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Power Purchase Agreements

Cover Note

Objective

- 1 The objective of this session is:
 - (a) to provide EFRAG FR TEG members with a summary of the discussion on Power Purchase Agreements at ASAF meeting held on January 29, 2024;
 - (b) to provide EFRAG FR TEG members with an illustrative example of the EFRAG Secretariat's alternative own-use model.

Background of the IASB project

- 2 At its June 2023 meeting, the IASB tentatively decided to research whether narrow-scope amendments could be made to IFRS 9 to better reflect how financial statements are affected by power purchase agreements ('PPAs').
- 3 At its December 2023 meeting, the IASB discussed the research made by the IASB staff and a potential approach to narrow-scope standard setting. The IASB tentatively decided: (a) to undertake narrow-scope standard-setting to amend IFRS 9 Financial Instruments, with the next project milestone to be an exposure draft; and (b) to explore an approach to this standard-setting that includes amending the 'own use' and hedge accounting requirements in IFRS 9.
- 4 Potential preliminary narrow-scope amendments to IFRS 9 Financial Instruments were discussed in IASB's January 2024 meeting and in January 2024 ASAF meeting.

Background of the EFRAG project

- 5 The EFRAG Secretariat had a session at the joint EFRAG FRB & EFRAG FR TEG meeting of 19 December 2023. The purpose of the session was to discuss the research made by the IASB staff on the prevalence and potential standard setting approaches towards PPAs and virtual

PPAs (vPPAs) and the recommendations to the IASB on how to move forward. The EFRAG Secretariat also introduced an alternative model that could solve the issues raised by stakeholders around PPAs.

- 6 An additional session was held at the joint EFRAG FR TEG-CFSS meeting of 26 January 2024. The purpose of the session was to discuss the potential narrow-scope amendments proposed by the IASB Staff (see agenda paper [AP1](#)) and collect feedback from the EFRAG FR TEG-CFSS members in preparation for the ASAF meeting. At the same time, the EFRAG Secretariat provided EFRAG FR TEG and CFSS members with a potential alternative proposal on the hedge accounting model.

Key discussion points for the session

- 7 Agenda paper 06-02 summarises the feedback provided to the IASB at the January 2024 ASAF meeting on its potential preliminary narrow-scope amendment to IFRS 9. The paper also includes some suggestions from the EFRAG Secretariat to circumvent the issues raised at the ASAF meeting. The EFRAG Secretariat intends to discuss the issues raised at the ASAF meeting and potential solutions.
- 8 Agenda paper 06-03 provides an illustrative example of the EFRAG Secretariat's alternative own-use model. The EFRAG Secretariat intends to present this example and gather feedback from EFRAG FR TEG.

Next Steps

- 9 The IASB's ED on Power Purchase Agreements is currently expected in April 2024. The EFRAG Secretariat to follow the IASB advancement on the project and provide FR TEG with any relevant update.

Agenda papers

- 10 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 06-02 – PPA Issues Paper; and
 - (b) Agenda paper 06-03 – Illustrative example of the EFRAG Secretariat's alternative own-use model.