Provide direction on further development of accounting options

Next Steps

- Follow agreed process to complete and publish background paper