



Australian Government  
Australian Accounting Standards Board

# Memorandum

<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	<b>8 October 2013</b>
<b>From:</b>	<b>Ahmad Hamidi</b>	<b>Agenda Item:</b>	<b>11.1 (M134)</b>
<b>Subject:</b>	<b>Emission Trading Schemes</b>	<b>File:</b>	

## Action

Consider the attached issues paper with a view to providing comments on selected issues pertinent to accounting for permits under emission trading schemes (ETSs).

## Attachments

Agenda paper 11.2: Issues Paper – Accounting for Permits under Emission Trading Schemes

## Overview

Agenda paper 11.2:

- (a) considers various arguments about the classification of permits under Australian Accounting Standards and whether free permits give rise to liabilities;
- (b) provides evidence on current practice based on surveys carried out in relation to ETSs of other jurisdictions; and
- (c) includes staff views on the selected accounting issues considered.

## Background

At its September 2013 meeting, the Board considered a draft staff project plan on ETSs and decided to continue the discussion of accounting issues arising under ETSs at future meetings.

At that meeting, the Board also considered an issues paper on existing approaches to the recognition and measurement of emission liabilities arising from ETSs. The Board noted that the results of surveys conducted in regard to accounting approaches being adopted by companies subject to European ETSs and information from other jurisdictions point to the existence of divergent practice in recognising and measuring emission liabilities. The divergent practice was noted to arise from different interpretations of relevant requirements under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

In light of the evidence of divergent interpretations of IAS 37, and having had regard to the views on the interpretation of IAS 37 reflected in current and withdrawn IFRIC Interpretations, the Board decided to write<sup>1</sup> to the IFRS Interpretations Committee to seek clarification on the issue of the measurement of liabilities. The Board noted that the clarification sought, though provoked by the question of ETS accounting, is likely to be relevant to how to account for liabilities under IAS 37 in other circumstances too. Staff will monitor any deliberations by the Committee on the issue.

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<sup>1</sup> See [http://www.aasb.gov.au/admin/file/content102/c3/AASB\\_Letter\\_to\\_IFRS\\_IC\\_on\\_IAS\\_37.pdf](http://www.aasb.gov.au/admin/file/content102/c3/AASB_Letter_to_IFRS_IC_on_IAS_37.pdf).