

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Andreas Barckow,

Re: Power Purchase Agreements

We are writing in regard to the project added to the IASB's agenda on power purchase agreements. We want to commend the IASB for taking on a project to address an issue that is emerging in practice. In some jurisdictions, including Canada and Australia, both physical power purchase agreements as well as virtual power purchase agreements are prevalent. We agree that these types of arrangements are becoming even more prevalent with the world's transition to cleaner energy, and we are seeing that these agreements are industry agnostic.

We think the important question as the IASB determines the project direction to define the problem. From our perspective, for many physical power purchase agreements that need to sell to the market when mismatches exist, there is an answer in IFRS 9 which is that the agreement fails the own use exemption and therefore fair value through profit and loss is the appropriate accounting. However, we think stakeholders are raising a lot of questions on whether that accounting provides decision useful information. Focusing on the needs of investors and what information they would like to see in respect to these types of arrangements would be very important.

If the focus is on the outcome, we urge the IASB to not separate the work on physical power purchase agreements from virtual power purchase agreements. Economically the two contracts are very similar and, in some jurisdictions, including ours, an entity might not be able to achieve net zero commitments without the use of such arrangements.

We would be happy to provide more details of the accounting issues and do any further research into both physical and virtual power purchase arrangements in our respective jurisdictions.

Sincerely,



Armand Capisciolto, FCPA, FCA, CPA(MI)
Chair, Canadian Accounting Standards Board



Dr. Keith Kendall
Chair, Australian Accounting Standards Board

CC: Linda Mezon-Hutter, IASB Vice-Chair