

Meeting: International Public Sector Accounting Standards Board

Meeting Location: Brussels, Belgium

Meeting Date: September 17–20, 2024

Agenda Item 6

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 tangible 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	6.1.1
	Decisions up to Previous Meeting	6.1.2
	Instructions up to Previous Meeting	6.1.3
	Natural Resources: Project Roadmap	6.1.4
Decisions required at this meeting	Revisions to [draft] IPSAS [X] (ED 92), <i>Tangible Natural Resources</i>	6.2.1
	Implementation Guidance and Illustrative Examples	6.2.2
	Approval of [Draft] IPSAS [X] (ED 92), <i>Tangible Natural Resources</i>	6.2.3
Other supporting items	[Draft] IPSAS [X] (ED 92), <i>Tangible Natural Resources</i>	6.3.1
	Natural Resources – June 2024 CAG Report Back	6.3.2

**NATURAL RESOURCES:
 EXPOSURE DRAFT DASHBOARD**

Topic	Past Meetings	Sept 2024
Overall Project Management		
Project Planning	✓	
Review of the ED	✓	
Review and Approval of the ED		
Tangible Natural Resources – Authoritative Text		
Objective & Scope	✓	
Definitions	✓	
Recognition	✓	
Measurement	✓	
Presentation & Disclosure	✓	
Effective Date & Transition	✓	
Application Guidance	✓	
Amendments to Other IPSAS	✓	
Tangible 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
July 2024	1. The Board approved the drafting amendments proposed by staff except for the deletion of the second half of part (b) of the definition of Natural Resources and the consequential amendments elsewhere in the text.	1. See paragraphs BC9-BC15 in Agenda Item 6.3.1 .
June 2024	1. The proposed topics for the implementation guidance and illustrative examples are appropriate for inclusion in the exposure draft.	1. See paragraphs BC41 in Agenda Item 6.3.1 .
June 2024	2. The proposed implementation guidance and illustrative examples should be located in the Tangible Natural Resources Exposure Draft (ED).	2. See paragraphs BC41 in Agenda Item 6.3.1 .
June 2024	3. The title of the ED should be changed to 'Tangible Natural Resources' to reflect the focus on tangible items.	3. See paragraph BC6 in Agenda Item 6.3.1 .
March 2024	1. Subject to the instruction below, the ED should be drafted based on the revised scope proposed at the March 2024 meeting.	1. See paragraph BC7 in Agenda Item 6.3.1 .
March 2024	2. Conservation should be described as, "the act of managing and protecting a natural resource from degradation."	2. See paragraphs BC34 in Agenda Item 6.3.1 .
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 BC24 in Agenda Item 6.3.1 .
March 2024	4. The proposed guidance on the derecognition of natural resources and transitional provisions was appropriate.	4. See paragraphs BC26, BC32-BC33 in Agenda Item 6.3.1 .
December 2023	1. A natural resource should be recognized as an asset if: (a) It is probable that 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 6.3.1 .
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 BC34 in Agenda Item 6.3.1 .

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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 BC34 in Agenda Item 6.3.1 .
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 an event that is not a transaction in an orderly market, which could include a non-exchange transaction.	4. See paragraph BC20 in Agenda Item 6.3.1 .
December 2023	5. The proposed guidance on natural resources should be located in a standalone IPSAS.	5. See paragraph BC4 in Agenda Item 6.3.1 .
December 2023	6. Subject to the instructions below, the proposed display and disclosure requirements are appropriate.	6. See paragraphs BC27-BC31 in Agenda Item 6.3.1 .
December 2023	7. Subject to the instructions below, the proposed guidance on natural resources can be applied on a modified retrospective or full retrospective basis.	7. See paragraph BC32 in Agenda Item 6.3.1 .
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 BC33 in Agenda Item 6.3.1 .
December 2023	9. The proposed amendments to IPSAS 1 and IPSAS 33 are appropriate.	9. See paragraph BC40 in Agenda Item 6.3.1 .
September 2023	1. A natural resource should be defined as a naturally occurring item which embodies service potential.	1. See paragraphs BC9-BC15 in Agenda Item 6.3.1 .
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 6.3.1 .
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.

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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> .
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INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
July 2024	1. Work with members to clarify the development of the term “tangible natural resources” in the basis of conclusions.	1. See Agenda Item 6.2.1.
July 2024	2. Ensure consistent use of the term “tangible natural resources” throughout the ED.	2. See Agenda Item 6.2.1.
July 2024	3. Further revise the core text, application guidance, amendments to other IPSAS, and basis for conclusions in the ED for comments raised in the section-by-section review.	3. See Agenda Item 6.2.1.
June 2024	1. Clarify the difference between natural resources and recognized natural resources in the implementation guidance on the identification of natural resources.	1. See Agenda Item 6.2.2.
June 2024	2. Expand the implementation guidance on a change in the use of natural resources to address both moving a natural resource from another IPSAS to the scope of the ED and from the scope of the ED to another IPSAS.	2. See Agenda Item 6.2.2.
June 2024	3. Clarify the wording on the use of the market approach in the implementation guidance on the determination of current operational value.	3. See Agenda Item 6.2.2.
June 2024	4. Delete the proposed implementation guidance on impairment.	4. See Agenda Item 6.2.2.
June 2024	5. Revise the implementation guidance on disclosures to be consistent with the revised text in the authoritative text of the ED.	5. See Agenda Item 6.2.2.

**TANGIBLE 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 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 ED on the financial reporting of natural resources 3. Development and approval of ED on alignment with IFRS 6 and IFRIC 20
March 2024	<ol style="list-style-type: none"> 1. Discussion of issues 2. Development of ED on the financial reporting of natural resources
June 2024	<ol style="list-style-type: none"> 1. Development of ED on the financial reporting of natural resources
July 2024	<ol style="list-style-type: none"> 1. Development of ED on the financial reporting of natural resources
September 2024	<ol style="list-style-type: none"> 1. Approval of ED on the financial reporting of tangible natural resources

Revisions to [Draft] IPSAS [X] (ED 92), *Tangible Natural Resources*

Question

1. Does the IPSASB agree with the proposed revisions to [draft] IPSAS [X] (ED 92), *Tangible Natural Resources*?

Recommendation

2. Staff recommend incorporating the changes summarized in paragraphs 5-12 into ED 92, *Tangible Natural Resources*.

Background

3. At the July 2024 check-in meeting, the IPSASB performed a detailed page-by-page review of ED 92 and provided staff with a number of decisions and instructions on revising the ED. (See decision 1 in [Agenda Item 6.1.2](#) and instructions 1-3 in [Agenda Item 6.1.3](#).)
4. This paper summarizes the changes made to the ED since July 2024 as a result of the IPSASB's decisions and instructions. A full version of ED 92 can be found in [Agenda Item 6.3.1](#).

Analysis

Decision 1: Definition of Tangible Natural Resources

5. Staff revised the definition of tangible natural resources to the following:

“A tangible natural resource is an item which: (a) is naturally occurring; and (b) embodies service potential, or the capability to generate economic benefits, or both.”

This change reflects the IPSASB decision from July that the definition should refer to both service potential and economic benefits. The IPSASB noted it will be unlikely for tangible natural resources that are used to generate economic benefits to be within the scope of ED 92; however, this outcome relates to the scope of the ED and not the definition.
6. In addition, staff received member comments asking if the definition should refer to a tangible item (i.e., “a tangible natural resource is a tangible item which... etc.”) Staff noted that the word “tangible” is already in the name and used consistently throughout the ED, so that adding it to the definition will be redundant. As a result, this suggestion was not reflected in the updated definition.
7. As the proposed definition has changed substantially from the description of natural resources in the Consultation Paper, *Natural Resources*, staff also added Specific Matter for Comment (SMC) 2 to solicit feedback on the definition. This SMC can be found on page 3 of [Agenda Item 6.3.1](#).

Instruction 1: Clarify the Development of the Term “Tangible Natural Resources” in BCs

8. Staff added a subheading and revised paragraphs BC5-BC6 to clarify the IPSASB's decisions which led to the focus on tangible natural resources.

Instruction 2: Ensure Consistent Use of the Term “Tangible Natural Resources” in the ED

9. As instructed, staff reviewed the ED and ensured that the term “tangible natural resources” was used consistently in the ED when appropriate.

Instruction 3: Other Changes Raised in the Section-by-Section Review

10. Paragraph 43 of the ED was added to clarify that tangible natural resources should be separately presented based on an entity's primary purpose for holding the resource, and that the financial statement caption for each tangible natural resource should describe this primary purpose.
11. A number of editorial and formatting changes were made based on feedback from members and technical advisors. None of these revisions resulted in substantive changes to the technical requirements or guidance in the ED.

Other Changes

12. In addition to the above changes, paragraph BC41 was added for the proposed implementation guidance and illustrative examples. See [Agenda Item 6.2.2](#).

Decision Required

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

Implementation Guidance and Illustrative Examples

Question

1. Does the IPSASB agree with the inclusion of the proposed implementation guidance (IG) and illustrative examples (IE) to [draft] IPSAS [X] (ED 92), *Tangible Natural Resources*?

Recommendation

2. The Natural Resources Task Force (Task Force) recommend incorporating the proposed IGs and IEs, as detailed in [Agenda Item 6.3.1](#), into ED 92, *Tangible Natural Resources*.

Background

3. At the June 2024 IPSASB meeting, the IPSASB reviewed a revised outline for the proposed non-authoritative text of ED 92, consisting of IGs and IEs. Based on this review, the IPSASB agreed with the proposed topics for the IGs and IEs and delegated their development to the Task Force.
4. Staff also discussed the proposed IGs and IEs with the IPSASB Consultative Advisory Group (CAG) at its June 2024 meeting. (See [Agenda Item 6.3.2](#) for a summary of the CAG discussion and report back.)
5. Based on the decisions and instructions from the IPSASB and the advice from the CAG, staff worked with the Task Force to draft the IGs and IEs, which can be found in [Agenda Item 6.3.1](#). This paper walks through the proposed IGs and IEs.

Analysis

6. Based on the June 2024 decisions and instructions, the following proposed implementation guidance was included in ED 92, *Tangible Natural Resources*:
 - (a) A.1: Determination of whether a tangible natural resource falls within the scope of [draft] IPSAS [X] or another IPSAS (paragraphs IG1-IG3) – This IG walks through the scoping guidance in paragraphs 3-4 of the ED and presents a few scenarios to illustrate how an entity could apply these requirements;
 - (b) B.1: Identification of natural resources (paragraph IG4) – This IG provides considerations for how an entity could go about identifying tangible natural resources within in its jurisdiction;
 - (c) C.1: Determination of control (paragraphs IG5-IG12) – This IG discusses the indicators of control and how they may apply to specific tangible natural resources such as water or living resources;
 - (d) C.2: Difficulties in the recognition of subsoil resources (paragraph IG13) – This paragraph emphasizes the difficulties in recognizing unextracted mineral or petroleum deposits due to existence uncertainty;
 - (e) C.3: Unit of account (paragraphs IG14-IG16) – These paragraphs provide further considerations for determining the appropriate unit of account and discusses the potential knock-on effects on scope, recognition, and measurement;
 - (f) C.4: Conservation (paragraphs IG17-IG20) – This IG explains how conservation differs from typical uses of tangible assets within the scope of other IPSAS and provides factors for an

entity to consider when determining whether a tangible natural resource is held primarily for conservation;

- (g) C.5: Subsequent expenditures incurred to conserve a tangible natural resource (paragraph IG21) – This paragraph explains that the accounting for subsequent conservation expenditures is the same as the accounting set out in paragraph 8 of the ED and is similar to the accounting for subsequent expenditures relating to property, plant, and equipment;
 - (h) C.6: Change in primary use (paragraphs IG22-IG24) – This IG explains the concept of “rewilding” and walks through the accounting upon the change in use of a plot of land;
 - (i) D.1: Determination of current value (paragraphs IG25-IG27) – This IG discusses considerations when determining the current operational value of a tangible natural resources;
 - (j) D.2: Inability to reliably measure current value (paragraphs IG28-IG29) – This IG walks through factors which could lead to the conclusion that the current value of a tangible natural resource cannot be reliably measured; and
 - (k) E.1: Grouping of disclosures (paragraphs IG30-IG32) – This IG explains that IPSAS neither require nor prohibit an entity from grouping the disclosures of tangible natural resources within the scope of ED 92 with the disclosures required by another IPSAS. It also highlights some considerations which may be relevant when making the decision to group disclosures.
7. The following proposed illustrative examples were also added:
- (a) Example 1: Accounting for physically similar assets that have different uses (paragraphs IE3-IE7) – This example illustrates how physically similar assets could be within the scope of different Standards as a result of different primary intended uses;
 - (b) Example 2: Costs to develop natural spaces (paragraphs IE8-IE10) – This example builds on Example 3 in RPG 3, *Reporting Service Performance Information*, and illustrates the potential accounting for the development of green infrastructure;
 - (c) Example 3: Unused publicly owned land (paragraphs IE12-15) – This example illustrates how an entity may account for land held for conservation that cannot be reliably measured; and
 - (d) Example 4: Differences between the modified retrospective and full retrospective transition methods (paragraphs IE17-IE28) – This example walks through the transition guidance proposed in paragraphs 61-63 of ED 92.
8. Because the IGs and IEs are non-authoritative, staff plans to review these items with the IPSASB by exception at the September 2024 meeting. This is consistent with the approach discussed at the June 2024 IPSASB meeting.

Decision Required

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

Approval of [Draft] IPSAS [X] (ED 92), *Tangible Natural Resources*

Question

1. Does the IPSASB agree to approve [draft] IPSAS [X] (ED 92), *Tangible Natural Resources*, with a 120-day exposure period?

Recommendations

2. The Task Force and staff recommend the IPSASB:
 - (a) Approve ED 92; and
 - (b) Expose ED 92 for a 120-day exposure period.

Analysis

Due Process

3. The Natural Resources project commenced with the formal approval of the [Natural Resources Project Brief and Outline](#) in March 2020. The IPSASB developed and released its [Consultation Paper \(CP\), Natural Resources](#), on May 9, 2022. The exposure period for the CP closed on October 17, 2022.
4. The IPSASB performed an initial review of responses to the CP in March 2023 and provided staff with direction on how to proceed.
5. The IPSASB CAG discussed the significant issues raised in the CP and other issues raised by the IPSASB at its June 2023, December 2023, and June 2024 meetings. The CAG provided input and advice for the IPSASB to consider as part of its analysis.
6. The Natural Resources Task Force held multiple in-person and virtual meetings, and communicated via electronic mail, to discuss the following:
 - (a) The scope of ED 92 and the definition of natural resources based on feedback from constituents and direction from the IPSASB;
 - (b) Principles on recognition, measurement, display, and disclosure, taking into account feedback from constituents and from the IPSASB; and
 - (c) Development of the implementation guidance and illustrative examples in ED 92. (See [Agenda Item 6.2.2](#) and the draft ED in [Agenda Item 6.3.1](#).)
7. From June 2023 to this meeting, the proposed guidance was presented to the IPSASB for members' consideration. The full ED is included in [Agenda Item 6.3.1](#). The Task Force and IPSASB staff are of the view that ED 92 is ready for approval.

Exposure Period

8. Staff recommend the ordinary exposure period of 120 days as stated in the [IPSASB's Due Process and Working Procedures](#).

Decision Required

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

Supporting Document 1 – [Draft] IPSAS [X] (ED 92), *Tangible Natural Resources*

The exposure draft referenced in [Agenda Items 6.2.1–6.2.3](#) is posted separately for easier readability.

Key changes to the exposure draft since the July 2024 IPSASB Check-in Meeting are discussed in [Agenda Item 6.2.1](#). A version of the document with detailed tracked changes is available to IPSASB members upon request.

Supporting Document 2 – Natural Resources – June 2024 CAG Report Back

The Consultative Advisory Group discussed the proposed topics for the implementation guidance and illustrative examples at the June 2024 meeting. A summary of the advice provided by CAG members and how the IPSASB has responded to the CAG member comments is posted separately for easier readability.