

**Meeting:** International Public Sector Accounting Standards Board

**Meeting Location:** Virtual Meeting

**Meeting Date:** July 25, 2024

# Agenda Item 1

For:

Approval

Discussion

Information

## TANGIBLE NATURAL RESOURCES

<b>Project summary</b>	The objective of the Tangible Natural Resources project is to research and address issues relating to the potential recognition and measurement of tangible natural resources.	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>Edwin Ng, Principal</li> </ul>	
<b>Task force members</b>	<ul style="list-style-type: none"> <li>Renée Pichard, IPSASB Member (Task Force Chair)</li> <li>Maik Esser-Müllenbach, IPSASB Member</li> <li>Hervé-Adrien Metzger, IPSASB Member</li> <li>Patricia Siqueira Varela, IPSASB Member</li> <li>Andrew van der Burgh, IPSASB Member</li> <li>Henning Diederichs, IPSASB Technical Advisor</li> </ul>	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Exposure Draft Dashboard</a>	<a href="#">1.1.1</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">1.1.2</a>
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">1.1.3</a>
	<a href="#">Tangible Natural Resources: Project Roadmap</a>	<a href="#">1.1.4</a>
<b>Decisions required at this meeting</b>	<a href="#">Revisions to [draft] IPSAS [X] (ED XX), <i>Tangible Natural Resources</i></a>	<a href="#">1.2.1</a>
<b>Other supporting items</b>	<a href="#">[Draft] IPSAS [X] (ED XX), <i>Tangible Natural Resources</i></a>	<a href="#">1.3.1</a>
	<a href="#">[Draft] IPSAS [X] (ED XX), <i>Tangible Natural Resources</i> (with tracked changes)</a>	<a href="#">1.3.2</a>

**TANGIBLE NATURAL RESOURCES:  
 EXPOSURE DRAFT DASHBOARD**

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

<b>Legend</b>	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

**DECISIONS UP TO PREVIOUS MEETING**

<b>Meeting</b>	<b>Decision</b>	<b>BC Reference</b>
June 2024	1. The proposed topics for the implementation guidance and illustrative examples are appropriate for inclusion in the exposure draft.	1. To be updated once non-authoritative text has been drafted.
June 2024	2. The proposed implementation guidance and illustrative examples should be located in the Tangible Natural Resources ED.	2. To be updated once non-authoritative text has been drafted.
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 BC5 in <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
March 2024	2. Conservation should be described as, "the act of managing and protecting a natural resource from degradation."	2. See paragraphs BC34 in <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
March 2024	4. The proposed guidance on the derecognition of natural resources and transitional provisions was appropriate.	4. See paragraphs BC26, BC32-BC33 in <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .

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 <a href="#">Agenda Item 1.3.1</a> .
December 2023	5. The proposed guidance on natural resources should be located in a standalone IPSAS.	5. See paragraph BC4 in <a href="#">Agenda Item 1.3.1</a> .
December 2023	6. Subject to the instructions below, the proposed display and disclosure requirements are appropriate.	6. See paragraphs BC27-BC31 in <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
December 2023	9. The proposed amendments to IPSAS 1 and IPSAS 33 are appropriate.	9. See paragraph BC40 in <a href="#">Agenda Item 1.3.1</a> .
September 2023	1. A natural resource should be defined as a naturally occurring item which embodies service potential.	1. See paragraphs BC8-BC15 in <a href="#">Agenda Item 1.3.1</a> .
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 <a href="#">Agenda Item 1.3.1</a> .
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.

## Agenda Item 1.1.2

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 March 2024	Actioned
June 2024	1. Clarify the difference between natural resources and recognized natural resources in the implementation guidance on the identification of natural resources.	1. To be addressed in the implementation guidance and illustrative examples to be presented in September 2024.
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. To be addressed in the implementation guidance and illustrative examples to be presented in September 2024.
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. To be addressed in the implementation guidance and illustrative examples to be presented in September 2024.
June 2024	4. Delete the proposed implementation guidance on impairment.	4. To be addressed in the implementation guidance and illustrative examples to be presented in September 2024.
June 2024	5. Revise the implementation guidance on disclosures to be consistent with the revised text in the authoritative text of the ED.	5. To be addressed in the implementation guidance and illustrative examples to be presented in September 2024.
June 2024	6. Revise all references to “natural resources”, including the title of the draft ED, to “tangible natural resources”.	6. See <a href="#">Agenda Item 1.2.1</a> .
June 2024	7. Remove the references to the “environmental” and “natural” features in the description of heritage assets in IPSAS 45, Property, Plant, and Equipment, and revise the application guidance on conservation to clarify that natural resources held for conservation which are also heritage assets are within the scope of the draft ED.	7. See <a href="#">Agenda Item 1.2.1</a> .

# Agenda Item 1.1.3

June 2024	8. Revise the specific matters for comment, core text, application guidance, and BCs in the draft natural resources ED for comments raised in the page-by-page review and by Members and Technical Advisors off-line.	8. See <a href="#">Agenda Item 1.2.1</a> .
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**TANGIBLE NATURAL RESOURCES:  
 PROJECT ROADMAP**

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

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

### Question

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

### Recommendation

2. Staff recommend incorporating the proposed changes as detailed in [Agenda Item 1.3.1](#) into ED XX, *Tangible Natural Resources*.

### Background

3. At the June 2024 meeting, the IPSASB performed a detailed page-by-page review of ED XX and provided staff with instructions on revising the ED. (See instructions 6-8 in [Agenda Item 1.1.3](#).) This paper summarizes the key changes that were made to address these instructions.
4. To facilitate the IPSASB's review, a clean version of the revised ED can be found in [Agenda Item 1.3.1](#) and a version with tracked changes can be found in [Agenda Item 1.3.2](#).

### Analysis

#### *Instruction 6: Tangible Natural Resources*

5. As instructed, staff amended the title to 'Tangible Natural Resources' and added 'tangible' to instances of 'natural resources' when appropriate throughout the ED.

#### *Instruction 7: Heritage Assets*

6. Based on the discussion from June 2024, the Amendments to Other IPSAS section has been revised to propose deletion of the references to 'environmental' and 'natural' features in the description of heritage assets in IPSAS 45.
7. In addition, staff clarified in paragraph AG7 of the ED that tangible natural resources held for conservation, which would have also met the unamended description of heritage assets, are within the scope of ED XX.
8. To highlight this change, Specific Matter for Comment (SMC) 6 was also added to solicit feedback from respondents on the proposed amendment.

#### *Instruction 8: Other Changes*

9. In addition to the above changes, staff revised the core text, application guidance, and basis for conclusions as follows:
  - (a) SMC 1 on scope was amended to explicitly ask if constituents are aware of other potential uses of tangible natural resources. In addition, staff also added SMC 4 on the cross-references to IPSAS 45, *Property, Plant, and Equipment*, and SMC 7 on the sufficiency of the proposed implementation guidance and illustrative examples;
  - (b) The definition of tangible natural resources in paragraph 6 of the ED and the recognition criteria in paragraph 8 of the ED were revised to no longer refer to future economic benefits;
  - (c) The discussion on changes in facts and circumstances that can lead to the recognition of an asset has been replaced with signposting to IPSAS 3, *Accounting Policies, Changes in*

*Accounting Estimates, and Errors.* As discussed at the June 2024 meeting, this text was also moved to the application guidance and is now located in paragraph AG16;

- (d) References to 'non-exchange transaction' were replaced with 'an event that is not a transaction in an orderly market (including a non-exchange transaction)' throughout the core text, application guidance and related basis for conclusion paragraphs;
- (e) The core text (paragraphs 20-25) and related application guidance (paragraphs AG26-AG32) on current value measurement were streamlined to remove references to future economic benefits, financial capacity, and fair value. As a result of this change, references to IPSAS 26, *Impairment of Cash-Generating Assets*, were also removed; and
- (f) Various Basis for Conclusions paragraphs were amended or added to explain the above changes. (See tracked changes in [Agenda Item 1.3.2.](#))

### Decision Required

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

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

The exposure draft referenced in [Agenda Item 1.2.1](#) is posted separately for easier readability.

This version of the exposure draft does not show the detailed revisions from the June 2024 version, and key changes are summarized in [Agenda Item 1.2.1](#). A version of the document with detailed tracked changes can be found in [Agenda Item 1.3.2](#).

**Supporting Document 2 – [Draft] IPSAS [X] (ED XX), *Tangible Natural Resources*  
with Tracked Changes**

This version of the revised exposure draft shows the detailed tracked changes since the June 2024 version. Additional text is underlined while deleted text has been struck through. A clean version of the revised document can be found in [Agenda Item 1.3.1](#).