

9 May 2024

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

INVITATION TO COMMENT ON THE IASB EXPOSURE DRAFT
Contracts for Renewable Electricity
– Proposed amendments to IFRS 9 and IFRS 7

Comments to be received by 5 July 2024

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the International Accounting Standards Board (IASB) Exposure Draft *Contracts for Renewable Electricity – Proposed amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures*. The Exposure Draft is available on the Institute's website:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Open-for-comment-documents/fred>

Renewable electricity contracts, which are often structured as power purchase agreements, aim to secure the stability of and access to renewable electricity sources. However, renewable electricity markets have unique characteristics. Renewable electricity sources depend on nature and its supply cannot be guaranteed. The contracts often require buyers to take and pay for whatever amount of electricity is produced, even if that amount does not match the buyer's needs at the time of production. These distinct market characteristics have created accounting challenges in applying the current accounting requirements, especially for long-term contracts.

To address these challenges, the IASB is proposing some targeted changes to the accounting for contracts with specified characteristics. The proposals would:

- address how the 'own-use' requirement would apply;
- permit hedge accounting if these contracts are used as hedging instruments; and
- add disclosure requirements to enable investors to understand the effects of these contracts on a company's financial performance and future cash flows.

The FRSC invites your comments on the Exposure Draft by **5 July 2024** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

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Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.