

Natural Resources – June 2024 Report Back

1. A summary of the advice provided by CAG members from the June 2024 CAG Meeting and how the IPSASB has responded to the CAG member comments are included in the table below:

Representatives' and Observers' Comments	IPSASB Staff Response
Juen 2024 CAG Meeting Comments	
<p>IPSASB Principal, Edwin Ng, provided a project update, including an overview of the IPSASB's key decisions to date, and the positive impact of past CAG member feedback. He presented the IPSASB's approach to develop Implementation Guidance and Illustrative Examples to include in the ED.</p> <p>Mr. Ng. asked CAG members to consider the following questions:</p> <ul style="list-style-type: none"> • Question 1 – Do the proposed topics for implementation guidance set out in Appendix 1 of this paper adequately address implementation challenges in the public sector? • Question 2 – Are the examples provided in Appendix 1 of this paper illustrative of the principles developed in the ED and are they practical? • Question 3 – Would you add any other implementation guidance or illustrative examples? 	
The CAG members commented on Question 1 as follows:	
1. Mr. Johri asked whether the IPSASB has considered the requirement under the UN SDGs is to prepare natural resource accounts based on the UN Classification Framework in developing the ED.	Mr. Ng explained that the IPSASB's Natural Resources project focuses on financial reporting within the IPSASB's Conceptual Framework, while reporting under the UN Classification Framework is for statistical reporting purposes. The IPSASB considered guidance from the statistical reporting frameworks and other internationally relevant reporting frameworks when developing the proposals in the [draft] ED and included aspects as appropriate.
2. Ms. Zhou, on behalf of Mr. Simpson, reflected that the non-authoritative guidance currently proposed focuses on what natural resources are not, rather than what they are.	[Draft] ED 92 applies to an item which meets the definition of a tangible natural resource but does <i>not</i> fall within the scope of other IPSAS. Therefore, the non-authoritative guidance's focus reflects the proposed definitions and scoping approach in the [draft] ED.
3. Ms. Colignon concurred with Mr. Simpson's comment.	See response to comment 2.

CAG members did not have any comments on Question 2.	
The CAG members commented on Question 3 as follows:	
4. Ms. Stachniak advised the IPSASB to develop an IG for natural resources held for conservation, which seems to encompass the majority of transactions in the scope of this proposed Standard. It would be useful to have guidance on how economic benefits or service potential are realized from natural resources held for conservation. She also suggested that the IPSASB consider adding guidance on whether assets held for conservation are natural resources or heritage assets within the scope of IPSAS 45, <i>Property, Plant, and Equipment</i> .	Noted. The draft ED has been updated to include IG C.4 on conservation. In addition, paragraph AG7 in the Application Guidance was revised to address tangible natural resource which could also be considered heritage assets within the scope of IPSAS 45.
5. Mr. Johri asked whether the IPSASB considered frequency spectrum to be a natural resource.	Mr. Ng responded that the IPSASB considered this question and concluded that a public sector entity would gain economic benefits and service potential from the license to use the electromagnetic spectrum, rather than the spectrum itself. Based on this view, the IPSASB concluded that the accounting relating to the electromagnetic spectrum would be more appropriately addressed in a future intangible assets project. In addition, Mr. Ng clarified that the ED only focuses on tangible natural resources.

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<p>6. Ms. Dar encouraged the IPSASB to explain the term “primarily intended use” earlier in the proposed Standard, rather than in IE1, to help entities assess the primary intended use of multi-purpose assets (e.g., a national park that is maintained for future generations but also available for current public enjoyment). She also recommended the IPSASB clarify the wording “make use of” in IG2, as it is unclear whether it refers to economic purpose or something else, which may be inconsistent with the intention of conserving a resource for future generations. Ms. Dar encouraged the IPSASB to explain “readily quantifiable”, as used IG4, and whether it may relate to amount or quality of subsoil resources, and clarify its importance. Lastly, she recommended the IPSASB clarify the term “human activity”, which may be too broad, and whether ecosystems outside the influence or interference of human activity may be natural resources. Overall, Ms. Dar agreed that conservation is at the core of this proposed Standard and there is if a strong benefit to additional guidance around this area.</p>	<p>Noted. [Draft] ED 92 has been updated as follows to address these comments:</p> <ul style="list-style-type: none"> • The concept of primary intended use is discussed in the core text and application guidance regarding measurement, unit of account, and reclassification; • The wording in IG A.2 on scope (previously paragraph IG2) and IG C.4 on conservation have been revised to no longer refer to using the asset for economic benefits; • The wording in Paragraph AG10 and IG C.2 (previously paragraph IG4) has been revised to clarify the impact of existence uncertainty on the recognition of an asset; • IG C.4 provides indicators for an entity to consider when determining whether specific activities constitute conservation.
<p>7. Mr. Zhang commended the IPSASB for providing IG and IE to help constituents apply the proposed Standard. Mr. Zhang suggested the IPSASB add more examples on assets with multiple uses (for example, water resources may be conserved or sold as mineral water).</p>	<p>Noted. Guidance on tangible natural resources with multiple uses or changing the primary use of a tangible natural resource has been incorporated into Implementation Guidance A.1 on scope, C.3 on unit of account, C.4 on conservation, and C.6 on change in primary use.</p>
<p>8. Mr. Ng thanked the CAG members for their input, and echoed that conservation is an important concept for the proposed Standard. The IPSASB will consider adding additional guidance.</p>	<p>No responses necessary.</p>