



**MINISTÈRE
DE L'ÉCONOMIE,
DES FINANCES
ET DE LA SOUVERAINETÉ
INDUSTRIELLE ET NUMÉRIQUE**

*Liberté
Égalité
Fraternité*

**Conseil de normalisation
des comptes publics**

Le Président

Paris, January 27, 2025

Mr Ross Smith
Technical director
International Public Sector Accounting Standards
Board
International Federation of Accountants
277 Wellington Street, 4th floor
Toronto
Ontario M5V 3H2 CANADA

Re: Response to Exposure Draft ED92, *Tangible Natural Resources*

Dear Mr Smith,

The French Public Sector Accounting Standards Council (CNOCP) welcomes the opportunity to comment on Exposure Draft ED92, *Tangible Natural Resources* (ED92).

We fully agree on the need for a standalone standard on natural resources, all the more that it provides complementary information to that provided in national accounts on natural resources that are not in the process of production. We also agree that the scope of the standard should cover all tangible natural resources not in the scope of other existing IPSASs. However, we would not label the future standard a “residual” standard (paragraph BC8), which we believe would undermine its importance within the full set of IPSAS financial reporting standards, and in the current context of increased attention to natural resources.

With respect to the scope of ED92, we would like to emphasise our comment in SMC1 that when disclosed tangible natural resources are subject to transactions in the form of access rights, we think it is important to 1/ provide information on the “underlying” tangible natural resources, which is the purpose of ED92, and 2/ to connect that information with that on the related access rights in the notes to the financial statements. This should provide a comprehensive understanding of tangible natural resources and the various ways they may be utilised.

We also believe that it is important to underline the specific space the future standard will fit in within the suite of financial reporting IPSASs, with disclosures on tangible natural resources being prevalent, in our view, on recognition in the primary financial statements. To achieve this, we would suggest that a specific section on disclosures of unrecognised tangible natural resources should be inserted between the “Recognition” and “Measurement” sections in the core text. That section would state upfront that tangible natural resources that meet the definition of assets, but cannot be reliably measured should be disclosed in the notes to the financial statements. This revised structure would strengthen the unique nature of the standard and the reason why it is a standalone standard. More importantly, we would have appreciated more connectivity with information on sustainability. While IPSAS SRS ED1, *Climate-related Disclosures* specifically requires connections with related financial statements, we would suggest communicating in return in financial reporting standards on the need to ensure connectivity with related information on sustainability. We believe that information in the notes could be enhanced by providing additional explanations on the effects on the environment of holding the tangible natural resources. For instance, how and to what extent a forest could help with carbon sequestration/carbon capture. Such information could be provided in the form of a reference to another report.

We present detailed responses to the Specific Matters for Comments in the appendix.

Yours sincerely

Michel Prada

APPENDIX

Specific Matter for Comment 1: Scope (paragraphs 3-5)

This Exposure Draft is broadly applicable to all tangible natural resources which are not within the scope of any other existing IPSAS (see paragraphs 3-4, BC8 and BC34). Do you agree with the proposed scope? If not, what alternative scoping approach would you propose and why?

As a result of the proposed scope, tangible natural resources held for conservation are one common example of items which could fall within the scope of this Exposure-draft. What other items would you anticipate being accounted for through this Exposure Draft?

This Exposure Draft includes an Alternative View regarding its scope and the definition of tangible natural resources.

First of all, based on our experience in France, we are of the opinion that the scope of tangible natural resources in the public sector would usually be regulated by the jurisdiction and may present in the form of a list of items.

We agree with the proposed scope and we believe that tangible natural resources may be held for purposes other than conservation. For instance, civil aviation airspace and electromagnetic spectrum are items with physical substance controlled by jurisdictions. Such tangible natural resources are naturally occurring, embody service potential and future economic benefits, are in the scope of this project and are controlled. Service potential and future economic benefits are evidenced by the fact that jurisdictions may grant operators the right to access the civil aviation airspace or specific frequencies within the electromagnetic spectrum.

However, measurement of the entire civil aviation airspace or of the whole of the electromagnetic spectrum may prove difficult and unreliable. We would then expect information on such tangible natural resources to be disclosed rather than displayed in the primary financial statements. Such disclosures would provide useful information for decision-making purposes. On the same note, we hear from our constituents that it is important to keep track of tangible natural resources through disclosures in the notes to the financial statements. Conversely, providing a reliable value for those items is irrelevant as those items are most often unsellable. Providing information in the notes also allows to provide further information on their conditions (depletion, increase, etc.).

In addition, we note that some tangible natural resources in the scope of ED92, that are controlled by an entity, may be subject to transactions that provide another entity with a right to access those natural

resources. Such a right would then be recognised and accounted for in accordance with IPSAS 31, *Intangible Assets*. We think it is important to connect information on those access rights with their underlying tangible natural resources, while not in the scope of the same standard, in the notes to the financial statements of both entities.

As part of our national outreach effort to provide comments on ED92, we note that our constituents provide many examples of tangible natural resources that have multiple functions (e.g. forests held for conservation, held for the benefit of the public with a recreational intent and held for production). In such cases, our constituents are concerned that preparers may get confused as to the standard that should apply, hence they would appreciate clearer communication on this. We believe that this is key feedback that should be reflected in the future standard. We would therefore suggest to move some of the application guidance paragraphs on the unit of account (AG17-21) to the core text in the Recognition section, with a view to help users with the proposed scoping approach.

In addition, we find that disclosures are all the more important that the scope of tangible natural resources that meet the definition of assets in the future standard, even though they do not meet the recognition criterion, appears to be wider than that of natural resources in the national accounts. For instance, we understand that natural resources that are held for conservation and are not part of the process of production are not taken into account in national accounts (see §10.167 of SNA 2008). In that sense, we think that the future standard would usefully bridge the gap between macroeconomic and entity level financial reporting, which emphasises the need for the standard on the proposed scope.

Specific Matter for Comment 2: Definitions (paragraph 6)

This Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capability to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance.

Do you agree with the proposed definitions? If not, why not?

This Exposure Draft includes an Alternative View regarding its scope and the definition of tangible natural resources.

We believe that there may be space for more guidance to apply the definition, for instance to natural resources such as civil aviation airspace and electromagnetic spectrum that we think are of physical substance.

With respect to part (a) of the definition of tangible natural resources, we gathered many comments on how to consider areas that are subject to rewilding, with the view that there are few naturally occurring items on Earth today and that human intervention is prevalent. We believe that this is a key concern on the definition. To help alleviating that concern, we would recommend to move elements from illustrative guidance (IG22) to the core text.

We also wish to reiterate here the comment we made about the scoping approach in SMC1 with respect to multipurpose tangible natural resources that might prove complex to implement. Though the concept of “unit of accounts” is easy to grasp in principle, it may require a lot of efforts and be resource intensive to apply in practice.

Specific Matter for Comment 3: Depreciation (paragraph 23)

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognised within the scope of this [draft] Standard have indefinite useful lives on the basis that they are generally not used or consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated.

Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated? If not, why not?

We agree on the proposal.

Specific Matter for Comment 4: Exemption from Certain Disclosures (paragraph 51)

As explained in paragraph BC31, this Exposure Draft exempts an entity from disclosing certain information which may lead to further degradation of tangible natural resources which are rare or endangered.

Do you agree with the proposed disclosure exemption? If not, why not?

We agree on the proposal.

Specific Matter for Comment 5: Cross-References to IPSAS 45, Property, Plant and Equipment (paragraphs 15 and 54)

This Exposure Draft includes a cross-reference to the guidance in IPSAS 45 on the determination of cost in an exchange transaction and the disclosure requirements for current value. This guidance was incorporated by cross-reference as the acquisition of tangible natural resources is expected to be rare in the public sector, and there is familiarity with the principles on the determination of cost, which are consistent with those found in IPSAS 45.

Do you agree that these cross-references are sufficiently clear? If not, how should the above guidance be incorporated into the Final Standard?

We agree on the proposal.

Specific Matter for Comment 6: Transition (paragraph 60)

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognising tangible natural resources which meet the recognition criteria on the date of initial application of the [draft] standard at their deemed cost, or on a full retrospective basis in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.

Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information? If not, why not?

The proposal seems sufficiently flexible to us to alleviate the burden of first application of the future standard whatever the situation for the entity.

Specific Matter for Comment 7: Amendment to the Description of 'Heritage Asset' in IPSAS 45, Property, Plant and Equipment (Appendix B)

The IPSASB proposes to amend the description of 'heritage asset' in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard.

Do you agree with the proposed amendment? If not, why not?

We agree on the proposal.

Specific Matter for Comment 8: Sufficiency of Proposed Implementation Guidance and Illustrative Examples

The non-authoritative guidance in this [draft] Standard was developed for topics that are potentially complex and difficult to apply in practice, are areas of concern for constituents, or where additional non-authoritative guidance could be useful.

Do you agree that the proposed implementation guidance and illustrative examples are sufficient? If not, what other topics would be helpful and why?

We think that the proposed implementation guidance and illustrative examples are useful to help implementing the standard. However, consistently with the examples we provided of tangible natural resources in the scope of this standard that are not held for conservation, we would recommend providing additional implementation guidance and illustrative examples on those specific items.

In addition, because some tangible natural resources may provide service potential with a tight relation to sustainability reporting, we would encourage the IPSASB to strengthen disclosures of information on the special capacity of those tangible natural resources. This could be the case for instance for forests acting as carbon sequestration items. Because this would enhance connectivity with sustainability reporting, we would recommend to include such disclosure requirements in the future standard on tangible natural resources, rather than wait for the Climate-related Disclosures project to be completed and have to reopen the tangible natural resources standard to include related consequential amendments.