

NATURAL RESOURCES

IPSASB Meeting – September 2023

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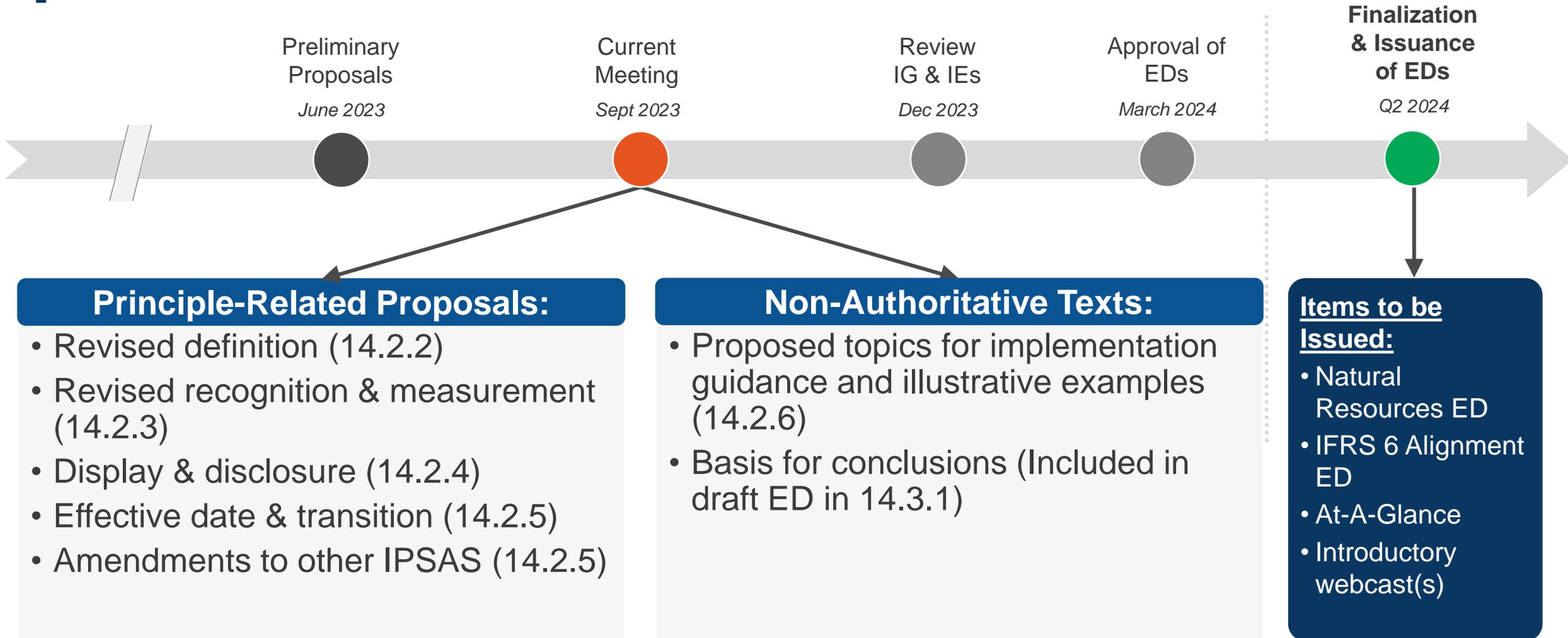
Zurich, Switzerland



AGENDA

- 1. Project Management**
- 2. Revised Definition of Natural Resources**
- 3. Revised Recognition and Measurement Proposals**
- 4. Proposed Display and Disclosure Requirements**
- 5. Other Proposals**
- 6. Proposed Topics for Implementation Guidance and Illustrative Examples**

Natural Resources: Project Management



Revised Definition of Natural Resources

Summary of Development Approach

- Staff looked to the discussion of ‘nature’ and ‘environmental assets’ in TNFD and UN SEEA Frameworks to inform the definition of ‘natural resources’
- Concept of ‘environmental assets’ embodies the key characteristics of ‘natural resources’
 - Term cannot be used due to different definition of ‘asset’
- Propose looking to an entity’s programs as a starting point to identify potential natural resources

Recommendations

- Incorporate key characteristics of ‘environmental assets’ from TNFD and UN SEEA Frameworks
- Explain ‘naturally occurring’ in definition, AGs and BCs
- Explain development of definition in BCs
- Explain identification of natural resources in AGs and IGs

Revised Recognition and Measurement Proposals

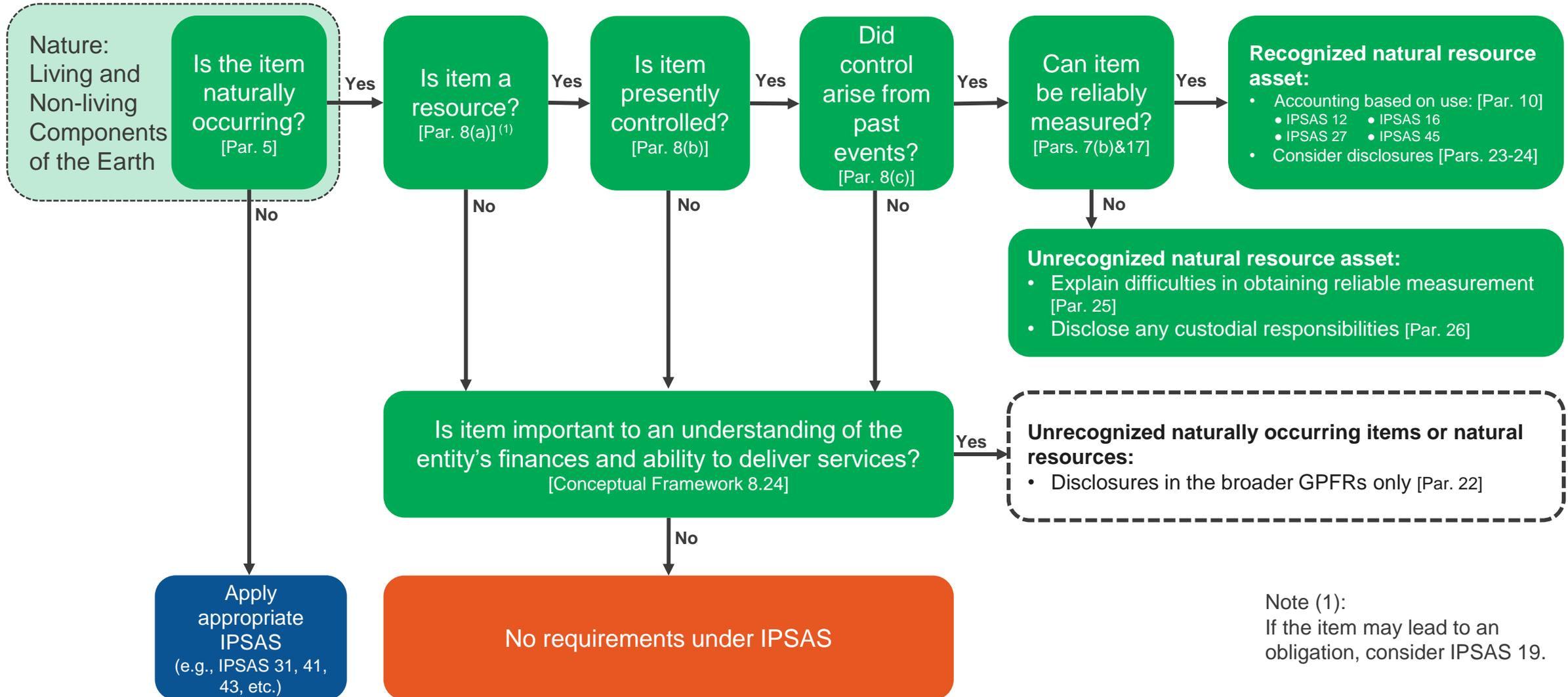
Summary of Proposals

- Modified previously proposed recognition approach
 - Removed scope exclusions for items within the scope of existing IPSAS (see 14.2.1)
 - Retained proposed recognition criteria
 - Removed rebuttable presumption
 - Items which meet the recognition criteria are accounted for based on its use in accordance with existing IPSAS:
 - IPSAS 12, IPSAS 45, IPSAS 27, or IPSAS 16
- Recognition from certain non-transactional events
- Subsequent expenditures natural resource-related activities – leveraged principles from IPSAS 45

Recommendations

- Natural resources that meet the asset recognition criteria are accounted for based on their use in accordance with existing IPSAS
- Accounting for subsequent expenditures for resource-related activities is assessed independently from the resource

Revised Recognition and Measurement Proposals



Note (1):
If the item may lead to an obligation, consider IPSAS 19.

Proposed Display and Disclosure Requirements

Summary of Proposals

- Naturally occurring items which do not meet the definition of an asset → GPFRs
- Recognized natural resource assets
 - Cross reference to requirements from existing IPSAS
 - Cross reference to IFRS 6-aligned ED
- Unrecognized natural resource assets
 - Disclose difficulties in measurement and significance
- Disclose custodial responsibilities

Recommendations

- Clarify that information for items which do not meet the definition of an asset are for reporting in broader GPFRs
- Incorporate requirements from IPSAS 12, 16, 27, 45, and the IFRS 6-aligned ED
- Supplement with disclosures proposed in the CP:
 - Unrecognized natural resource assets
 - Custodial responsibilities

Other Proposals in the [Draft] ED

Summary of Proposals

- Application at same time as IFRS 6-aligned ED
- Retrospective application - not overly onerous
- Amendments to other IPSAS
 - Mineral resources and exploration and evaluation (E&E) assets mentioned in IPSAS 16 and IPSAS 45
 - Amend to refer to EDs
 - IPSAS 33
 - Extend recognition exemption to natural resource and E&E assets
 - Extend deemed cost election to natural resource assets

Recommendations

- Require application at the same time as the IFRS 6-aligned ED
- Require full retrospective application
- Propose amendments to:
 - IPSAS 16
 - IPSAS 33
 - IPSAS 45

Proposed IG and IE Topics

Topic / Principle	AG	Proposed IG	Proposed IE
Definitions	AG2-AG5	Identification of natural resources	
Recognition of Natural Resources	AG6-AG8	Recognition of unextracted subsoils resources	Examples of recognition of: <ul style="list-style-type: none"> • Unextracted water • Uncultivated living resources • Land
Recognition of Expenditures for Related Activities	None	Not considered necessary, as authoritative text is sufficient and principles are based on IPSAS 45	Examples of recognition of: <ul style="list-style-type: none"> • Extraction costs • Land clearing costs • Animal feed and treatment costs • Construction costs for natural spaces

- See paper Appendix 1 of Agenda Item 14.2.6 for details on why IGs and IEs are not recommended for Objective, Scope, Measurement, Display, Disclosure, and Effective Date and Transition.

[Draft] IPSAS [X], *Natural Resources*

Section-by-Section Review

- Authoritative text reflecting the proposals from Agenda Items 14.2.2-14.2.5
- Basis for Conclusions
- Full page-by-page review planned for December 2023 meeting

Revised Definition of Natural Resources

Revised Definition

A natural resource is an item which:

- a) Is naturally occurring; and
- b) Embodies service potential or the capability to generate economic benefits.

