<u>**Comments**</u>

Question 1 – Scope of the proposed amendments

Paragraphs 6.10.1–6.10.2 of the proposed amendments to IFRS 9 would limit the application of the proposed amendments to only contracts for renewable electricity with specified characteristics.

Do you agree that the proposed scope would appropriately address stakeholders' concerns (as described in paragraph BC2 of the Basis for Conclusions on this Exposure Draft) while limiting unintended consequences for the accounting for other contracts? Why or why not?

Response:

I agree that the proposed scope, as outlined in paragraphs 6.10.1–6.10.2, appropriately addresses stakeholders' concerns while effectively limiting unintended consequences for the accounting of other contracts.

The specificity of the characteristics for renewable electricity contracts ensures that the amendments are applied only where the nature-dependent supply and volume risk issues are prevalent. This precision helps in maintaining clarity and consistency in financial reporting, as it avoids the broad application of rules that could otherwise disrupt the accounting practices for non-renewable electricity contracts or other types of contracts.

The nature-dependent characteristic (e.g., wind, sun, water) and the associated volume risk are unique to renewable electricity contracts. By targeting these specific contracts, the amendments ensure that the peculiarities of renewable energy production are appropriately accounted for, without imposing unnecessary or irrelevant requirements on other contracts that do not share these characteristics.

Additionally, the careful limitation to contracts with "pay-as-produced" features mitigates the risk of misalignment between production and demand, ensuring that the financial reporting reflects the economic realities of these agreements. This targeted approach provides a balanced solution that aligns with the concerns raised by stakeholders, as noted in paragraph BC2 of the Basis for Conclusions, and enhances the relevance and reliability of financial statements.

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

Question 2 – Proposed ‘own-use’ requirements

Paragraph 6.10.3 of the proposed amendments to IFRS 9 includes the factors an entity would be required to consider when applying paragraph 2.4 of IFRS 9 to contracts to buy and take delivery of renewable electricity that have specified characteristics.

Do you agree with these proposals? Why or why not?

Response:

I agree with the proposed ‘own-use’ requirements outlined in paragraph 6.10.3. The factors specified for consideration provide a comprehensive framework that ensures the alignment of the contract’s operational realities with the entity's expected usage. This alignment is crucial for accurately reflecting the economic substance of renewable electricity contracts in financial statements.

The proposal's emphasis on assessing the purpose, design, and structure of the contract, including the volumes of electricity expected to be delivered, ensures that the entity's reporting reflects the true nature of its contractual obligations. By requiring entities to consider reasonable and supportable information at each reporting date, the amendment promotes transparency and consistency in financial reporting.

Additionally, the focus on sales of unused renewable electricity and the conditions under which such sales align with the entity's expected purchase or usage requirements addresses potential mismatches between supply and demand. This aspect of the proposal recognizes the inherent volume risk in renewable electricity contracts and provides a practical approach for entities to account for such risks.

Question 3 – Proposed hedge accounting requirements

Paragraphs 6.10.4–6.10.6 of the proposed amendments to IFRS 9 would permit an entity to designate a variable nominal volume of forecast electricity transactions as the hedged item if specified criteria are met and permit the hedged item to be measured using the same volume assumptions as those used for measuring the hedging instrument.

Do you agree with these proposals? Why or why not?

Response:

I agree with the proposed hedge accounting requirements outlined in paragraphs 6.10.4–6.10.6. These proposals provide a practical and effective approach for entities engaging in renewable electricity contracts to manage their financial risks.

Allowing the designation of a variable nominal volume of forecast electricity transactions as the hedged item is beneficial because it aligns the hedging relationship more closely with the operational realities of renewable electricity production, which can be inherently variable due to its dependence on natural factors. This flexibility helps entities better manage the volatility in their financial performance arising from these fluctuations.

The requirement that the hedged item must not exceed the volume of highly probable future transactions ensures that the hedging relationship remains robust and grounded in the entity's actual business activities. This criterion strikes a balance between providing flexibility and maintaining the integrity of the hedge accounting framework.

Additionally, permitting the use of the same volume assumptions for both the hedged item and the hedging instrument simplifies the measurement process and enhances consistency. This approach reduces the complexity and potential for discrepancies in financial reporting, thereby improving the clarity and reliability of financial statements.

Overall, these proposals support effective risk management and provide clearer financial reporting for entities involved in renewable electricity contracts, aligning the accounting treatment with the economic substance of these transactions.

Question 4 – Proposed disclosure requirements

Paragraphs 42T–42W of the proposed amendments to IFRS 7 would require an entity to disclose information that would enable users of financial statements to understand the effects of contracts for renewable electricity that have specified characteristics on:

(a) the entity's financial performance; and

(b) the amount, timing, and uncertainty of the entity's future cash flows.

Do you agree with these proposals? Why or why not?

Response:

I agree with the proposed disclosure requirements outlined in paragraphs 42T–42W. These disclosures are crucial for providing transparency and clarity about the impact of renewable electricity contracts on an entity's financial performance and future cash flows.

(a) Financial Performance:

The requirement to disclose the terms and conditions of renewable electricity contracts, including pricing mechanisms, volume expectations, and market dependencies, helps stakeholders understand the financial implications of these contracts. Such detailed information allows users to assess how these contracts influence the entity's revenues, expenses, and overall financial health.

(b) Future Cash Flows:

Disclosing the expected volumes of electricity to be purchased or sold, along with the associated fair values and market prices, offers insights into the timing and certainty of future cash flows. This is particularly important for renewable electricity contracts, where supply can be variable and dependent on natural factors. Understanding these dynamics helps users evaluate the potential risks and opportunities associated with these contracts.

The qualitative explanations for any significant differences between expected and actual costs provide further context, enhancing the reliability of financial statements. Additionally, the consideration for the appropriate level of detail, aggregation, and disaggregation ensures that disclosures are meaningful and not overly burdensome.

Regards

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