



The UK Endorsement Board
6th Floor
10 South Colonnade
London
E14 4PU

19 July 2024

Dear Sir/Madam,

UK Endorsement Board draft comment letter on IASB Exposure Draft: Contracts for Renewable Electricity

Thank you for the opportunity to comment on the UK Endorsement Board's draft comment letter on the IASB's exposure draft for Contracts for Renewable Electricity.

We understand the UKEB's concern that the 'own-use' proposals are 'an exception to an exception' rather than being principle-based and, therefore, why the UKEB does not support the IASB's proposed amendments to the 'own-use' requirements.

However, we believe that the use of such renewable electricity contracts is widespread and will continue to grow. We also understand that most purchasers enter into such contracts for the purpose of guaranteeing their supply or price of energy, while also being able to use them to support their net zero agenda. We acknowledge that the fair value of such long term contracts can fluctuate as energy prices move. However, we do not believe that the added complexity and cost of developing fair value models or the consequent volatility in the income statement would provide useful information in the way that adequately outweighs the costs when the overriding intention of the entities is to guarantee power to run their business and manage their cash flows.

We therefore do support the proposed amendments and believe that many UK entities using UK-adopted IFRS Accounting Standards, particularly those with no history of fair valuing other contracts or experience in using hedge accounting, would also support the amendments. Given the acknowledgement that hedge accounting can be complex even with the simplifications proposed in the exposure draft, we are not convinced by the statement in paragraph 10 that not meeting the own-use requirements will be 'less of a concern' if preparers can apply cash flow hedge accounting. On balance, we therefore believe that the investors' request for more visibility of the contracts can be adequately addressed by the disclosure requirements.

For completeness, we are broadly in agreement with the UKEB's comments on hedge accounting.

Regarding the proposed additional disclosures, we note that the UKEB is supportive for those contracts that meet the 'own-use' requirements (paragraph 18) and is also requesting an extension to other types of contract (paragraph A21). We consider that some of the disclosures are excessive or unnecessary if an entity is in the scope of another standard, as the draft wording does not seem to

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restrict the disclosure to only own-use entities. We also note that the disclosures may not always be useful within multinational groups with many different types of arrangements in different jurisdictions. However, we do agree that some disclosure of the type of contracts entered into would be helpful for users of the accounts.

Finally, we agree with the UKEB's recommendation that the IASB add to their current agenda the project Pollutant Pricing Mechanisms as such initiatives are expected to grow over the next few years.

If you have any questions in relation to this letter please do not hesitate to contact Andrea Allocco at a.allocco@pwc.com or on 07841 490926.

Yours faithfully

Priscilla Hume Cooper LLP