

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 25–28, 2024

Agenda Item 9

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	9.1.1
	Decisions up to Previous Meeting	9.1.2
	Instructions up to Previous Meeting	9.1.3
	Natural Resources: Project Roadmap	9.1.4
Decisions required at this meeting	Natural Resources: Project Management	9.2.1
	Outline for Implementation Guidance and Illustrative Examples	9.2.2
	Key Revisions to [Draft] IPSAS [X] (ED XX), <i>Natural Resources</i>	9.2.3
Other supporting items	[Draft] IPSAS [X] (ED XX), <i>Natural Resources</i>	9.3.1

NATURAL RESOURCES: EXPOSURE DRAFT DASHBOARD

Topic	Past Meetings	June 2024	Sept 2024
Overall Project Management			
Project Planning	✓		
Review and Approval of 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
March 2024	1. Subject to the instruction below, the Exposure Draft (ED) should be drafted based on the revised scope proposed at the March 2024 meeting.	1. See paragraph BC6 in Agenda Item 9.3.1 .
March 2024	2. Conservation should be described as, “the act of managing and protecting a natural resource from degradation.”	2. See paragraphs BC33 in Agenda Item 9.3.1 .
March 2024	3. Subject to instructions below, natural resources should be subsequently measured using the subsequent measurement model from IPSAS 45, <i>Property, Plant, and Equipment</i> .	3. See paragraph BC23 in Agenda Item 9.3.1 .
March 2024	4. The proposed guidance on the derecognition of natural resources and transitional provisions was appropriate.	4. See paragraphs BC25, BC31-BC32 in Agenda Item 9.3.1 .
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 BC15-BC17 in Agenda Item 9.3.1 .
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 BC33 in Agenda Item 9.3.1 .
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 BC33 in Agenda Item 9.3.1 .
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 BC19 in Agenda Item 9.3.1 .
December 2023	5. The proposed guidance on natural resources should be located in a standalone IPSAS.	5. See paragraph BC4 in Agenda Item 9.3.1 .

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December 2023	6. Subject to the instructions below, the proposed display and disclosure requirements are appropriate.	6. See paragraphs BC26-BC29 in Agenda Item 9.3.1 .
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 BC31 in Agenda Item 9.3.1 .
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 BC32 in Agenda Item 9.3.1 .
December 2023	9. The proposed amendments to IPSAS 1 and IPSAS 33 are appropriate.	9. See paragraph BC38 in Agenda Item 9.3.1 .
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 9.3.1 .
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 9.3.1 .
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 March 2024	Actioned
March 2024	1. Reconsider the wording of the objective of the [draft] ED to be consistent with the agreed scope and develop an SMC regarding scope in the [draft] ED to get feedback on whether the scope should be limited to natural resources held for conservation.	1. See Agenda Item 9.2.3.
March 2024	2. Develop additional guidance on conservation with respect to the unit of account and explain that one of the reasons for conserving a natural resource is for the benefit of future generations.	2. See Agenda Item 9.2.3.
March 2024	3. Develop implementation guidance on “rewilding” (restoration of a natural environment).	3. See Agenda Item 9.2.2.
March 2024	4. Revise the drafting of the subsequent measurement guidance to apply to all natural resources within the scope of the [draft] ED and relocate the guidance specific to conservation to the application guidance.	4. See Agenda Item 9.2.3.
March 2024	5. Include a rebuttable presumption that natural resources are not depreciated.	5. See Agenda Item 9.2.3.
March 2024	6. Clarify the guidance on the measurement of cost, accounting for subsequent expenditures, and whether an election to use current value needs to be applied to an entire class of natural resources.	6. See Agenda Item 9.2.3.
March 2024	7. Draw on the guidance in IPSAS 45 to develop additional application guidance on the unit of account.	7. See Agenda Item 9.2.3.
March 2024	8. Relocate the proposed application guidance on subsoil resources, water, and living resources to the implementation guidance.	8. See Agenda Item 9.2.2.
March 2024	9. Consider whether the guidance in IPSAS 18, <i>Segment Reporting</i> , might be used for broader disclosures on natural resources-related activities.	9. See Agenda Item 9.2.2.

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March 2024	10. Include a SMC on whether the disclosure of information regarding all natural resources, including those not within the scope of the [draft] ED, should be required to be presented in one consolidated note.	10. Issue was reworked into an IG. See Agenda Items 9.2.2.
March 2024	11. Consider how and where to articulate that the difference between heritage items and natural resources held for conservation is driven by the primary purpose of holding the item.	11. See Agenda Item 9.2.3.
March 2024	12. Solicit IPSASB and CAG members for 'real-life' examples and work with the Task Force to develop implementation guidance and illustrative examples.	12. See Agenda Item 9.2.2.

**NATURAL RESOURCES:
PROJECT ROADMAP**

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
March 2020	1. Project Brief approval 2. Commencement of Consultation Paper (CP) development
March 2022	1. Approval of CP (Published May 9, 2022)
December 2022	1. CP comment period (Ended October 17, 2022)
March 2023	1. Review of responses to the CP
June 2023	1. Development of Exposure Draft (ED) on the financial reporting of natural resources
September 2023	1. Discussion of issues 2. Development of 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	1. Discussion of issues 2. Development of 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	1. Discussion of issues 2. Development of ED on the financial reporting of natural resources
June 2024	1. Development of ED on the financial reporting of natural resources
September 2024	2. Approval of ED on the financial reporting of natural resources

Natural Resources: Project Management

Purpose

1. To provide an overview of the project plan leading to the approval of the [draft] IPSAS [X], *Natural Resources* (ED XX) in September 2024.

Background

2. At the March 2023 meeting, the IPSASB decided to proceed with the development of an exposure draft (ED) on the financial reporting of natural resources in the general purpose financial statements (GPFS). Since then, the IPSASB has made a number of decisions on scope, definitions, recognition and initial recognition. See [Agenda Item 9.1.2](#) for all of the IPSASB's decisions to date.
3. At the March 2024 meeting, the IPSASB instructed staff to, among other things, amend the subsequent measurement proposals to be broadly applicable to all natural resources within the scope of the ED, revise the application guidance to provide more guidance on conservation and the unit of account, and work with the Natural Resources Task Force to develop more details for the implementation guidance and illustrative examples. See [Agenda Item 9.1.3](#) for the full listing of instructions.

Next Steps

June 2024

4. The IPSASB has made firm decisions on the direction of travel for key principles on recognition, measurement, display, and disclosure, along with instructions on executing this direction. Based on the instructions from March, staff will present the following at the current meeting:
 - (a) A detailed outline for the implementation guidance and illustrative examples. See [Agenda Item 9.2.2](#).
 - (b) Revisions to the authoritative text and basis for conclusions in the [draft] *Natural Resources* ED. See [Agenda Item 9.2.3](#); and

July 2024

5. Pending the IPSASB's review of the [draft] ED, staff plan to update the document for any comments received at this meeting and to present the revised ED to the IPSASB at the July 2024 check-in.

September 2024

6. Pending the IPSASB's review of the outline for the non-authoritative text, staff will continue to work with the Task Force in Q3 of 2024 to draft the implementation guidance and illustrative examples. As these remaining sections are not authoritative, staff plan to present the draft text to the IPSASB at the September 2024 meeting for review and discussion by exception.
7. The full [draft] ED will be presented to the IPSASB for approval at the September 2024 meeting.

Decision Required

8. No decision required. For information purposes only.

Outline for Implementation Guidance and Illustrative Examples

Question

1. Does the IPSASB agree with the outline of the implementation guidance (IG) and illustrative examples (IEs) and that the proposed non-authoritative text should be located in [draft] IPSAS [X] (ED XX), *Natural Resources*?

Recommendations

2. The Natural Resources Task Force recommends drafting the IGs and IEs in ED XX, *Natural Resources*, based on the detailed outline presented in [Appendix A](#) of this paper.
3. In addition, staff recommend locating the example on the disclosure of unrecognized land to IPSAS 45, *Property, Plant, and Equipment* (PP&E).

Background

4. As noted in [Agenda Item 9.2.1](#), the IPSASB instructed staff to work with the Task Force to develop the IG and IEs in ED XX.
5. Generally, the core text in an IPSAS sets out the accounting principles for the standard's subject matter, and the IPSASB develops Application Guidance (AG), Implementation Guidance (IG), and Illustrative Examples (IE) using the following approach:
 - (a) AGs are developed if the principles in the core text require further explanation on how they should be applied;
 - (b) IGs are developed if the core text and AGs require further explanation; and
 - (c) IEs are developed if the core text, AGs and IGs require further explanation and a fact-specific example would help further explain the principles.
6. This paper summarizes the Task Force's progress on the non-authoritative topics and requests the IPSASB to confirm that IGs and IEs should be drafted for the topics presented in [Appendix A](#).
7. In addition, staff noted that some IGs and IEs will also impact other IPSAS, such as IPSAS 45. Staff would also like to get the IPSASB's view on whether the proposed non-authoritative text should be located in ED XX, the other IPSAS, or both.

Analysis

Proposed Implementation Guidance and Illustrative Examples

8. To provide the IPSASB with an update of the work performed to date, staff has included a revised table of IG and IEs in [Appendix A](#) of this paper. This table builds off the version presented at the March 2024 meeting and has been updated to provide the IPSASB with the following additional details:
 - (a) Preliminary IG questions and the key points for the planned responses; and
 - (b) Summaries of the sample facts to be used in the IEs and the preliminary conclusions or key principles which will be illustrated in each example.

9. The table was also updated for the following specific instructions from March 2024:
- (a) IG3 and IG4 were added based on the previously proposed application guidance on the recognition of subsoil resources, water, and living resources, which were repurposed and relocated to the implementation guidance;
 - (b) IG8 was added to incorporate implementation guidance on “rewilding”; and
 - (c) IG12 was added to provide guidance on the issue of disclosing information on natural resources which fall within the scope of another IPSAS.
10. As the IPSASB also instructed staff to solicit examples from CAG members, the table in [Appendix A](#) will also be presented to the CAG at their June 2024 meeting. Staff will provide a verbal update of the CAG's feedback at the June 2024 IPSASB meeting.

Location of Certain Implementation Guidance or Illustrative Examples

11. Staff noted that the following implementation guidance and illustrative examples address items that are within the scope of another IPSAS:
- (a) **Illustrative Examples IE1 and IE2** address natural resources and subsequent expenditures which would fall within the scope of IPSAS 45. Staff noted that the purpose of these IEs was to illustrate that some natural resources are not within the scope of ED XX and to signpost to IPSAS 45. Therefore, constituents who are already applying IPSAS 45 to these items would not require duplication of these examples in that standard;
 - (b) **Implementation Guidance IG4** addresses whether unextracted subsoil resources can be recognized. Staff considered if this implementation guidance should be relocated or duplicated in IPSAS 12 because *extracted* subsoil resources would likely be considered inventory. However, as noted in the IG, unextracted subsoil resources are unlikely to be recognized as assets. Furthermore, the extraction of these subsoil resources, which is separate from the underlying resources, is the event that will likely result in asset recognition and application of IPSAS 12. Therefore, staff recommend not relocating or duplicating this IG to the inventory standard;
 - (c) **Illustrative Example IE3** addresses a situation where the current value of land acquired in a non-exchange transaction could not be reliably measured. While this example was developed based on feedback from constituents regarding natural resources, staff noted that land controlled by a public sector entity would typically be within the scope of IPSAS 45 or less commonly in IPSAS 16, *Investment Property*, under certain scenarios (e.g., when the land is held for an undetermined future use per paragraph 12(b) of IPSAS 16). Therefore, staff recommend relocating this example to IPSAS 45 and adding a note that the land may be within the scope of IPSAS 16 if it is held as an investment property; and
 - (d) **Implementation Guidance IG11** addresses impairment but only signposts to IPSAS 21 and IPSAS 26. Similar to the examples IE1 and IE2, constituents who are already applying IPSAS 21 or IPSAS 26 would not require signposting to these standards. Therefore, there is no need to relocate or duplicate this guidance.
12. Based on the above, staff recommend locating IG4, IG11, IE1, and IE2 in ED XX, and relocating IE3 to IPSAS 45.

Decision Required

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

Appendix A – Proposed Implementation Guidance and Illustrative Examples

Objective		
<i>Principle or Topic</i>	<i>Implementation Guidance</i>	<i>Illustrative Examples</i>
Objective of [draft] IPSAS [X] Related Application Guidance: N/A	None recommended. Authoritative text is sufficient, and this area does not typically require IGs or IEs. (Note: No change from the March 2024 version.)	

Scope		
Principle or Topic	Implementation Guidance	Illustrative Examples
<p>Determination of Whether a Tangible Natural Resource Falls Within the Scope of [Draft] IPSAS [X] or Another IPSAS</p> <p>Related Application Guidance: AG3-AG7</p>	<p>IG1. When might items meeting the definition of a natural resource be accounted for under [draft] IPSAS [X], and when might they be accounted for under other IPSAS?</p> <p>(a) Explain that some naturally occurring items could fall within the scope of an existing IPSAS. An entity should consider whether the item falls within the scope of another IPSAS based on the assets' intended use, regardless of whether the asset is naturally occurring or humanmade. For example:</p> <p>(i) Even though a forest is naturally occurring, if its biological transformation is managed for sale, it meets the definition of a biological asset and is within the scope of IPSAS 27.</p> <p>(ii) The purchase of trees to develop an urban canopy could be within the scope of IPSAS 45.</p> <p>(iii) Untreated water held in a controlled environment to be sold can be considered inventory within IPSAS 12.</p> <p>(b) Naturally occurring items which do not fall within the scope of an existing IPSAS would fall within the scope of [draft] IPSAS [X].</p>	<p>IE1. Example will illustrate the difference between park land and a conservation reserve. Both could have the same physical characteristics. However:</p> <p>(a) Parks (land and potentially forests if measurable) primarily intended for use as public campgrounds or hiking trails are considered PP&E within the scope of IPSAS 45.</p> <p>(b) In contrast, if the same land and forest are primarily managed or maintained for the benefit of future generations, they would be within the scope of the ED.</p> <p>Example will also explain that there could be situations where an asset could have multiple uses. An entity will need to apply judgment to determine which intended use is its primary reason for holding the asset.</p> <p>(Note: See discussion in paragraph 11 regarding whether this IE should be located in IPSAS 45, the [draft] IPSAS on natural resources, or both.)</p>

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(Same Topic as IG1 and IE1)		<p>IE2. Costs to develop natural spaces* to accomplish the same objective as constructed or “grey” infrastructure, such as the installation of rain gardens to reduce the risk of flooding and help communities adapt to climate change. (This example is based on the scenario presented in Example 3 of RPG 3, <i>Reporting Sustainability Program Information</i>.)</p> <p>(a) The rain gardens are used to achieve the same objective as other infrastructure which reduces the risk flooding. Therefore, they are considered PP&E.</p> <p>(b) The entity would consider the recognition and measurement guidance from IPSAS 45—i.e., consider whether the costs incurred to develop the natural space can be capitalized, and if so, determine its useful life, etc. The capitalization of the expenditures to install the rain gardens is considered separately from the accounting for the land on which the gardens are planted.</p> <p>* These items are sometimes referred to as modified or enhanced natural assets, or more broadly as “green infrastructure” in some jurisdictions</p> <p>(Note: See discussion in paragraph 11 regarding whether this IE should be located in IPSAS 45, the [draft] IPSAS on natural resources, or both.)</p>
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Definitions		
<i>Principle or Topic</i>	<i>Implementation Guidance</i>	<i>Illustrative Examples</i>
Identification of Potential Natural Resources Related Application Guidance: AG12 (Note: This issue was previously discussed in September 2023 to address constituents' concerns in response to the CP.)	IG2. Should all naturally occurring items within a jurisdiction be considered natural resources within the scope of this [draft] IPSAS? (a) Generally, no. Not all naturally occurring items are automatically considered natural resources, as such items are only a resource if the entity can derive economic benefits or service potential from the item in some way. (b) One acceptable approach to ensure complete identification of potential natural resources is to consider existing programs or plans to conserve, make use of, or sell natural occurring items.	None, as concept is better explained in an IG.
Recognition		
<i>Principle or Topic</i>	<i>Implementation Guidance</i>	<i>Illustrative Examples</i>
Determination of Control Related Application Guidance: AG14-AG16 (Note: Addition based on the decision regarding repurposing the draft AGs from March 2024.)	IG3. What should an entity consider when assessing whether they control certain types of natural resources? (a) Repurpose the discussion in the CP on water and living resources. (b) Incorporate the contrast between controlled animals within a jurisdiction and free-roaming animals. (c) Include a discussion of how the unit of account could impact control then refer to IG5.	None, as concept is better explained in an IG.

<p>Difficulties in the Recognition of Subsoil Resources</p> <p>Related Application Guidance: AG11</p> <p>(Note: Consistent decision to relocate AGs from March 2024 and with constituent feedback received in response to the CP.)</p>	<p>IG4. Can unextracted subsoils resources generally be recognized as an asset?</p> <p>(a) Generally, subsoil resources are not recognized as they do not meet the definition of an asset.</p> <p>(b) Subsoil resources, such as most mineral resources or petroleum deposits, are typically located underground and not readily quantifiable.</p> <p>(c) Estimates of these resources generally do not provide enough certainty for them to be considered resources. Therefore, they generally do not meet the definition of an asset and so cannot be recognized.</p> <p>(Note: See discussion in paragraph 11 regarding whether this IG should be located in IPSAS 12, the [draft] IPSAS on natural resources, or both.)</p>	<p>None, as concept is better explained in an IG.</p>
<p>Recognition of an Asset Purchased for Conservation</p> <p>Related Application Guidance: AG4-AG7</p>	<p>The Task Force considered whether an IG and/or IE was needed in this area. However, after revising the core text and AGs, staff noted that any IG or example would just be a straightforward application of the recognition criteria, which are consistent with those from IPSAS 45. Therefore, none recommended.</p>	
<p>Recognition of an Asset that Previously Could Not be Reliably Measured</p> <p>Related Application Guidance: N/A</p>	<p>The Task Force considered whether an IE was needed in this area. However, after revising the core text, staff noted that authoritative guidance is already quite clear, and that any example would only reflect a very specific fact pattern. Therefore, none recommended.</p>	

<p>Unit of Account</p> <p>Related Application Guidance: AG18-AG21</p>	<p>IG5. How should the unit of account for a natural resource be determined?</p> <p>(a) Explain that the primary intended use of a resource drives the unit of account. (See IG1 and IE1.)</p> <p>(b) Explain the interaction between unit of account and the consideration of asset recognition—e.g., even if various resources are used or conserved together, there may be scenarios where only certain resources are recognized because the others cannot be individually controlled. This would require separate units of account.</p> <p>(c) In other situations, a group of distinct items could form one unit of account because they are managed together as one item. e.g., if conserving an entire ecosystem in a reserve, it may be appropriate to consider the area one unit of account rather than looking at individual plants and animals in the area.</p>	<p>None, as concept is better explained in an IG. IG5 will also refer to the discussion in AG18-AG21 which has a short example on unit of account.</p>
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<p>Conservation</p> <p>Related Application Guidance: AG4-AG7</p>	<p>IG6. How is conservation different from the typical uses of other tangible non-current assets?</p> <p>(a) Explain that conservation is typically viewed as different from the use of an asset in other IPSAS, as those standards deal with using an asset to provide immediate/near-term service potential or generate economic benefits for the entity. Conservation typically focuses on benefitting future generations.</p> <p>(b) Provide examples of typical activities performed to conserve a natural resource.</p>	<p>None, as concept is better explained in an IG.</p>
<p>Subsequent Expenditures Incurred to Conserve a Natural Resource</p> <p>Related Application Guidance: AG22, AG24</p>	<p>IG7. How should an entity account for subsequent expenditures incurred to conserve a natural resource?</p> <p>(a) Explain that the accounting for conservation expenditures is consistent with the general accounting for other subsequent expenditures:</p> <p>(i) Expenditures incurred to maintain the current quality and/or quantity of a natural resource is in line with maintenance expenses, and are therefore expensed;</p> <p>(ii) Expenditures which result in incremental future economic benefits or service potential should be capitalized.</p> <p>IG will also note that some expenditures may result in a separate asset that is within the scope of another IPSAS. e.g., the construction of a fence will likely result in a separate asset under IPSAS 45.</p>	<p>None, as concept is better explained in an IG.</p>

<p>Change in Primary Use</p> <p>Related Application Guidance: N/A</p>	<p>IG8. How would an entity account for land that is set aside for “rewilding” rather than as an investment property under IPSAS 16 or for use as PP&E under IPSAS 45?</p> <p>(a) The entity will need to determine when an item ceases to be an investment property or PP&E, and whether the item is within the scope of [draft] IPSAS [X] once the change in use occurs. If so:</p> <p>(i) Account for the item using IPSAS 16 or IPSAS 45 up to the point of ceasing to be an investment property or PP&E.</p> <p>(ii) The net carrying amount of the item then becomes the carrying amount of the natural resource within the scope of [draft] IPSAS [X].</p> <p>(iii) Under [draft] IPSAS [X], the entity may elect to change the asset’s subsequent measurement model.</p> <p>(iv) Entity will also need to consider impairment upon the change in use. See IG11.</p>	<p>. None, as concept is better explained in an IG.</p>
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Measurement		
<i>Principle or Topic</i>	<i>Implementation Guidance</i>	<i>Illustrative Examples</i>
Determination of Current Value Related Application Guidance: AG25-31	IG9. How would an entity determine COV for a natural resource within the scope of [draft] IPSAS [X]? (a) Explain that a market approach can be used to determine COV and that using market inputs does not necessarily result in a fair value measurement. For example, an entity could measure the COV of a forest held for conservation by using the market value of a forest consisting of similar species of trees as the forest that is being measured. (b) Alternatively, a non-market approach can be used, and an entity could estimate COV by estimating the cost of developing an identical or similar asset. For example, COV can be estimated by accumulating the costs of acquiring, planting, and growing saplings into a forest.	None, as concept is better explained in an IG.

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<p>When is a Current Value Not Reliably Measurable</p> <p>Related Application Guidance: N/A</p>	<p>IG10. When may an entity conclude that the current value of a natural resource cannot be reliably measured?</p> <ul style="list-style-type: none"> (a) Significantly wide range of potentially reasonable values; (b) No reasonable way to assess the probabilities of various estimates; or (c) No reasonable methodology or lack of observable inputs to measure the asset. 	<p>IE3. Illustration of a situation when current value cannot be reliably measured:</p> <ul style="list-style-type: none"> (a) A government entity acquires a plot of land in the wilderness through exercising its sovereign powers (i.e., a non-exchange transaction). (b) Due to the location of the land, the entity has determined that there is no reasonable basis to measure its current value. (c) The entity concludes that the while the land is an asset, it cannot be reliably measured. Therefore, the entity applies the disclosure requirements for unrecognized natural resources (or disclosures for unrecognized PP&E, see paragraph 11(c)). <p>(Note: See discussion in paragraph 11 regarding whether this IE should be located in IPSAS 45, the [draft] IPSAS on natural resources, or both.)</p>
<p>Rebuttable Presumption to Not Depreciate Natural Resources Within the Scope of [Draft] IPSAS [X]</p> <p>Related Application Guidance: AG32</p>	<p>The Task Force considered whether an IG was needed in this area. However, after revising the core text, AGs and BCs, staff noted that the rebuttable presumption is already clearly stated in the authoritative guidance and explained in the basis for conclusions. Therefore, none recommended.</p>	

<p>Impairment</p> <p>Related Application Guidance: N/A</p>	<p>IG11. Does the decision to change the primary purpose of holding a natural resource previously held for sale to a resource held for conservation result in an immediate impairment? (e.g., decision to conserve a forest previously held for sale as lumber.)</p> <p>(a) Explain that a change in use would lead to an assessment of impairment under IPSAS 21 or IPSAS 26. An immediate impairment is not necessarily expected in all circumstances.</p> <p>(Note: See discussion in paragraph 11 regarding whether this IG should be located in IPSAS 21 and 26, the [draft] IPSAS on natural resources, or both.)</p>	<p>None, as concept is better explained in an IG.</p>
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Display and Disclosure		
Principle or Topic	Implementation Guidance	Illustrative Examples
<p>Grouping of Disclosures</p> <p>Related Application Guidance: N/A</p> <p>(Note: Based on the instruction on disclosures from March 2024.)</p>	<p>IG12. Do IPSAS require an entity to present all disclosures that related to items which meet the definition of a natural resource in one note, even when they are within the scope of other Standards?</p> <p>(a) The decision as to whether the information should be disclosed together will depend on the entity's judgment on whether this results in more useful information for users of the GPFS compared to the cost of reorganizing the information. Entities should consider the aggregation and disaggregation principles in IPSAS 1 when making this determination.</p> <p>(b) Regardless of whether naturally occurring items and their related activities fall within the scope of [draft] IPSAS [X] or another IPSAS, if an entity determines that these assets and activities are part of a reportable segment, IPSAS 18, <i>Segment Reporting</i>, requires the segment's information to be disclosed together in its segment reporting note.</p> <p>(c) If not in a separate segment, IPSAS does not require or prohibit an entity from presenting the disclosures for all natural resources, including those within the scope of another IPSAS, together in one note.</p>	<p>Not recommended, as disclosures are specific to the relevant facts specific to each entity.</p>

Agenda Item 9.2.2

Effective Date and Transition		
Principle or Topic	Implementation Guidance	Illustrative Examples
Illustration of Transition Related Application Guidance: N/A	Not recommended as mechanics of the proposed transitional provisions are better illustrated in an example.	<p>IE4. Walkthrough 2 scenarios to demonstrate the two proposed transition approaches:</p> <p>Scenario 1: Natural resource met the recognition criteria prior to initial application and is still controlled by the entity after initial application. Both transition methods would lead to the same accounting.</p> <p>Scenario 2: Natural resource could have been recognized prior to initial application but was derecognized (e.g., sold) prior to the date of initial application:</p> <p>(a) Full retrospective method:</p> <ul style="list-style-type: none"> (i) Need to adjust prior period assets, gains, net assets/equity due to the initial recognition and sale of the asset. (ii) Net surplus or deficit in specific prior period(s) may be different due to adjustments from (a)(i). (iii) However, net assets and accumulated surplus or deficit in the opening balance sheet are not expected to be impacted. <p>(b) Prospective method: No need to consider restatement for natural resource at all since it is no longer recognized at the date of initial application.</p>

Key Revisions to [Draft] IPSAS [X] (ED XX), *Natural Resources*

Question

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

Recommendation

2. Staff recommend incorporating the changes as summarized in paragraphs 5-16 into ED XX, *Natural Resources*.

Background

3. Based on the instructions provided at the March 2024 meeting, staff made a number of revisions to the proposed authoritative text and basis for conclusions in ED XX, *Natural Resources*. To facilitate the IPSASB's review of the revised ED, staff summarized and explained the changes in this paper. A full version of ED XX can be found in [Agenda Item 9.3.1](#).

Analysis

4. The key changes to ED XX since the March 2024 version are as follows. The analysis below does not include editorial or formatting changes:

Specific Matters for Comment

5. The following Specific Matters for Comment (SMC) were added to pages 3-4 of the ED:
 - (a) SMC 1 regarding the approach used to establish the proposed scope of the ED was added, as instructed at the March 2024 meeting;
 - (b) SMC 2 was included to solicit views on the rebuttable presumption that natural resources recognized within the scope of the ED have indefinite useful lives and should not be depreciated. This SMC was also based on an instruction from March 2024;
 - (c) SMC 3 was added to ask about the proposed exemption from disclosures that may lead to further degradation of rare or endangered natural resources. The IPSASB decided to include this exemption at the March 2024 meeting; and
 - (d) At the March 2024 meeting, the IPSASB agreed to allow entities the choice of applying the ED on a prospective or retrospective basis. While applying the proposals on a retrospective basis may impact historical revenues, surpluses or deficits in specific periods, the opening net assets and accumulated surpluses or deficits on the date of initial application are expected to be the same under both approaches. SMC 4 solicits views on whether applying the ED on a retrospective basis will provide useful information.

Objective and Scope

6. The objective section in paragraphs 1-2 was amended to better align with the IPSAS on other tangible assets. In addition, the scope section in paragraphs 3-6 was streamlined per the instructions from the March 2024 meeting.

Measurement

7. As it is more likely for natural resources within the scope of the ED to be recognized from non-exchange transactions, the ordering of the guidance on initial measurement in paragraphs 16-19 of the ED was reversed so that the section first starts with measurement at deemed cost (current value) for non-exchange transactions, followed by measurement at cost for exchange transactions.
8. Staff considered incorporating the guidance on “elements of cost” and “measurement of costs” for exchange transactions from IPSAS 45 to the initial measurement section for consistency. However, as noted above, as most natural resources are expected to be recognized from non-exchange transactions, staff propose signposting to this guidance by referring to the relevant paragraphs in IPSAS 45 rather than repeating the guidance in the ED. This reference can be found in paragraph 19 of the ED.
9. As instructed in March 2024, the subsequent measurement section was amended to apply broadly to all natural resources, and paragraphs 29-39 were added for depreciation. The rebuttable presumption on indefinite useful lives and the lack of depreciation is in paragraph 29 of the ED.

Disclosures

10. Disclosure requirements for the use of current value measurements subsequent to initial recognition were added to paragraphs 57-59 of the ED. To avoid duplication of guidance, paragraph 59 of the ED signposts to the detailed considerations for these requirements from IPSAS 45.

Application Guidance

11. As instructed in March 2024, the proposed guidance on natural resources held for conservation was consolidated and moved to the application guidance in paragraphs AG4-AG6 of the ED. Paragraph AG7 was also added to explain the potential overlap between natural resources held for conservation and heritage items within the scope of IPSAS 45.
12. As instructed, application guidance on the unit of account was added to paragraphs AG18-AG21 of the ED.
13. Certain paragraphs were moved from the March 2024 version of the core text to the application guidance, as they related more to the application of the proposed principles. These paragraphs and the topics they addressed are as follows:
 - (a) AG17 – reliable measurement of exchange transactions;
 - (b) AG22 – subsequent costs;
 - (c) AG23 – cost of restoring or regenerating natural resources;
 - (d) AG24 – subsequent expenditures on unrecognized natural resources,
 - (e) AG25-AG33 – measurement, specifically guidance on current value measurement basis, application of the current value model, and depreciation; and
 - (f) AG34-35 – disclosures of unrecognized natural resources.

Basis for Conclusions

14. Paragraphs BC6, BC19-BC22, BC24, BC33-BC34, and BC37 were added to the ED to explain the changes as noted in paragraphs 6-13 of this paper.

15. In addition, paragraph BC18 was added to explain why the term “recognized natural resources” was used to refer to natural resources which meet the recognition criteria in the ED.
16. Paragraph BC30 was also added to explain the proposed exemption from certain disclosures as noted in paragraph 5(d) of this paper.

Decision Required

17. Does the IPSASB agree with the staff's [recommendation](#)?

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

The exposure draft referenced in [Agenda Item 9.2.3](#) is posted separately for easier readability.

The key changes to the exposure draft since the December 2023 IPSASB meeting are summarized in [Agenda Item 9.2.3](#). A version of the document with detailed tracked changes is available to IPSASB members upon request.