Feedback on the Proposed Amendments to IFRS 9 and IFRS 7

1. Scope of the Proposed Amendments

Question: Do you agree that the proposed scope would appropriately address stakeholders' concerns while limiting unintended consequences for the accounting for other contracts? Why or why not?

Feedback: It is noted that the proposed scope effectively targets the unique challenges of renewable electricity contracts, particularly those with nature-dependent sources and significant volume risks but thought should be given for a scenario where core principles of the standards may be subjected to exceptions.

Discussion should be held as to whether it would be better to bring the amendments in the form of clarifications rather than exceptions to the core principles. This may help maintain integrity of IFRS 9.

Providing exception to the core principles in the standard may create unintended consequences for the accounting for other contracts keeping in mind the fact that interpretation of the principles may get complicated and the fact that similar demands for amendments may arise for other types of contracts also.

2. Proposed 'Own-Use' Requirements

Question: Do you agree with the proposed 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 with specified characteristics? Why or why not?

Feedback: The proposed factors are well-considered and provide necessary clarity on applying the own-use requirements to renewable electricity contracts. The inclusion of contract design, expected volumes, and market operations offers a comprehensive framework for entities to assess these contracts accurately. This approach aligns with the economic reality of renewable electricity procurement and usage, ensuring consistent application of the own-use exemption.

3. Proposed Hedge Accounting Requirements

Question: Do you agree with the proposed amendments permitting an entity to designate a variable nominal volume of forecast electricity transactions as the hedged item and measure the hedged item using the same volume assumptions as the hedging instrument? Why or why not?

Feedback: The proposed amendments intends to address significant challenges in applying hedge accounting to renewable electricity contracts. Allowing entities to designate a variable volume as the hedged item and align volume assumptions with the hedging instrument reflects the economic substance of these contracts.

However, implementing necessary safeguards such as specific criteria and documentation requirements can help prevent entities from structuring contracts purely for accounting benefits. These measures cumulatively will uphold the robustness of hedge accounting.

4. Proposed Disclosure Requirements

Question: Do you agree with the proposed disclosure requirements to enable users of financial statements to understand the effects of contracts for renewable electricity on an entity's financial performance and future cash flows? Why or why not?

Feedback: The proposed disclosure requirements are comprehensive and necessary to provide transparency on the impact of renewable electricity contracts. Disclosing contract terms, fair values, and the effects on financial performance and cash flows offers valuable insights to users. These disclosures align with stakeholders' needs for clarity and understanding of the risks and economic outcomes associated with renewable electricity contracts.

More disclosures keeping in mind the suggestions placed as above will function to make entities accountable.

5. Proposed Disclosure Requirements for Subsidiaries without Public Accountability

Question: Do you agree with the proposed disclosure requirements for subsidiaries without public accountability? Why or why not?

Feedback: The proposed requirements ensure that subsidiaries without public accountability also provide relevant information about their renewable electricity contracts. This consistency across entities enhances comparability and transparency, benefiting users of financial statements. The tailored approach for these subsidiaries balances the need for disclosure with the practicalities of reporting.