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An alternative own-use model and an alternative hedged item model

Cover Note

Objective

- 1 The objective of this educational session is to respond to the request from EFRAG FRB and to present to the EFRAG FRB EFRAG Secretariat alternative models for own-use and requirement for hedged item.

Background

- 2 The development of the EFRAG Secretariat models is driven by discussions triggered by the Power Purchase Agreement (PPA) project of the IASB and a search for general and principle-based solutions to the underlying issues in the PPA project.
- 3 The EFRAG Secretariat models, while close to be ready for exposure, are due to their general scope, not intended to be timely alternatives to the time urgent PPA project. However, due to their principle-based foundations they may offer stable long-term solutions that may replace the limited scope PPA solutions.
- 4 It is worth noticing that the alternative model for own-use and the alternative requirement for hedged item represents two independent solutions to two independent issues and are thus not mutually dependent. They are presented together because together they will represent a longer-term alternative to the amendments in the PPA project.

Next steps

- 5 The EFRAG Secretariat to gather views on the IASB's tentative decisions in preparation of its draft comment letter. The IASB to publish the ED in May 2024.

Agenda papers

- 6 In addition to this Cover Note the following agenda paper are presented for this session:
 - (a) Agenda Paper 06-02 Issues Paper – Alternative own-use model
 - (b) Agenda Paper 06-03 Issues Paper – Alternative model illustrative example

Power Purchase Agreements

- (c) Agenda Paper 06-04 Issues Paper – FR TEG comments on the alternative model
- (d) Agenda Paper 06-05 Issues Paper – Comparison of the alternative model with the IASB's tentative ED proposals
- (e) Agenda Paper 06-06 Issues Paper – Hedge accounting alternative model