

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 10–13, 2025

Agenda Item 4

For:

☐ Approval

☒ Discussion

☐ Information

NATURAL RESOURCES

Project summary	The objective of the Natural Resources project is to research and address issues relating to the potential recognition and measurement of tangible natural resources.	
Project staff lead	<ul style="list-style-type: none"> Edwin Ng, Principal 	
Drafting group members	<ul style="list-style-type: none"> Renée Pichard, IPSASB Member (Drafting Group Chair) Remaining members to be determined 	
Meeting objectives	Topic	Agenda Item
Project management	Final IPSAS Standard Dashboard	4.1.1
	Decisions up to Previous Meeting	4.1.2
	Instructions up to Previous Meeting	4.1.3
	Natural Resources: Project Roadmap	4.1.4
Decisions required at this meeting	Proposed Work Plan to Address the Feedback on [draft] IPSAS [X] (ED 92), <i>Tangible Natural Resources</i>	4.2.1
	Analysis of Comments Regarding the Location of Guidance	4.2.2
	Scope	4.2.3
	Definition of Tangible Natural Resources and the Description of Conservation	4.2.4
	Clarification of Project Objectives, Expectation Gaps, as well as Aspects of the Conceptual Framework	4.2.5

Prepared by: Edwin Ng (May 2025)

**NATURAL RESOURCES:
FINAL IPSAS STANDARD DASHBOARD**

Topic	April 2025	June 2025	July 2025	Sept 2025	Oct 2025	Dec 2025
Overall Project Management						
Project planning	✓					
Review of responses and identification of key themes and other issues	✓					
Review of the [draft] final IPSAS				📄		
Approval of the final IPSAS						📄
Tangible Natural Resources – Key Issues						
Objective & Scope				📄		
Definitions				📄		
Recognition & Measurement				📄		
Presentation & Disclosure				📄		
Transition				📄		
Application Guidance				📄		
Implementation Guidance				📄		
Illustrative Examples				📄		
ED 92 Feedback Statement						

Legend	
✓	Task Completed
	Planned IPSASB Discussion
📄	Page-by-page Review

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
September 2024	1. All decisions made up to September 2024 were reflected in [draft] IPSAS [X] (ED 92), <i>Tangible Natural Resources</i> .	1. N/A.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
April 2025	1. Prepare an analysis of the arguments made by those respondents who were against having a separate standard to see whether they had raised any significant issues not already discussed by the Board which might cause it to revisit its original view.	1. See Agenda Item 4.2.2 .
	2. Following discussions on the scope of the standard, consider how best to communicate the Board's views on areas where there may be expectation gaps.	2. See Agenda Item 4.2.3 .
	3. Clarify what is meant by "conservation", particularly whether it includes holding an item for future generations.	3. See Agenda Item 4.2.4 .
	4. Include in the Basis for Conclusions an explanation of how the electromagnetic spectrum has no physical substance and is therefore not considered a tangible natural resource.	4. This will be addressed upon revising the basis for conclusions. Staff expect to present the revised BCs at the September 2025 meeting.
	5. Prepare a feedback statement for publication with the final pronouncement on how the IPSASB has addressed the feedback received.	5. The feedback statement will be drafted once the decisions on how to address the feedback on ED 92 have been made.
	6. Present a detailed project plan at the June 2025 meeting.	6. See Agenda Item 4.2.1 .
	7. Provide analysis on the cross-cutting issues relating to scope, definitions, clarification of project objectives and the IPSASB's conceptual framework, and consideration of having a separate standard in June 2025.	7. See Agenda Items 4.2.1 , 4.2.2 , 4.2.3 , 4.2.4 , and 4.2.5 .
	8. Defer the discussion of the remaining issues to future meetings.	8. To be addressed at the July 2025 Check-In meeting.

**NATURAL RESOURCES:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
April 2025	1. Preliminary analysis of responses
June 2025	1. Review responses 2. Discuss issues
July 2025	1. Review responses 2. Discuss issues
September 2025	1. Develop and review IPSAS Standard
October 2025	1. Review IPSAS Standard 2. Review ED 92 Feedback Statement
December 2025	1. Approve IPSAS Standard

**Proposed Work Plan to Address the Feedback on [Draft] IPSAS [X] (ED 92),
*Tangible Natural Resources***

Purpose

1. To provide the IPSASB with a timeline of the process used by staff to address the feedback on [draft] IPSAS [X] (ED 92), *Tangible Natural Resources*.

Background

2. In October 2024, the IPSASB issued ED 92, which proposed accounting guidance on tangible natural resources and had a comment period ending February 28, 2025. The IPSASB discussed the comments received from respondents, as well as other feedback on ED 92 received from various roundtables and outreach events, at the April 2025 check-in meeting.
3. The full set of the instructions from April 2025 can be found in [Agenda Item 4.1.3](#). This paper walks through how these instructions are to be addressed and summarizes the work plan leading up to the approval of the final IPSAS in December 2025.

Next Steps

4. At the April check-in, staff classified the feedback received into cross-cutting themes and topic-specific issues, and the IPSASB directed staff to address the cross-cutting themes in June 2025 and the remaining issues at the September 2025 meeting. Based on this general timeline and other instructions from April, staff propose to address the identified matters as follows:

Meeting	Proposed Action at Upcoming IPSASB Meetings and Check-Ins
June 2025 Meeting	<ul style="list-style-type: none">• Discuss papers addressing the following cross-cutting themes and issues:<ul style="list-style-type: none">a) Location of guidance – see Agenda Item 4.2.2;b) Scope – see Agenda Item 4.2.3;c) Definition of tangible natural resources and the description of conservation – see Agenda Item 4.2.4; andd) Clarification of project objectives, the role of the IPSASB's Conceptual Framework, and potential expectation gaps – see Agenda Item 4.2.5.• Staff will also share feedback on ED 92 with the IPSASB CAG and get advice on finalizing the standard at the June 2025 CAG meeting.
July 2025 (Check-In)	<ul style="list-style-type: none">• Discuss papers addressing the remaining topic-specific issues:<ul style="list-style-type: none">a) Amendments to 'heritage assets';b) Depreciation;c) Disclosure exemption for rare or endangered resourcesd) Cross-References to IPSAS 45, <i>Property, Plant, and Equipment</i>;e) Transition; andf) Additional implementation guidance and illustrative examples.

Agenda Item 4.2.1

September 2025 Meeting	<ul style="list-style-type: none">• Review the first draft IPSAS Standard driven by decisions from June and July 2025.• Review the revised basis for conclusions, including an explanation of how the electromagnetic spectrum has no physical substance and is therefore not considered a tangible natural resource.
October 2025 (Check-In)	<ul style="list-style-type: none">• Review feedback statement by exception.
December 2025 Meeting	<ul style="list-style-type: none">• Approve the final IPSAS Standard.

Decision Required

5. No decisions required. For information purposes only.

Analysis of Comments Regarding the Location of Guidance

Question

1. Does the IPSASB agree with retaining the proposals in ED 92, *Tangible Natural Resources*, on locating the guidance in a separate, standalone standard?

Recommendation

2. Staff recommend keeping the guidance on tangible natural resources in a separate, standalone IPSAS Standard.

Background

3. In September, the IPSASB discussed the issue of whether the guidance on natural resources should be located in a separate, standalone standard or be embedded within existing IPSAS Standards. In response, the issue was analyzed by the Natural Resources Task Force, which recommended a separate, standalone standard. This issue was brought back to the IPSASB and discussed by the IPSASB CAG in December 2023. Both the IPSASB and CAG strongly supported the creation of a separate, standalone standard for the following reasons:
 - (a) Reporting of natural resources is an important topic area, especially in light of the current focus on broader sustainability reporting initiatives. From a public interest perspective, constituents are expecting a separate, standalone standard on natural resources because of this increased focus;
 - (b) From a practical perspective, housing the guidance in a separate standard will facilitate its implementation. Members of both the CAG and the IPSASB noted the expectation that the individuals providing the information necessary to apply the standard will not be in a typical accounting or financial reporting role. Therefore, these individuals may not have the familiarity required to locate the guidance on natural resources if it were to be embedded in various existing standards; and
 - (c) While certain natural resources are already reported in the general purpose financial statements (GPFS) in some jurisdictions using existing IPSAS Standards such as IPSAS 45, *Property, Plant, and Equipment*, this approach is not applied globally. Some Natural Resources Task Force members noted that they would not have included natural resources held for conservation within the scope of any existing IPSAS Standard, including IPSAS 45. This observation appears to be widespread, as the IPSASB received strong support from its constituents to develop guidance on natural resources in our Strategy and Work Program Consultations in prior years.
4. Based on the above reasons, the IPSASB decided to locate the guidance on natural resources in a separate standard and developed [draft] IPSAS [X] (ED 92), *Tangible Natural Resources*, as a standalone exposure draft. In response to ED 92, a number of letters disagreed with this approach and indicated that the guidance should be embedded into existing IPSAS Standards, such as IPSAS 45.

Analysis

5. Staff revisited the letters which included a discussion of whether the guidance on natural resources should be embedded into existing IPSAS Standards. A summary of these letters can be found in Appendix A of this paper.
6. Based on an analysis of the feedback in Appendix A, the decision to locate the guidance on tangible natural resources in a separate, standalone IPSAS Standard continues to be valid for the following reasons:
 - (a) As noted in Appendix A, the comment letters which questioned the location of guidance did not raise any new factors which the IPSASB had not already considered when finalizing ED 92;
 - (b) Most constituents continue to view tangible natural resources as distinct from assets within the scope of existing IPSAS Standards such as inventory or property, plant, and equipment. As the IPSASB did not decide to change the definition of these other assets, a separate standard is required;
 - (c) Some respondents proposed changing the scope of the final IPSAS Standard to focus on tangible natural resources held for conservation. (See [Agenda Item 4.2.3.](#)) These respondents noted that if the scope of the standard was changed, it would be important to have a separate standard as conservation is unique and distinct from the other uses of assets in existing IPSAS Standards;
 - (d) Due to the likelihood that very few tangible natural resources will be recognized in the financial statements, some respondents noted that the IPSASB should only develop non-financial reporting guidance. However, the development of accounting guidance for GPFS in the near term does not preclude the development of guidance for the broader GPFs in the future; and
 - (e) As noted in paragraph 3, there are significant public interest reasons, such as the importance of the subject matter and ease of implementation, for locating the guidance in a separate IPSAS Standard.
7. Staff also noted that at the various roundtable and outreach events, 97% of attendees who responded to a polling question on the location of guidance indicated that the guidance for natural resources should be in a separate, standalone standard. While staff were unable to get feedback from individual attendees as to why they supported having a separate standard, the level of support is consistent with the above reasons for a separate standard.

Decision Required

8. Does the IPSASB agree with the staff's [recommendation](#)?

Appendix A: Analysis of Comment Letters which Discussed the Location of Guidance

- A1. [R10 Swiss Public Sector Financial Reporting Advisory Committee \(SRS-CSPCP\)](#) – This respondent disagreed with the use of cross-references to IPSAS 45 and noted in the response specific to SMC 5 that such references call into question whether a separate standard is required. As the issue was raised as a criticism of the cross-references rather than a general comment on whether a separate standard is needed, staff will address this response in September 2025 as part of the analysis of the topic-specific issues.
- A2. [R11 External Reporting Board \(XRB\)](#) – This respondent noted that in their view, a separate standard is not required because:
- (a) As most natural resources will not meet the asset recognition criteria, the financial reporting project should be halted, and the IPSASB should consider guidance on the disclosures regarding environmental accountability and management of natural resources as part of their sustainability reporting project; and
 - (b) The few tangible natural resources meeting the recognition criteria can be accounted for within existing IPSAS, such as IPSAS 12, *Inventories*, IPSAS 27, *Agriculture*, and IPSAS 17/45.
- A3. Staff noted that these points were raised in response to the Consultation Paper, Natural Resources, issued in May 2022. At the time, the IPSASB acknowledged that natural resources would most likely only be recognized as assets within the IPSASB's Conceptual Framework under exceptional circumstances. The board decided in March 2023 to continue with the financial reporting project for the following reasons:
- (a) Constituents have strongly requested financial reporting guidance on natural resources. Despite the expectation that very few natural resources would meet the asset recognition criteria, it would be important to develop financial reporting guidance in the short term to fulfill the IPSASB's objective of serving the public interest;
 - (b) Even if many natural resources do not meet all of the asset recognition criteria, some may meet the definition of an asset—e.g., a natural resource could be an asset that is not recognized as it cannot be reliably measured. It would be important to develop guidance on the disclosure of these resources in the GPFS; and
 - (c) The development of accounting guidance in the near term does not preclude the IPSASB from developing guidance on more holistic reporting of natural resources in the broader general purpose financial reports (GPFRs) in the future.
- A4. Regarding the application of existing IPSAS Standards, the IPSASB already considered this approach, as noted in paragraph 3(c). Based on the responses to ED 92, staff noted that:
- (a) The application of existing IPSAS to tangible natural resources is still not consistently applied or agreed upon in most jurisdictions today; and
 - (b) Constituents generally do not view tangible natural resources held for conservation as being within the scope of IPSAS 45. Some constituents specifically requested that the scope of the draft IPSAS Standard to be revised to focus only on natural resources held for conservation. See [Agenda Item 4.2.3](#).

- A5. [R15 Institute of Chartered Accountants in England and Wales \(ICAEW\)](#) – This respondent noted that the IPSASB could have saved time and resources by amending IPSAS 45 and IPSAS 31, *Intangible Assets*, to include guidance on natural resources, similar to how IPSAS 45 was amended to include guidance on heritage and infrastructure assets. In addition, the respondent noted that the fact that most natural resources will not be recognized diminishes the usefulness of a separate standard. Staff noted that this feedback is similar to the points raised by Respondent 11 as noted in paragraph A2.
- A6. [R17 Chartered Accountants Australia and New Zealand \(CA ANZ\) and CPA Australia](#) – This respondent noted that, consistent with their feedback on the CP, the reporting of information on natural resources would be better addressed in the IPSASB's public sector sustainability reporting project. However, this respondent also recommended that, in the interim, the IPSASB should develop financial reporting guidance on applying the Conceptual Framework and existing IPSAS Standards to tangible natural resources.
- A7. As noted in paragraph A3(c), the development of financial reporting guidance does not preclude the development of guidance in the broader GPFRs in the future. Furthermore, the proposed guidance in ED 92 is consistent with the application of the Conceptual Framework and principles from existing IPSAS to tangible natural resources.
- A8. [R22 Accountancy Europe](#) – This respondent raised doubts as to whether a separate standard is needed based on the expected lack of recognition, similar to the concerns raised by Respondents 11 and 15. In addition, the respondent questioned the value of recognizing natural resources and whether there is stakeholder demand for their recognition. These concerns have already been considered by the IPSASB, as noted in paragraphs A3 and A4.
- A9. [R25 Accounting Standards Board \(ASB\)](#) - This respondent noted that IPSAS 45 can be applied to natural resources, similar to Respondent 11. However, this respondent also noted that they support the development of a separate IPSAS Standard if the scope of the proposed IPSAS Standard is limited to tangible natural resources held for conservation. This change in scope is consistent with the staff's proposal to address the feedback received on the scope of ED 92. See [Agenda Item 4.2.3](#).
- A10. [R30 Office of the Auditor General of Ontario](#) – This respondent did not explicitly state that the guidance on natural resources should be embedded into existing IPSAS Standards. However, the letter stated that natural resources should only be reported in the broader GPFRs and not in the GPFS at all. Therefore, the letter implies that there should not be guidance in any IPSAS Standard. Staff noted that these concerns were already considered by the IPSASB—see paragraph A3.

Scope

Question

1. Does the IPSASB agree with the proposed change in scope for the final IPSAS Standard on Tangible Natural Resources?

Recommendation

2. Staff recommend revising the scope of the final IPSAS Standard on Tangible Natural Resources to focus on tangible natural resources held for conservation.

Background

3. IPSAS [X] (ED 92), *Tangible Natural Resources*, proposed that items which meet the definition of a tangible natural resource but are not within the scope of other IPSAS Standards, are accounted for based on the proposals of the ED. This residual scoping approach is new when compared with the scoping requirements in other IPSAS Standards on assets. As a result, the IPSASB included Specific Matter for Comment 1 (SMC 1) which asked respondents if they agreed with proposed scoping approach.
4. In addition, during the development of ED 92, the IPSASB agreed that tangible natural resources held for conservation are one example of resources that could be within scope. The IPSASB wanted feedback on whether there could be other in-scope items, so SMC 1 also asked if respondents are aware of any items besides tangible natural resources held for conservation that could fall within the scope of ED 92.
5. SMC 1 also referred to the alternative view which proposed that the scope of ED 92 should only include tangible natural resources held for conservation. Under this alternative view, the proposed definitions, as well as the guidance on recognition, measurement, presentation and disclosures, would also be amended to focus only on tangible natural resources held for conservation.

Feedback Received

6. While there was some support for the proposals, the majority of respondents disagreed with the proposed scope of ED 92. (See [April 2025 Agenda Item 1.2.2.](#))
7. A portion of the respondents who disagreed raised concerns with the proposals which were based on the IPSASB's asset definition or asset recognition criteria. As the objective of ED 92 was to develop accounting guidance for tangible natural resources using the existing principles in the IPSASB's Conceptual Framework, in the staff's view, these concerns could only be resolved by amending the framework. Some respondents also questioned the appropriateness of developing accounting guidance due to the limitations of the Conceptual Framework and suggested that the IPSASB develop guidance for reporting natural resources in the broader general purpose financial reports instead of the general purpose financial statements. These issues are addressed in [Agenda Item 4.2.5.](#)
8. Other respondents who disagreed raised concerns with the residual scoping approach and agreed with the alternative view that the proposed guidance should only focus on tangible natural resources held for conservation.

9. Regarding potential in-scope items other than tangible natural resources held for conservation, most respondents, regardless of whether they agreed or disagreed with the proposed scope, noted that they did not identify any other items. Some respondents provided potential examples, such as rights over the use of the electromagnetic spectrum or naturally occurring land features that could be used for the generation of geothermal energy. However, staff noted that these suggestions are already addressed in existing IPSAS Standards, such as IPSAS 31, *Intangible Assets*, and IPSAS 45, *Property, Plant, and Equipment*.

Analysis

10. Respondents who supported the alternative view were generally in agreement for the following reasons, as set out in ED 92:
- (a) The members who put forward the alternative view were unable to identify tangible natural resources other than those held for conservation that could be within the scope of ED 92. During the development of ED 92, the IPSASB wanted to solicit feedback on whether there were examples of in-scope tangible natural resources besides those held for conservation, and this partly led to the proposed open-ended scoping approach. As noted in paragraph 9, constituents generally noted that there are no other resources that are expected to be within the scope of ED 92. In addition, the participants at the various roundtables and outreach events were also unable to identify examples of tangible natural resources which were not held for conservation or already within the scope of an existing IPSAS Standard;
 - (b) The residual scoping approach may lead to unintended consequences, as the proposed requirements that are not specific to tangible natural resources held for conservation may lead to inappropriate accounting when applied to resources held for conservation. (For example, there is a risk that the guidance on measurement using fair value may be applied to a tangible natural resource that is strictly held for its service capacity.) Similarly, proposals specific to tangible natural resources held for conservation may lead to inappropriate accounting when applied to other in-scope tangible natural resources;
 - (c) The scope of all other IPSAS Standards on assets are based on the use and specific characteristics of the subject matter of the standard. For example, assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used for more than one reporting period, are within the scope of IPSAS 45, while materials or supplies to be consumed in the production process or in the rendering of services, held for distribution in the ordinary course of operations or in the process of production for sale or distribution are within the scope of IPSAS 12, *Inventories*. To be consistent with other IPSAS Standards and to ensure that the appropriate financial reporting requirements are prescribed, there needs to be clarity on the use and characteristics of assets within the scope of the standard;
 - (d) By using a residual approach, an entity would need to clearly understand and consider the scoping requirements of all other IPSAS Standards before applying ED 92. This requires significantly more effort and could lead to difficulties in applying the draft standard; and
 - (e) The alternative view also noted that scoping the standard based on the unique use and characteristics of tangible natural resources held for conservation would provide stronger support for locating the guidance in a separate IPSAS Standard.

11. In addition to the above points, staff received the following feedback from the response letters:
- (a) Some respondents noted that it would be important to specifically focus on tangible natural resources held for conservation to highlight the public sector's unique role in conserving nature or acting as custodians over natural resources;
 - (b) Other respondents expanded on the concerns in paragraph 10(d) and noted that a residual standard not only impacts the technical understandability of the proposed standard but also results in significantly higher implementation costs involved in testing the applicability of other IPSAS Standards; and
 - (c) Some respondents pointed out that ED 92 is not internally consistent, as the authoritative guidance reads like it is generic guidance for all tangible natural resources, but the implementation guidance and illustrative examples only address tangible natural resources held for conservation.
12. In the staff's view, the feedback that no other tangible natural resources besides those held for conservation could be identified at this time is critical, as it directly addresses the key reason why ED 92 proposed a residual scoping approach. If there are no other potentially in-scope resources, the broad scope being proposed creates the issues identified in paragraph 10 and 11, with little to no benefit.
13. Based on the feedback received, staff recommend narrowing the scope of the final pronouncement to focus on tangible natural resources held for conservation. The revision in scope will:
- (a) Facilitate more intuitive implementation of the final IPSAS Standard by positively identifying the subject matter of the standard while removing the potential costs and complexities of relying on the scoping requirements of other IPSAS Standards;
 - (b) Eliminate the risk of unintended consequences from generic guidance on recognition and measurement, as well as potential inconsistencies within ED 92;
 - (c) Provide stronger support for locating the guidance for tangible natural resources in a separate, standalone IPSAS Standard;
 - (d) Provide consistency with the scoping approach used in other IPSAS Standards; and
 - (e) Highlight the public sector's unique role in the conservation of nature.

Consequential Amendments

14. If the IPSASB agrees with the staff recommendation, the following consequential amendments will also be required for the final IPSAS Standard to be internally consistent:
- (a) Add a definition for tangible natural resources held for conservation (see [Agenda Item 4.2.4](#));
 - (b) Elevate the description of conservation to a definition and clarify the delineation between natural resources held for conservation and held for other uses (see [Agenda Item 4.2.4](#)); and
 - (c) Amend the title of the final standard, as well as the recognition and measurement guidance, to specifically address tangible natural resources held for conservation. (e.g., remove guidance on tangible natural resources primarily held for their financial capacity.)

The revised text of the final IPSAS Standard will be presented to the IPSASB at a future meeting.

Decision Required

15. Does the IPSASB agree with the staff [recommendation](#)?

Definition of Tangible Natural Resources Held for Conservation

Question

1. Does the IPSASB agree with the proposed definition of tangible natural resources held for conservation?

Recommendations

2. Staff recommend:
 - (a) Adding a definition of tangible natural resources held for conservation, which combines the definition of tangible natural resources with the description of 'conservation' from ED 92;
 - (b) Clarify what is meant by 'conservation' and explain the difference between tangible natural resources held for conservation and those held for other uses; and
 - (c) Clarify the requirement for a tangible natural resource to be 'naturally occurring'.

Background

3. ED 92 currently defines a natural resource as an item which is naturally occurring and embodies service potential, or the capability to generate economic benefits, or both. Tangible natural resources are natural resources with physical substance. In addition, the application guidance of ED 92 describes conservation as the act of managing and protecting a tangible natural resource from degradation.
4. Specific Matters for Comment 2 asked constituents if they agreed with the proposed definitions of natural resources and tangible natural resources. Approximately 57% of respondents agreed or partially agreed with the proposed definitions, while 35% of the respondents disagreed.
5. Respondents who partially agreed or disagreed requested the following:
 - (a) Clarification of 'conservation' and how it is different from other uses of assets in practice. Some respondents anticipate difficulties in implementing ED 92, as the proposed description of conservation is too broad and does not clearly distinguish tangible natural resources held for conservation from other assets; and
 - (b) Consideration of whether a tangible natural resource needs to be 'naturally occurring'. Some respondents noted that conservation often requires the introduction and active management of additional tangible natural resources (e.g., planting trees as part of habitat restoration), so these items would be out of scope if the proposed definitions were strictly applied.
6. A number of respondents who disagreed with the proposed definitions also noted that to be consistent with the alternative view regarding scope (i.e., the scope of the ED should only be for tangible natural resources held for conservation), the definitions should be tailored to focus on conservation.

Analysis

New Definition

7. If the IPSASB agrees to revise the scope of the final IPSAS Standard to focus on conservation (see [Agenda Item 4.2.3](#)), constituents have pointed out the need to amend the definition of tangible natural resources to also refer to conservation. This approach is consistent with how the assets in various

IPSAS Standards are defined based on the specific asset's intended use. For example, property, plant, and equipment are defined in IPSAS 45, *Property, Plant, and Equipment*, as, "tangible assets that: (a) are held for use in the production of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one reporting period."

8. Based on how the definitions of assets are structured across IPSAS Standards, staff agree with respondents that there needs to be a definition which ties the concept of conservation to tangible natural resources. i.e., it would not be sufficient to only describe 'conservation' in the application guidance, as was done in ED 92.
9. Staff also considered whether a new definition should be added or if the definitions of natural resources and tangible natural resources from ED 92 should be amended to incorporate the concept of conservation. When the definitions in the ED were developed, the general definition of natural resources and the more specific definition of tangible natural resources were kept separate in anticipation of potential guidance on intangible resources. Applying this approach, it would also be helpful to retain the more general definitions from ED 92, as they could be used in potential guidance on the reporting of other types of natural resources in the broader general purpose financial reports. Based on this reasoning, staff propose the development of a new definition for tangible natural resources held for conservation.

Tangible Natural Resources Held for Conservation

10. As noted in paragraph 5(a), the proposed description of conservation in ED 92 did not explain how conservation is distinct from the other potential uses of assets. One respondent noted that the key difference between conservation and the use of assets in IPSAS 12, *Inventories*, IPSAS 16, *Investment Property*, and IPSAS 27, *Agriculture*, and IPSAS 45 is that these other uses involve the provision of goods or services, or the generation of economic benefits, through the active use or consumption of the asset. (In the case of capital appreciation in IPSAS 16, one could argue that the generation of economic benefits is active, as these benefits can only be realized if an entity actively markets and sells the property.) In contrast, the conservation of natural resources will only result in the passive flow of service potential and will not result in the active use or consumption of the resource.
11. Based on paragraphs 7-10, staff propose adding the following definition to the final IPSAS Standard:
Tangible natural resources held for conservation are tangible natural resources that are managed to prevent their degradation from active use or consumption in the provision of goods or services.

Naturally Occurring

12. Staff considered if it was necessary to retain the 'naturally occurring' concept in the final pronouncement. Since the concept of 'naturally occurring' is needed for the identification of natural resources and tangible natural resources, if these definitions are retained as proposed in paragraph 9, it will be necessary to retain the 'naturally occurring' concept.
13. Staff reflected on the comments in paragraph 5(b) and noted that in these scenarios, the introduction of resources could be additions to restore an existing tangible natural resource—i.e., their costs may qualify for capitalization as part of the tangible natural resource if the asset recognition criteria are met. As a result, these resources would be within the scope of the final pronouncement. This reasoning will be clarified in the Application Guidance.

Decision Required

14. Does the IPSASB agree with the staff [recommendations](#)?

Clarification of Project Objectives, Expectation Gaps, and Various Aspects of the Conceptual Framework

Question

1. Does the IPSASB agree with the proposed additions to the Basis for Conclusions to better explain the Natural Resources project objectives, expectation gaps, and related aspects of the Conceptual Framework to address issues raised by respondents?

Recommendations

2. Staff recommend:
 - (a) Explaining the intended purpose of the IPSAS Standard on natural resources and the possible future development of guidance for reporting in the broader GPFRs in the Basis for Conclusions;
 - (b) Amending the Application Guidance and Implementation Guidance to clarify that the recognition criteria are consistent with other IPSAS Standards and the Conceptual Framework, and to reflect consideration of the feedback received from indigenous peoples;
 - (c) Clarifying the disclosure requirements on the stewardship rights and responsibilities over tangible natural resources; and
 - (d) Explain in the Basis for Conclusions how conservation of tangible natural resources could lead to service potential as contemplated in the IPSASB's Conceptual Framework.

Background

3. In response to [draft] IPSAS [X] (ED 92), *Tangible Natural Resources*, the IPSASB received a number of comments relating to the objectives of the Natural Resources project, the related expectation gaps, and suggested revisions to the proposed recognition and measurement guidance.
4. A summary of these comments is as follows:
 - (a) Some respondents stated that the development of accounting guidance for reporting within the general purpose financial statements (GPFS) may not be useful given the expectation that very few tangible natural resources would meet the proposed recognition criteria. These respondents suggested the development of guidance on the reporting of natural resources in the broader general purpose financial reports (GPFRs);
 - (b) Other respondents would like to be able to recognize more tangible natural resources as assets in the GPFS, especially unextracted subsoil resources. These respondents suggested the following:
 - (i) Recognize tangible natural resources based on concepts such as stewardship or sovereignty in addition to, or instead of, control. Some respondents were also concerned that the assessment of control did not adequately consider the views of Indigenous Peoples and their rights as affirmed in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP); and
 - (ii) Reconsider whether past events and reliable measurements are necessary for the recognition of tangible natural resources. A number of respondents noted that the

requirement for reliable measurement in ED 92 appeared to be more stringent compared to existing IPSAS Standards or the IPSASB's Conceptual Framework;

- (c) Some respondents acknowledged that the recognition of tangible natural resources would be rare given the current Conceptual Framework. In addition to suggesting the development of guidance for reporting in the broader GPFRs, some of these respondents suggested expanding the note disclosures proposed in ED 92 to reflect a government's stewardship over the tangible natural resources in its jurisdiction; and
- (d) Some respondents also requested an explanation of service potential in the context of conservation.

Analysis

- 5. When the IPSASB considered the feedback received for the Consultation Paper, *Natural Resources*, in March 2023, it decided to develop an ED on the accounting of natural resources based on the existing principles in the IPSASB's Conceptual Framework—i.e., the IPSASB decided not to develop recognition criteria specific to natural resources that may not align with the framework or amend the framework to facilitate the recognition of natural resources as assets in the GPFS.
- 6. At the time, the IPSASB acknowledged that this decision may result in the following:
 - (a) Due to the existing asset definition and recognition criteria in the Conceptual Framework and the currently available technologies and scientific know-how, the recognition of most natural resources as assets, especially unextracted subsoil resources, will be limited because of issues relating to existence uncertainty and reliable measurement;
 - (b) The ED will provide guidance on note disclosures in the GPFS, but the proposed disclosures will be based on the principles in chapter 8 of the Conceptual Framework; and
 - (c) The development of accounting guidance does not preclude the development of guidance on the reporting of natural resources in the broader GPFRs in the future.

Reporting in the Broader GPFRs

- 7. As a result of the decision in March 2023, the proposed guidance in ED 92 was only expected to apply to a very limited number of natural resources. The exposure draft was meant to be a first step in the development of guidance for natural resources in the short-term, and the IPSASB planned to consider developing additional guidance for the broader GPFRs in the future.
- 8. While the Basis for Conclusions in ED 92 already mentioned the decision from March 2023, based on the feedback received, more robust communication of the initial decision and a more detailed explanation of how this decision impacts the development of guidance for the GPFS and GPFRs are required. Staff propose to expand the discussion of the March 2023 decision and its impact on the development of guidance in the Basis for Conclusions.

Comments Regarding Recognition

- 9. To address the comments regarding the recognition of natural resources, staff propose the following:
 - (a) In staff's view, the suggested changes to the recognition criteria cannot be achieved without amending or departing from the Conceptual Framework. As a result, staff propose to explain

the reasons for limited recognition in the Basis for Conclusions and tie this discussion back to the intended purpose of the standard as noted in paragraph 7;

- (b) The IPSASB did not intend for the recognition criteria for natural resources to be more onerous than existing IPSAS Standards. However, ED 92 does contain a more robust discussion of control and reliable measurement than other IPSAS Standards, as it was expected that entities will not be familiar with the application of these concepts in the context of natural resources. To address respondents' concerns, staff propose to:
 - (i) Amend the relevant application guidance and implementation guidance to clarify that the requirements are not meant to be more stringent; and
 - (ii) Explain the reason for the emphasis on control and reliable measurement in the Basis for Conclusions and explicitly state that these requirements are consistent with those found in other IPSAS Standards and the Conceptual Framework; and
- (c) Regarding the views of Indigenous Peoples and the UNDRIP, staff referred to the consideration of responses from indigenous groups in the Basis for Conclusions in the ED but did not explicitly refer to their concerns in the authoritative or non-authoritative text. To provide better transparency, staff propose to explicitly incorporate consideration of the UNDRIP in the application guidance and implementation guidance on the assessment of control and explain this inclusion in the Basis for Conclusions.

Additional Disclosures on Stewardship

- 10. For recognized tangible natural resources, ED 92 proposed the disclosure of restrictions on the use of the resource, as well as any pledges or other custodial responsibilities associated with the resource. ED 92 also proposed disclosures for tangible natural resources which met the definition of an asset but are not recognized as they could not be reliably measured. These proposals included the disclosure of an entity's custodial responsibilities over the unrecognized tangible natural resource, and the legislative or similar means that established these responsibilities.
- 11. Based on the comments received, constituents were concerned that the proposed disclosure did not adequately address the stewardship rights and responsibilities often associated with tangible natural resources. For example, for recognized tangible natural resources, certain treaties or a government's legislated adoption of the UNDRIP may grant rights to indigenous peoples to maintain and strengthen their relationship with resources that they have traditionally owned. Some arrangements may also result in the delegation of conservation activities to a third party.
- 12. Similarly, public sector entities should also disclose any stewardship responsibilities arising from such treaties or agreements with third parties. For example, there could be restrictions on the use of recognized tangible natural resources without the free, prior and informed consent from indigenous peoples arising from a treaty or agreement. Respondents were concerned that the proposals in ED 92 may not be sufficiently specific to prompt the disclosure of these stewardship arrangements.
- 13. There could also be situations where a public sector entity has stewardship rights or responsibilities over tangible natural resources which are not recognized. Some constituents noted that even if the underlying resource is not recognized, users of the financial statements would be interested in the details of such rights or how the entity discharges these responsibilities. Staff noted that if stewardship rights or obligations arise from an arrangement, an entity will need to consider the accounting and disclosure implications of such an arrangement regardless of whether the underlying

tangible natural resource is recognized. For example, some agreements may result in the recognition of an asset within the scope of IPSAS 31, *Intangible Assets*, even if the related tangible natural resource is not recognized. In other situations, the disclosure of the unrecognized rights and obligations arising from stewardship arrangements may be required by IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*.

14. Staff agree that making an explicit link to stewardship arrangements would facilitate the consistent application of the proposed disclosures. To address the above comments, staff propose to:
 - (a) Clarify that stewardship arrangements over recognized tangible natural resources should be disclosed;
 - (b) Clarify that even if a tangible natural resource is not recognized, the rights and obligations arising from stewardship arrangements may have accounting and disclosure implications under existing IPSAS Standards, such as IPSAS 19 or IPSAS 31;
 - (c) Develop Implementation Guidance on how the disclosure requirements apply to stewardship arrangements; and
 - (d) Explain the clarifications and additional guidance in the Basis for Conclusions.

Explanation of How Service Potential Can be Derived from Conservation

15. Regarding the request to explain how conservation results in service potential, the Conceptual Framework currently defines service potential as, “the capability of a resource to provide service that contribute to achieving the entity’s objectives.”
16. ED 92 currently explains that the conservation of a natural resource achieves a public sector entity’s objective (for example, maintaining the current state of a natural resource for the benefit of its citizens in future generations). Respondents noted that this explanation does not adequately explain why conservation results in benefits or value that can lead to asset recognition. Staff agrees with this feedback and noted that it will be important to explain how service potential can result from conservation.
17. One comment letter suggested leveraging the United Nation’s System of Environmental-Economic Accounting – Ecosystem Accounting (SEEA-EA) when scoping the standard and defining tangible natural resources. This letter explained that based on the SEEA-EA, natural resources can provide service potential through the following ecosystem services:
 - (a) Provisioning services are those ecosystem services representing the contributions to benefits that are extracted or harvested from ecosystems;
 - (b) Regulating and maintenance services are those ecosystem services resulting from the ability of ecosystems to regulate biological processes and to influence climate, hydrological and biochemical cycles and thereby maintain environmental conditions beneficial to individuals and society; and

- (c) Cultural services are the experiential and intangible services related to the perceived or actual qualities of ecosystems whose existence and functioning contribute to a range of cultural benefits.¹
18. This suggested approach is consistent with the proposed change in scope as discussed in [Agenda Item 4.2.3](#) and the proposal to define natural resources based on their intended use as discussed in [Agenda Item 4.2.4](#). In the context of the IPSASB's Conceptual Framework, the service potential resulting from the conservation of tangible natural resources is consistent with the benefits from certain aspects of 'cultural services' and 'regulating and maintenance services' as defined in the SEEA-EA, while the provisioning services are more in line with the intended uses of assets within the scope of IPSAS 12, *Inventories*, and IPSAS 27, *Agriculture*, and IPSAS 45, *Property, Plant, and Equipment*.
19. Staff propose incorporating the above concepts from SEEA-EA into the Basis for Conclusions to explain how conservation can result in service potential.

Decision Required

20. Does the IPSASB agree with the staff [recommendations](#)?

¹ The System of Environmental-Economic Accounting – Ecosystem Accounting, paragraph 6.51.
https://seea.un.org/sites/seea.un.org/files/documents/EA/seea_ea_f124_web_12dec24.pdf