

IPSASB

Proposed International Public Sector Accounting Standards Board Tangible Natural Resources Standard

Exposure Draft 92 (ED92) Comments

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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.

In my view the proposed scopes in the Exposure Draft including in the Alternative View are not sufficiently comprehensive in the current context of triple planetary crisis of climate change, biodiversity loss and pollution.

The need for a new International Public Sector Accounting Standard for Tangible Natural Resources arises from quite specific circumstances which are mostly missing in the form of a rationale in the proposal text.

While other existing international accounting standards appear to be developed in order to complement one another, this proposed standard unlike other standards is aimed at inter alia strengthening risk management in relation to tangible natural resources which derives from the fact that other standards have so far failed to contribute to the overall effective management of risks and prevention of the triple planetary crisis.

Indeed the other standards indicated in the Exposure Draft are being subject to improvements as far as for instance more appropriate waste management (IPSAS 12 amendments) is concerned. They could also be incomplete if one considers intangible genetic resources which are incidentally found in tangible natural resources and therefore useful to take into account in this Exposure Draft when assessing potential items for inclusion.

Such a standard would also contribute to harmonising financial reporting going beyond recommendations in follow-up to the latest legal updates and upcoming requirements concerning risk management, 2025 SNA update, as well as pressure from constituents for

increased transparency and preventative action due to unlawful environmental and other damage for which restitution is not possible such as in the case of preventable illness and death from mine dust and waste among miners and local communities.

Furthermore, as I support the perspective that tangible natural resources such as land, plants and animals are subject to depreciation due to inter alia climate change, depletion (including extinction) and pollution that affect the duration of their useful lives, I would consider the inclusion of other tangible natural resources under the framework of this exposure draft, namely, minerals, oil, natural gas and similar non-regenerative resources which is in line with the present requirements for greater accountability from States and extractors.

The importance of minerals, oil, natural gas and similar non-regenerative resources cannot be overstated given the ongoing energy transition and phasing out of fossil fuels within the framework of global climate action. The inclusion of such natural resources as well as those held for conservation and other even if initially lacking reliable measurement could potentially trigger specific measures with a view to leading to their recognition as well as fair valuation (beyond market prices) including through international cooperation and technical assistance.

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.

Please see my comments with regards to Specific Matter for Comment 1 above.

Besides, when considering items to account for through this ED it may be useful to take into consideration the interconnectedness of tangible natural resources (ecosystems approach) which may mean that for instance the non-disclosure of risks pertaining to an unrecognised tangible natural resource can have consequences over its management and impact other adjacent and further afar natural resources.

Specific Matter for Comment 3: Depreciation (paragraph 23):

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognized 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?

At least some of the other international accounting standards indicated in the ED refer to examples of depreciation hence the proposed ED should build on the latest available

science in this regard which points towards issues of inter alia biodiversity loss and changes in biodiversity distribution, genetic modifications and pollution.

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?

Such an exemption would run counter to the primary objective of the draft standard which is risk management.

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

This Exposure Draft includes cross-references 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?

There is no one-size-fits-it-all approach to cost determination considering the different nature of the items under each of the standards.

Specific Matter for Comment 6: Transition (paragraph 60):

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognizing 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?

There would be greater transparency if one were to apply IPSAS 3 which in turn would also inform risk management.

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?

Nothing against the proposed amendment.

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?

The proposed implementation guidance could address better instances of limited availability of reliable data on measurement of e.g. minerals for the purposes of recognition and subsequent inclusion in financial statements. Topics of international cooperation, technical assistance and partnerships to support inter alia disclosures and improved risk management, as well as a more in-depth discussion on fair value measurement would be helpful.

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