

Meeting: International Public Sector Accounting Standards Board

Meeting Location: New York, USA

Meeting Date: March 12–15, 2024

Agenda Item 7

For:

Approval

Discussion

Information

NATURAL RESOURCES

Project summary	The objective of the Natural Resources project is to research and address issues relating to the potential recognition and measurement of natural resources.	
Project staff lead	<ul style="list-style-type: none"> Edwin Ng, Principal 	
Task force members	<ul style="list-style-type: none"> Renée Pichard, IPSASB Member (Task Force Chair) Maik Esser-Müllenbach, IPSASB Member Hervé-Adrien Metzger, IPSASB Member Patricia Siqueira Varela, IPSASB Member Andrew van der Burgh, IPSASB Member Henning Diederichs, IPSASB Technical Advisor 	
Meeting objectives	Topic	Agenda Item
Project management	Exposure Draft Dashboard	7.1.1
	Decisions up to Previous Meeting	7.1.2
	Instructions up to Previous Meeting	7.1.3
	Natural Resources: Project Roadmap	7.1.4
Decisions required at this meeting	Revised Scope of [Draft] IPSAS [X] (ED XX), <i>Natural Resources</i>	7.2.1
	Definition of Conservation	7.2.2
	Proposed Approach on how Measurement Guidance will be Presented in the Exposure Draft	7.2.3
	Revised Subsequent Measurement Guidance	7.2.4
	Summary of Other Changes to [Draft] IPSAS [X] (ED XX), <i>Natural Resources</i>	7.2.5
	Proposed Topics for Implementation Guidance and Illustrative Examples	7.2.6
Other supporting items	[Draft] IPSAS [X] (ED XX), <i>Natural Resources</i>	7.3.1
	Natural Resources December 2023 – CAG Report Back	7.3.2

**NATURAL RESOURCES:
 EXPOSURE DRAFT DASHBOARD**

Topic	Past Meetings	March 2024	June 2024	Sept 2024
Overall Project Management				
Project Planning	✓			
Review and Approval of Natural Resources ED				
Natural Resources – Authoritative Text				
Objective & Scope				
Definitions	✓			
Recognition	✓			
Measurement				
Presentation & Disclosure				
Effective Date & Transition				
Application Guidance				
Amendments to Other IPSAS				
Natural Resources – Non-Authoritative Text				
Basis for Conclusions				
Implementation Guidance				
Illustrative Examples				

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
December 2023	1. A natural resource should be recognized as an asset if: (a) It is probable that future economic benefits or service potential associated with the natural resources will flow to the entity; (b) The entity controls the natural resource as a result of past events; and (c) The natural resource can be measured reliably.	1. See paragraphs BC16-BC18 in Agenda Item 7.3.1 .
December 2023	2. A natural resource held for conservation can be considered a resource as defined in the Conceptual Framework if its conservation contributes to achieving an entity's objectives.	2. See paragraph BC19 in Agenda Item 7.3.1 .
December 2023	3. Natural resources held for conservation, as noted above, that are controlled by the entity as a result of past events, and can be reliably measured, meets the asset recognition criteria.	3. See paragraph BC19 in Agenda Item 7.3.1 .
December 2023	4. A natural resource should be initially measured: (a) At transaction price if control of the asset was obtained in an exchange transaction; and (b) At deemed cost (current value) if control of the asset was obtained in a non-exchange transaction.	4. See paragraph BC21 in Agenda Item 7.3.1 .
December 2023	5. The proposed guidance on natural resources should be located in a standalone IPSAS.	5. See paragraph BC4 in Agenda Item 7.3.1 .
December 2023	6. Subject to the instructions below, the proposed display and disclosure requirements are appropriate.	6. See paragraphs BC24-BC27 in Agenda Item 7.3.1 .
December 2023	7. Subject to the instructions below, the proposed guidance on natural resources can be applied on a prospective or retrospective basis.	7. See paragraph BC29 in Agenda Item 7.3.1 .
December 2023	8. The proposed guidance on natural resources can be applied separate from the application of the proposed guidance on exploration and evaluation or stripping activities.	8. See paragraph BC29 in Agenda Item 7.3.1 .
December 2023	9. The proposed amendments to IPSAS 1 and IPSAS 33 are appropriate.	9. See paragraph BC30 in Agenda Item 7.3.1 .
September 2023	1. A natural resource should be defined as a naturally occurring item which embodies service potential or the capability to generate economic benefits.	1. See paragraphs BC8-BC14 in Agenda Item 7.3.1 .

Agenda Item 7.1.2

June 2023	1. The proposed revised project timeline was appropriate.	1. Project management only. No BC required.
March 2023	1. The delineation between natural and other resources is necessary.	1. This decision has been superseded. See September 2023 above.
March 2023	2. An ED on the financial reporting of natural resources within the general purpose financial statements should be developed.	2. See paragraph BC3 in Agenda Item 7.3.1 .
March 2023	3. A separate ED for the costs of exploration, evaluation, and extraction activities, aligned with IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i> , and IFRIC 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i> , should be developed.	3. See ED 86 and ED 87 issued on January 31, 2024.
March 2022	1. All decisions made up to March 2022 were reflected in the Consultation Paper, <i>Natural Resources</i> .	1. All decisions made up to March 2022 were reflected in the Consultation Paper, <i>Natural Resources</i> .

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
December 2023	1. Draw on the guidance from the Consultation Paper regarding control to enhance the Application Guidance.	1. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	2. Ensure that the proposed recognition criteria and related guidance are ordered consistently with the Conceptual Framework.	2. The proposals in December 2023 were already in the appropriate order. No changes required.
December 2023	3. Define or describe what is meant by “held for conservation”.	3. See Agenda Item 7.2.2 .
December 2023	4. Clarify the delineation between natural resources held for conservation and heritage assets that are held for preservation.	4. See Agenda Items 7.2.5 .
December 2023	5. Add Application Guidance on identifying the unit of account.	5. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	6. Cross-reference to other IPSAS for recognition and initial measurement for natural resources within the scope of existing IPSAS and explain the approach in the Basis for Conclusions.	6. See Agenda Items 7.2.1 and 7.3.1 .
December 2023	7. Reconsider subsequent measurement, particularly for consistency with other IPSAS such as IPSAS 45 and IPSAS 46.	7. See Agenda Item 7.2.3 and 7.2.4 .
December 2023	8. Draft Basis for Conclusions to explain the decision on initial measurement.	8. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	9. Revisit the issue on where to recognize revaluation gains and losses once subsequent measurement has been reconsidered.	9. See Agenda Item 7.2.4 . This issue is no longer relevant.
December 2023	10. Work with the Natural Resources Task Force to consider options for signposting to existing IPSAS and present the analysis for the IPSASB’s consideration in March 2024.	10. See Agenda Items 7.2.5 and 7.3.1 .

Agenda Item 7.1.3

December 2023	11. Draw from the Basis for Conclusions in IPSAS 45 to consider disclosure of information on conservation plans that may provide useful information to users of the financial statements.	11. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	12. Consider potential disclosures relating to the unit of account.	12. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	13. Consider disclosures across all relevant IPSAS, including whether all disclosures regarding natural resources can be presented together, to ensure appropriate linkages and consistency.	13. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	14. Refer to the discussion of effective date in the Basis for Conclusions in IPSAS 45 to consider whether to defer the effective date for natural resources to allow sufficient time for valuations.	14. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	15. Consider whether a modified approach to prospective application should be made available (i.e., only apply the standard to natural resources obtained after the date of application.)	15. See Agenda Items 7.2.5 and 7.3.1 .
December 2023	16. Consider adding Application Guidance to help entities consider which transition method may be more suitable.	16. An illustrative example on application of the proposed transitional provisions will be presented in June 2024. See Agenda Item 7.2.6 .
December 2023	17. Revisit the proposed changes to the description of heritage items after defining or describing natural resources held for conservation.	17. See comment on December 2023 instruction #4.
December 2023	18. Reconsider Implementation Guidance and Illustrative Examples based on the above instructions, including whether to add these to other IPSAS to be referenced from the Natural Resources IPSAS.	18. See Agenda Item 7.2.6 for proposed IGs and IEs. Draft paragraphs to be presented to the IPSASB in June 2024.
December 2023	19. Consider drawing upon the Consultation Paper to incorporate additional examples.	19. See Agenda Item 7.2.6 for proposed IGs and IEs. Draft paragraphs to be presented to the IPSASB in June 2024.

Agenda Item 7.1.3

December 2023	20. Consider including Illustrative Examples on control and measurement, as well as what triggers initial recognition.	20. See Agenda Item 7.2.6 for proposed IGs and IEs. Draft paragraphs to be presented to the IPSASB in June 2024.
December 2023	21. Amend the Exposure Draft, including the flow chart in the Application Guidance, for comments provided by members.	21. See Agenda Items 7.2.5 and 7.3.1 .

**NATURAL RESOURCES:
 PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
March 2020	<ol style="list-style-type: none"> 1. Project Brief approval 2. Commencement of Consultation Paper (CP) development
March 2022	<ol style="list-style-type: none"> 1. Approval of CP (Published May 9, 2022)
December 2022	<ol style="list-style-type: none"> 1. CP comment period (Ended October 17, 2022)
March 2023	<ol style="list-style-type: none"> 1. Review of responses to the CP
June 2023	<ol style="list-style-type: none"> 1. Development of Exposure Draft (ED) on the financial reporting of natural resources
September 2023	<ol style="list-style-type: none"> 1. Discussion of issues 2. Development of Exposure Draft (ED) on the financial reporting of natural resources 3. Development of ED on alignment with IFRS 6 and IFRIC 20 (See Agenda Item 16)
December 2023	<ol style="list-style-type: none"> 1. Discussion of issues 2. Development of Exposure Draft (ED) on the financial reporting of natural resources 3. Development and approval of ED on alignment with IFRS 6 and IFRIC 20 (See Agenda Item 7)
March 2024	<ol style="list-style-type: none"> 1. Discussion of issues 2. Development of Exposure Draft (ED) on the financial reporting of natural resources
June 2024	<ol style="list-style-type: none"> 1. Approval of ED on the financial reporting of natural resources

Revised Scope of [Draft] IPSAS [X] (ED XX), *Natural Resources*

Question

1. Does the IPSASB agree with the proposed revise scope of [draft] IPSAS [X] (ED XX), *Natural Resources*?

Recommendation

2. The Natural Resources Task Force (Task Force) recommends excluding the following items from the scope of the draft ED:
 - (a) Items that are to be consumed in the production process or rendering of services or held for sale or distribution (see IPSAS 12, *Inventories*);
 - (b) Property within the scope of IPSAS 16, *Investment Property*;
 - (c) Natural resource-related obligations. These obligations are within the scope of IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*;
 - (d) Biological assets related to agricultural activity (see IPSAS 27, *Agriculture*);
 - (e) Intangible assets within the scope of IPSAS 31, *Intangible Assets*;
 - (f) Leases as defined in IPSAS 43, *Leases*;
 - (g) Natural resources classified as held for sale in accordance with IPSAS 44, *Non-current Assets Held for Sale and Discontinued Operations*;
 - (h) Tangible, non-current assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes (see IPSAS 45, *Property, Plant, and Equipment*); and
 - (i) The recognition and measurement of exploration and evaluation assets (see [draft] IPSAS [X] (ED 86), *Exploration for and Evaluation of Mineral Resources*).

Background

3. In December 2023, the draft ED on natural resources noted that some natural resources may be used for purposes which fall within the scope of existing IPSAS. Rather than scoping out these natural resources, the draft ED cross-referenced to the recognition, measurement, display, and disclosure requirements from these existing IPSAS.
4. In response, the IPSASB instructed staff to work with the Task Force to consider how to best cross-reference or signpost to existing IPSAS in order to reduce the duplication of guidance in the draft ED. This paper summarizes the Task Force and staff's analysis and proposals.

Analysis

5. As noted in the December 2023 version of the draft ED, some natural resource assets may be held for purposes which fall within the scope of the following IPSAS:
 - (a) The asset could be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and is expected to be used for more than one reporting period. Such an asset would meet the definition of an item of property, plant, and equipment and fall within the scope of IPSAS 45;

- (b) The asset could consist of materials or supplies to be consumed in the production process or in the rendering of services, held for distribution in the ordinary course of operations or in the process of production for sale or distribution. Such an asset would meet the definition of inventories and fall within the scope of IPSAS 12;
 - (c) The asset could be held to earn rentals for capital appreciation, or both, which would fall within the scope of IPSAS 16; or
 - (d) The asset could be a biological asset whose biological transformation is managed for sale, distribution, or conversion into agricultural produce. Such an asset would be a biological asset within the scope of IPSAS 27.
6. The Task Force noted that excluding the items noted in paragraph 5 from the scope of the natural resources ED would be the simplest way to:
- (a) Clearly delineate between natural resources within the scope of the draft ED from items within the scope of other existing IPSAS; and
 - (b) Avoid the duplication of guidance from these other IPSAS, as it would no longer be necessary to cross-reference to the accounting requirements from these IPSAS.
7. Unlike the previously rejected proposals from June 2023 to scope out these items as part of the definition of natural resources, the current scope exclusions relate to the application of the draft ED and is consistent with the scoping approach used in other IPSAS on tangible assets.
8. Staff noted that in addition to the items noted in paragraph 5, the IPSASB also instructed staff to exclude natural resource-related obligations, which are within the scope of IPSAS 19, and assets classified as held for sale within the scope of IPSAS 44. To be consistent with the scoping approach from other IPSAS on tangible assets, exploration and evaluation assets within the scope of [draft] IPSAS [X] (ED 86), *Exploration for and Evaluation of Mineral Resources*, were also excluded. These items were also added to the proposed listing of scope exclusions.¹

Decision Required

9. Does the IPSASB agree with the Task Force's [recommendation](#)?

¹ The scope exclusions for leases and intangible assets from December 2023 were retained.

Definition of Conservation

Question

10. Does the IPSASB agree with the proposed definition of “conservation”?

Recommendation

11. The Natural Resources Task Force (Task Force) recommends defining “conservation” in the context of natural resources as:

“The act of managing and protecting a natural resource from degradation due to human activity.”

Background

12. In December 2023, the IPSASB decided to include its natural resources accounting guidance in a separate IPSAS primarily for public interest considerations. As part of the analysis supporting this decision, staff also proposed that natural resources held for conservation could be viewed as falling outside the scope of IPSAS 45, *Property, Plant, and Equipment*.
13. In response, the IPSASB instructed staff to develop a definition or description of “conservation” so that constituents would be able to apply the accounting and disclosure guidance proposed specifically for natural resources held for conservation.
14. Staff worked with the Task Force to develop a definition or description of “conservation” in the context of natural resources. This paper summarizes the analysis that was performed by the Task Force and staff.

Analysis

15. The Task Force agreed that a definition rather than a description of “conservation” is needed, as constituents need to be able to clearly identify natural resources held for conservation to apply the proposed accounting and disclosure requirements specific to these resources.
16. Staff presented the Task Force with examples of existing definitions of “conservation” used by various international organizations (e.g., UNESCO) and government entities (e.g., United States Department of Agriculture), as well as plain English definitions. These examples are included in [Appendix A](#) of this paper for the IPSASB’s information.
17. The Task Force noted that all of the examples involve the following activities:
 - (a) The protection of nature or natural resources from the impact of human activities; and
 - (b) The management of the use of natural resources in an efficient or sustainable manner.
18. To clearly distinguish natural resources held for conservation from other natural resources (e.g., natural resources within the scope of IPSAS 45 which are used in the production or supply of goods or services, for rental to others, or for administrative purposes), the Task Force propose that the definition of “conservation” should only focus on the protection of a resource from degradation due to human activity.
19. Based on the considerations in paragraphs 15-18, the Task Force recommends the definition of “conservation” as presented in paragraph 11.

Decision Required

20. Does the IPSASB agree with the Task Force's [recommendation](#)?

Appendix A: Examples of Existing Definitions of “Conservation”

UNESCO

Conservation includes effective and active measures that can be taken by State Parties to ensure the identification, protection, presentation, and transmission of heritage. Conservation of natural heritage refers to the protection, care, management and maintenance of ecosystems, habitats, wildlife species and populations, within or outside of their natural environments, in order to safeguard the natural conditions for their long-term permanence. The Conservation theme includes policies related to protection, management, monitoring, impact assessments, factors affecting the properties, tourism, and sustainable development.

UN Environment Programme

The active management of the earth's natural resources and environment to ensure their quality is maintained and that they are wisely used. The concept is used in the context of biodiversity, environment, and natural resources, including protection and management. It refers to the act of preserving, guarding or protecting, meanwhile keeping in mind the sustainable character and wise use.

United States Department of Agriculture

Conservation is the protection, preservation, management, or restoration of natural environments and the ecological communities that inhabit them. Conservation is generally held to include the management of human use of natural resources for current public benefit and sustainable social and economic utilization. Conservation is the careful maintenance and upkeep of a natural resource to prevent it from disappearing.

National Park Service (US)

Conservation is generally associated with the protection of natural resources, while preservation is associated with the protection of buildings, objects, and landscapes. Put simply, conservation seeks the proper use of nature, while preservation seeks protection of nature from use.

Merriam-Webster Dictionary

A careful preservation and protection of something, especially planned management of a natural resource to prevent exploitation, destruction, or neglect.

Cambridge Dictionary

The protection of plants and animals, natural areas, and interesting and important structures and buildings, especially from the damaging effects of human activity. Carefully using valuable natural substances that exist in limited amounts in order to make certain that they will be available for as long a time as possible.

Wikipedia

Conservation is the preservation or efficient use of resources, or the conservation of various quantities under physical laws. Conservation may also refer to nature conservation, which is the moral philosophy and conservation movement focused on protecting species from extinction, maintaining, and restoring habitats, enhancing ecosystem services, and protecting biological diversity.

Proposed Approach on how Measurement Guidance will be Presented in the Exposure Draft

Question

1. Does the IPSASB agree with how the measurement guidance should be presented in [draft] IPSAS [X] (ED XX), *Natural Resources*?

Recommendations

2. The Task Force recommends that:
 - (a) The authoritative text of the ED will only refer to principled-level guidance from IPSAS 46, *Measurement*. (Note that the IPSASB decided on initial measurement in December 2023. Subsequent measurement is addressed in [Agenda Item 7.2.4](#));
 - (b) The Application Guidance will clarify that the current value of natural resources held for conservation should be measured using a current operational value; and
 - (c) The Implementation Guidance and Illustrative Examples will include examples which, if possible, will be based on real-life sample fact patterns and will walk through the considerations and potential approaches for the measurement of current operational value of natural resource assets. These Implementation Guidance and Illustrative Examples will be presented to the IPSASB at the June 2024 meeting. See [Agenda Item 7.2.5](#).
3. In addition to the above recommendations, the Task Force would also like to solicit input from other IPSASB members for any fact patterns from their jurisdiction which could be used to develop an example on the current value measurement (current operational value) of natural resources.

Background

4. In December 2023, staff proposed to limit the measurement guidance in the ED to principles drawn from IPSAS 46, *Measurement*. The IPSASB agreed that the initial measurement of natural resource assets would depend on whether control of the asset was obtained in an exchange or non-exchange transaction: natural resources obtained in an exchange transaction would be initially measured at the transaction price while those obtained in a non-exchange transaction would be initially measured at deemed cost (current value).
5. In the December 2023 version of the ED, the guidance on the determination of deemed cost (current value) was limited to a cross-reference to IPSAS 46 and general guidance on when a current value can be reliably measured.
6. As part of the reconsideration of subsequent measurement of natural resources, the Task Force agreed it will be important to consider, and get the IPSASB's agreement on, what measurement guidance should be included in the ED and how this guidance should be presented. This is because the measurement of natural resources is a new topic area in financial reporting with very little, if any, public sector-specific guidance.
7. This paper summarizes the Task Force's discussions and recommendations.

Analysis

8. The Task Force agreed that the core text of the ED should continue to refer to the principles-level guidance from IPSAS 46, which includes:
 - (a) Guidance on initial measurement—i.e., use transaction price when a natural resource has been recognized as an asset as the result of an exchange transaction and use deemed cost (current value) when natural resources are recognized as an asset as the result of a non-exchange transaction;
 - (b) Guidance on when a current value is considered reliably measurable; and
 - (c) Guidance on subsequent measurement. (See [Agenda Item 7.2.4](#)).
9. In addition, the Task Force agreed that natural resources held for conservation are only held for their operational capacity and not financial capacity. If a decision has been made to stop conserving and sell a natural resource, such a decision would trigger a reassessment and could potentially lead to a reclassification. Based on this reasoning, the Task Force propose to specify in the Application Guidance of the ED that the current value of natural resources held for conservation should be measured using a current operational value.
10. For the Implementation Guidance and Illustrative Examples to be helpful in terms of measurement, the non-authoritative guidance should incorporate sample fact patterns which, if possible, would reflect real-life examples of how natural resources can be measured in the public sector. The Task Force members plan to meet after the natural resource session at this IPSASB meeting to share any sample fact patterns from their jurisdiction and begin the development of these examples. These examples will be presented to the IPSASB for review in June 2024.
11. Lastly, the Task Force would like to ask the IPSASB members if there are any relevant fact patterns from their jurisdiction which can be used to develop illustrative examples on measurement.

Decision Required

12. Does the IPSAS agree with the Task Force's [recommendations](#)?

Revised Subsequent Measurement Guidance

Question

1. Does the IPSASB agree with the proposed revised subsequent measurement and related accounting for natural resources?

Recommendation

2. The Task Force recommends that natural resource assets within the scope of [draft] IPSAS [X] (ED XX), *Natural Resources*, be subsequently measured using the same measurement model as IPSAS 45, *Property, Plant, and Equipment*.

Background

3. At the December 2023 IPSASB meeting, the Task Force proposed that natural resource assets should be subsequently measured at their current value in order to best reflect the current condition of the asset. The majority of the Task Force agreed that the changes to current value should be recognized directly in net assets/equity, similar to financial assets measured at fair value through net assets/equity in IPSAS 41, *Financial Instruments*.
4. In response, a number of IPSASB members noted that without the option to use a historical cost model:
 - (a) The requirement to revalue natural resources may be overly burdensome for some public sector entities; and
 - (b) The proposals would not be consistent with the subsequent measurement of other long-term tangible assets such as property, plant, and equipment (PP&E).
5. Based on the above comments, the IPSASB instructed staff to reconsider the subsequent measurement of natural resource assets, particularly for consistency with existing IPSAS such as IPSAS 45. This paper summarizes the Task Force and staff's analysis and recommendations.

Analysis

6. The Task Force and staff considered the possible subsequent measurement models from various IPSAS and noted that the following alternatives could be applicable to natural resource assets:
 - (a) The subsequent measurement guidance in IPSAS 45 (PP&E model), which allows an accounting policy choice between the historical cost model and the current value model;
 - (b) The current value model with changes in value recorded in equity. This was the approach proposed in December 2023 and is similar to certain financial assets measured at fair value through net assets/equity within the scope of IPSAS 41; and
 - (c) The current value model with all changes in value recorded in surplus or deficit. This approach is consistent with the subsequent measurement of biological assets within the scope of IPSAS 27, *Agriculture*, and certain financial assets within the scope of IPSAS 41.
7. All three options are drawn from existing IPSAS and broadly consistent with the general measurement principles in *The Conceptual Framework for General Purpose Financial Reporting by*

Public Sector Entities (the Conceptual Framework). To determine which subsequent measurement model is the most appropriate for natural resource assets, the Task Force:

- (a) Compared the various aspects of subsequent measurement and related accounting matters (e.g., derecognition) between the three options (see details in [Appendix A](#)); and
 - (b) Based on the output from step (a) and feedback received at the December 2023 meeting, considered the qualitative characteristics of, and constraints on, the information produced by the three options to determine which model best achieves these characteristics (i.e., analyzed which model produces information that is the most relevant, understandable, timely, etc.) (see [Appendix B](#)).
8. Based on the analysis of the three subsequent measurement options, the Task Force noted that:
- (a) Current values typically result in information that is more relevant, more timely, and represent the underlying economic realities more faithfully than historical costs. However, the difference between historical costs and current values may not be materially different for relatively mature natural resources which are held for conservation. The Task Force also noted that significant changes in value are likely caused by additions or impairments, which are both captured in the historical cost model. Therefore, all three models could produce information that are considered relevant, timely, and faithfully representative of a resource's economic realities;
 - (b) The information produced by the PP&E model is expected to be more understandable; and
 - (c) The historical cost option available in the PP&E model results in lower financial reporting costs for preparers. The PP&E model also provides preparers with the option to subsequently measure an asset at its current value if the preparer has the resources to do so. This flexibility is not available in the current value models, both of which inherently require more resources to implement due to the periodic revaluations.
9. Based on the above observations, the Task Force concluded that the PP&E model produces information that is comparable to the current value alternatives in terms of achieving the qualitative characteristics of information and potentially at a lower cost. As a result, the Task Force recommend that natural resources be subsequently measured using the subsequent measurement model as IPSAS 45.

Decision Required

10. Does the IPSASB agree with the Task Force's [recommendation](#)?

Appendix A: Comparison of the Subsequent Measurement and Related Accounting Matters under the Subsequent Measurement Models

	PP&E Model (¶6(a))		Current Value Δ in Equity (¶6(b))	Current Value Δ in Surplus/Deficit (¶6(c))
	Historical Cost	Current Value		
Subsequent Measurement				
Measurement basis	<ul style="list-style-type: none"> Historical cost 	<ul style="list-style-type: none"> Current value (COV) (See Note 1) 	<ul style="list-style-type: none"> Same as current value option in PP&E model 	<ul style="list-style-type: none"> Same as current value option in PP&E model
Depreciation (See Note 2)	<ul style="list-style-type: none"> Not depreciated if certain conditions are met 	<ul style="list-style-type: none"> Same as historical cost option 	<ul style="list-style-type: none"> Not depreciated 	<ul style="list-style-type: none"> Not depreciated
Frequency of revaluation	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> Sufficient regularity to ensure carrying amount is not materially different from current value 	<ul style="list-style-type: none"> Same as current value option in PP&E model 	<ul style="list-style-type: none"> Same as current value option in PP&E model
Increases in current value	<ul style="list-style-type: none"> No accounting 	<ul style="list-style-type: none"> Revaluation surplus (equity) unless reversing a previous revaluation decrease 	<ul style="list-style-type: none"> Recognized in revaluation surplus (equity) 	<ul style="list-style-type: none"> Recognize in surplus or deficit
Decreases in current value	<ul style="list-style-type: none"> No accounting (unless impaired) 	<ul style="list-style-type: none"> Surplus or deficit unless decreasing a previous revaluation surplus 	<ul style="list-style-type: none"> Recognized in revaluation surplus (equity) 	<ul style="list-style-type: none"> Recognize in surplus or deficit
Impairment	<ul style="list-style-type: none"> Review for impairment indicators in accordance with IPSAS 21 or IPSAS 26—i.e., at least annually (IPSAS 45.56) Impairment losses recognized immediately in surplus or deficit 	<ul style="list-style-type: none"> Same accounting as revaluation decreases as noted above (IPSAS 21.54 or IPSAS 26.73) 	<ul style="list-style-type: none"> Transfer impairment loss from revaluation surplus to surplus or deficit (See Note 3) 	<ul style="list-style-type: none"> Not applicable – changes in value already recognized in surplus or deficit
Changes due to organic growth	<ul style="list-style-type: none"> Not captured, but not expected to be material 	<ul style="list-style-type: none"> Incorporated into changes in current value 	<ul style="list-style-type: none"> Same as current value option in PP&E model 	<ul style="list-style-type: none"> Same as current value option in PP&E model
Other Related Accounting Matters				

Agenda Item 7.2.4

	PP&E Model (¶6(a))		Current Value Δ in Equity (¶6(b))	Current Value Δ in Surplus/Deficit (¶6(c))
	Historical Cost	Current Value		
Derecognition	<ul style="list-style-type: none"> Gain or loss recognized in surplus or deficit (IPSAS 45.63) Gain or loss determined as net proceeds less carrying amount (IPSAS 45.66) 	<ul style="list-style-type: none"> Accumulated revaluation surplus transferred to accumulated surplus or deficit (IPSAS 45.39) Accounting for gain or loss is the same as historical cost model 	<ul style="list-style-type: none"> Accumulated revaluation surplus transferred to surplus or deficit (See Note 4) 	<ul style="list-style-type: none"> Gains or losses are already recognized in surplus or deficit
Additions	<ul style="list-style-type: none"> Can be capitalized if it results in a betterment to the asset (e.g., expanding the size of a reserve.) 	<ul style="list-style-type: none"> Same as historical cost option, but in practice, additions are incorporated into the change in current value 	<ul style="list-style-type: none"> Same as current value option in PP&E model 	<ul style="list-style-type: none"> Same as current value option in PP&E model
Maintenance expenditures	<ul style="list-style-type: none"> Expensed, as they are recurring periodic costs to maintain the condition of the asset 	<ul style="list-style-type: none"> Same as cost model 	<ul style="list-style-type: none"> Same as cost model 	<ul style="list-style-type: none"> Same as cost model

Notes

- As the natural resources within the scope of the ED are expected to be held for conservation, the Task Force noted that current value would consist of a current operational value, as the assets are not held for their financial capacity. Natural resources held for other purposes are likely to fall within the scope of other existing IPSAS.
- Not depreciated on the basis that the natural resources within the scope of the ED are likely held for conservation, and therefore, are tangible assets with an indefinite life. See IPSAS 45.AG28, IG30-IG33. If an entity concludes that a resource should be depreciated under the PP&E current value model, a portion of the revaluation is transferred to accumulated surpluses or deficits as the item is depreciated. See IPSAS 45.39.
- In IPSAS 41, the distinction between revaluation decreases and impairment losses is driven by a significant increase in credit risk of the financial asset. The credit risk concept is specific to the impairment of financial instruments as it generally relates to the risks of receiving of a stream of cash flows from a counterparty. whereas the impairment of a natural resource may be driven by many other factors such as a permanent deterioration in the physical condition of the resource or changes in laws and regulations preventing certain uses of the resource. Therefore, under this approach, the IPSASB would need to develop a principled approach to identify impairment losses for natural resources, as such losses have a different accounting treatment from other decreases in current value.
- Similar to financial assets at fair value through net assets/equity. See IPSAS 41 paragraphs 41 and 111. At the December 2023 IPSASB meeting, a member noted that the potential to reclassify accumulated revaluation gains and losses to surplus or deficit may provide structuring opportunities to manipulate an entity's operating results using some form of a sales-repurchase arrangement. The Task Force noted that such structuring opportunities are unlikely, as it would be unusual for an entity to sell or derecognize then repurchase a natural resource without disclosing the details of the transaction. Furthermore, the PP&E model recommended by the Task Force would avoid this potential issue.

Appendix B: Analysis of the Qualitative Characteristics of, and Constraints on, the Information Produced by the Subsequent Measurement Models

Relevance, Faithful Representation, and Timeliness of Resulting Information

- Compared to historical costs, current values generally better represent the current conditions of an asset and are perceived as more relevant, timely and faithfully representative of the economic reality of the asset. Under the PP&E model, an entity has the accounting policy choice to measure the asset at historical cost or current value, so the PP&E model can also result in the reporting of current value information. This policy choice is not available to either of the current value models, and this will factor into the analysis below under cost-benefit considerations.
- One Task Force member noted regardless of whether an entity elects to use the historical cost or current value, natural resource assets held for conservation are expected to be relatively mature and generally do not experience material changes as they are being conserved. Therefore, historical costs may not be materially different from current values. Furthermore, if there are significant increases (e.g., due to expanding the size of a conservation reserve) or significant decreases in value, these would be captured in a historical cost measure as additions or impairments.

Understandability

- In the context of subsequent measurement, historical costs are inherently easier to understand than current values. Even if an entity needs to consider additions or potential impairments, these concepts are easier to understand than recalculating a current value using a potentially complex valuation model.
- Constituents will also be the most familiar with the information generated by PP&E model, as it was first established in IPSAS 17, *Property, Plant, and Equipment*, which was published by the IPSASB in December 2001. While the two current value models are also consistent with existing IPSAS, IPSAS 27 and IPSAS 41 are both significantly more complex than the accounting for PP&E.

Comparability

- The Task Force noted that in general, comparability is not relevant in this analysis as the underlying nature and economic reality of each natural resource asset is expected to vary significantly from resource to resource.

Verifiability

- The Task Force agreed that the control of many natural resources is expected to be obtained through non-exchange transactions, so an entity would need to determine the current values of these resources upon initial recognition and measurement. Under the historical cost model for such assets, an entity would need to use the current value determined at initial recognition as a starting point for subsequent measurement. Therefore, this characteristic is not relevant as all alternatives could face the same challenges in verifiability.

Cost-Benefit

- The PP&E model appears to be the least costly approach for preparers, as the historical cost model does not require periodic revaluations. Even if an entity is required to consider impairment under the historical cost model, this consideration is not expected to be as resource intensive as fully revaluing

- the asset. The policy choice to use current value also means that entities which have the necessary resources to report the current values of its natural resources can elect to do so.
- In contrast, both current value models do not provide the policy choice to use historical cost and would necessarily result in higher financial reporting costs for preparers. Specifically for the current value model where changes are recognized in equity, the IPSASB would also need to develop a principled approach to delineate between impairment losses and other decreases in current value. (See [Note 3 in Appendix A](#)). This delineation may result in significant complexity and added costs.

Summary of Other Changes to the [Draft] IPSAS [X] (ED XX), *Natural Resources*

Question

1. Does the IPSASB agree with the proposed changes to [draft] IPSAS [X] (ED XX), *Natural Resources*?

Recommendation

2. The Natural Resources Task Force (Task Force) recommends the changes noted in paragraphs 6-19 to be included in ED XX, *Natural Resources*.

Background

3. In addition to the proposals in [Agenda Items 7.2.1](#) to [7.2.4](#), staff revised the draft ED for decisions and instructions from the December 2023 IPSASB meeting. These changes were discussed with the Natural Resources Task Force and summarized in this paper.
4. **Staff plans to walk through the changes to the ED in detail with the IPSASB at the March 2024 meeting.**

Analysis

5. Staff revised the draft ED to update the Basis for Conclusions (BC) for the IPSASB's decisions from December 2023 and to address the instructions from the Board. To facilitate the IPSASB's review of the draft ED presented in [Agenda Item 7.3.1](#), staff summarized and explained the key changes below. The paragraph references in the subheadings below refer specifically to the paragraphs which were revised. Editorial and other minor changes are not highlighted in this paper.

Scope (Paragraphs 4-5, AG2)

6. As discussed in [Agenda Item 7.2.1](#), the scope of the draft ED has been revised.

Definitions (Paragraph 6)

7. The definition of conservation was added as instructed. See [Agenda Item 7.2.2](#).

Recognition (Paragraphs 13-14, 16)

8. As instructed, the guidance on subsequent expenditures was moved from the Application Guidance to the core text. Paragraph 16 was also added to address natural resource assets which meet the criteria to be reclassified as assets held for sale within the scope of IPSAS 44.

Measurement (Paragraphs 20-35, 38-39)

9. The proposals for subsequent measurement were significantly revised. These changes are addressed in in [Agenda Items 7.2.3](#) and [7.2.4](#).

Derecognition (Paragraphs 41-45)

10. The section on derecognition was substantially revised to be consistent with the revisions for subsequent measurement.

Presentation (Paragraphs 50, 53-54)

11. As instructed, paragraph 50 was expanded to include the disclosure of conservation plans and the unit of account, and paragraph 53 was expanded to provide the option to group disclosures on natural resources from other IPSAS together in the notes.
12. In addition, at the Task Force meeting, it was noted that the disclosure of certain sensitive information may lead to further endangerment or degradation of a natural resource. For example, the disclosure of details regarding the number and location of an endangered species could be used to facilitate further illegal poaching of that species. To address this concern, staff added paragraph 54 to exempt an entity from the disclosure of such information. This approach is consistent with paragraph 109 of IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*, which exempts an entity from disclosing information which may prejudice its position in a dispute with other parties.

Effective Date and Transition (Paragraphs 57(a) and 59)

13. As a result of the revised subsequent measurement proposals which provide entities with the option to use the historical cost model, it was noted that the requirement to recognize natural resources on the date of initial application may no longer be as onerous as initially expected (e.g., require multiple valuations within the current and comparative reporting periods). The prospective application method was revised to clarify that under this method, an entity is only required to recognize natural resources which meet the recognition criteria on the date of initial application at its deemed cost (current value).

Application Guidance (Paragraphs AG2, AG11-AG20, AG21)

14. Paragraph AG2 was added to further explain the scope exclusion for natural resources which are within the scope of IPSAS 12, IPSAS 16, IPSAS 27, and IPSAS 45.
15. As instructed at the December 2023 meeting, paragraphs AG10-AG19 were added to provide additional guidance on the unit of account and the application of the recognition criteria to specific natural resources (subsoil resources, water and living resources) based on the proposals put forward in the CP. In addition, guidance on natural resources held for conservation, which was previously in the core text, has been moved to paragraph AG20.
16. The flowchart following paragraph AG21 was revised to incorporate the changes in the ED and instructions from December 2023.

Amendments to Other IPSAS

17. Amendments to IPSAS 12, IPSAS 16, IPSAS 27, and IPSAS 45 were updated to exclude natural resources which fall within the scope of the draft ED. This mirrors the revised scope as noted in [Agenda Item 7.2.1](#).
18. At the Task Force meeting, it was noted that because of the revised subsequent measurement proposals, the accounting for natural resources held for conservation and heritage assets is the same. The Task Force noted that in some cases, there could be an overlap between these items—i.e., a natural resource held for conservation could also be a heritage item. Therefore, the Task Force agreed that there was no need to clearly delineate between these items and removed the previously proposed amendment to the description of heritage items.

Basis for Conclusions (Paragraphs BC4, BC6-BC7, BC19-BC23, BC28-BC30)

19. The basis of conclusions section was revised to be consistent with the changes noted above. In addition, paragraph BC4 was added to explain the IPSASB's decision to locate the proposed guidance on natural resources in a standalone IPSAS.

Decision Required

20. Does the IPSASB agree with the Task Force's [recommendation](#)?

Proposed Topics for Implementation Guidance and Illustrative Examples

Question

1. Does the IPSASB agree with the revised proposed topics for Implementation Guidance (IGs) and Illustrative Examples (IEs) in [draft] IPSAS [X] (ED XX), *Natural Resources*?

Recommendation

2. The Natural Resources Task Force (Task Force) recommends drafting the IGs and IEs in ED XX, *Natural Resources*, based on the topics presented in [Appendix A](#).

Background

3. In December 2023, staff presented a table of proposed topics for the IGs and IEs in ED XX, *Natural Resources*. Based on the instructions from December 2023 and the principles proposed in Agenda Items [7.2.1](#) to [7.2.5](#), the Task Force revised the proposed topics for Implementation Guidance and Illustrative Examples and provided more details for the IPSASB's consideration.
4. This paper walks through the Task Force's proposals.

Analysis

5. The revised listing of proposed topics to be addressed in IGs and IEs is included in [Appendix A](#) of this Agenda Item. The key additions from December 2023 version of the table are as follows:
 - (a) Added an IG and IE on conservation, contrasting natural resources held for conservation with other resources, to accompany the proposed definition of conservation;
 - (b) Regarding recognition:
 - (i) Added IG on the assessment of control;
 - (ii) Added IEs on events triggering the recognition of previously unrecognized resources and changes in use;
 - (iii) Added more details to IEs on water and living resources;
 - (iv) Added IE on how land claims could impact the assessment of control; and
 - (v) Added IE on resources held in the capacity of a custodian;
 - (c) Added an IE on additions to a natural resource held for conservation;
 - (d) Added IG and IEs on measurement, specifically the determination of COV; and
 - (e) Added IE on transitional provisions.
6. Building on [Agenda Item 7.2.3](#), the Task Force would also like to solicit input from other IPSASB members for any fact patterns from their jurisdiction which could be used to develop one of the examples listed in [Appendix A](#).

Decision Required

7. Does the IPSASB agree with the Task Force's [recommendation](#)?

Appendix A – Proposed Implementation Guidance and Illustrative Examples

Topic / Core Principle	Application Guidance	Implementation Guidance		Illustrative Example
Objective	None	<ul style="list-style-type: none"> None recommended. Authoritative text is sufficient, and this area typically does not require IGs or IEs. 		
Scope	None	<ul style="list-style-type: none"> Not recommended, as scoping will be discussed in the authoritative text. 		
Definitions	AG2-AG5	<ul style="list-style-type: none"> A.1 Identification of natural resources. A.2 Differentiating conservation and other uses of natural resources. 	<ul style="list-style-type: none"> Example contrasting park land providing services to visitors with a reservation reserve. 	
Recognition of Natural Resources	AG6-AG8 [Add AG for control once updated]	<ul style="list-style-type: none"> B.1 Explanation of how unextracted subsoil resources generally cannot be recognized as an asset. B.2 Unit of account and reclassifications due to change in use. B.3 Assessment of control. 	<ul style="list-style-type: none"> Examples of scenarios involving the recognition of the following as assets: <ul style="list-style-type: none"> Events triggering recognition of previously unrecognized natural resources; Change in use (e.g., disposing of natural resources previously held for conservation); Unextracted water vs extracted water recognized as inventory; Contrasting controlled animals within a jurisdiction vs free-roaming animals; The Impact of land claims on the assessment of control; Resources held in the capacity of a custodian. 	

Topic / Core Principle	Application Guidance	Implementation Guidance	Illustrative Example
Recognition of Subsequent Expenditures	None	<ul style="list-style-type: none"> Not recommended, as the principles supporting recognition of subsequent expenditures as assets are drawn from IPSAS 45, <i>Property, Plant, and Equipment</i>. 	<ul style="list-style-type: none"> Additions – contrasting additions to natural resources held for conservation (expanding a conservation reserve) vs additions of similar assets that are used as PP&E (planting trees in parks) Examples of the following subsequent expenditures and whether they could be recognized as assets: <ul style="list-style-type: none"> Conservation expenditures; Construction costs to develop natural spaces that meet the capitalization criteria as PP&E.
Measurement	None	<ul style="list-style-type: none"> High-level explanation of various approaches to determine current value (COV) 	<ul style="list-style-type: none"> Determination of current value (COV) for specific types of example assets: <ul style="list-style-type: none"> Measuring services expected from the asset; Replacement cost as COV; and Market approaches to determine COV.
Display and Disclosure	None	<ul style="list-style-type: none"> Not recommended. Display is relatively straightforward. Disclosures are specific to the relevant facts of each entity, so IGs and IEs may risk using generic or boilerplate language that will not be helpful. 	
Effective Date and Transition	None	<ul style="list-style-type: none"> Not recommended, as better illustrated through an example. 	<ul style="list-style-type: none"> Example on the application of the proposed transition approaches.

Supporting Document 1 – [Draft] IPSAS [X] (ED XX), *Natural Resources*

The exposure draft referenced in Agenda Item [7.2.1-7.2.5](#) is posted separately for easier readability.

The key changes to the exposure draft since the December 2023 IPSASB meeting are summarized in [Agenda Item 7.2.5](#). A version of the document with detailed tracked changes is available to IPSASB members upon request.

Supporting Document 2 – Natural Resources December 2023 – CAG Report Back

The Consultative Advisory Group discussed the location of guidance at the December 2023 meeting. The feedback from the CAG has been incorporated into the discussions with the IPSASB in December 2023. See December 2003 – Decision 5 in [Agenda Items 7.1.2](#) for the resulting IPSASB decision.