

March 21, 2025

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON Canada M5V 3H2

Re: Response to the IPSASB's Exposure Draft 92, *Tangible Natural Resources*

Thank you for the opportunity to provide input on the IPSASB's Exposure Draft 92, *Tangible Natural Resources (ED)*. We commend the IPSASB for undertaking this initiative and acknowledge the significant strides made since the Consultation Paper phase. Your commitment to advancing this area is evident, and we appreciate the collaborative engagement with interested and affected parties, particularly through the roundtables and outreach initiatives with Canadian interested and affected parties.

Our response reflects feedback gathered through extensive consultations, including:

- two public roundtables featuring diverse interested and affected parties;
- discussions with PSAB's [Public Sector Accounting Discussion Group](#);
- a roundtable discussion with PSAB's [Indigenous Advisory Group](#);
- an online survey to gather responses from interested and affected parties; and
- discussions with PSAB's [Technical Advisory Group](#).

While we are aligned with many technical aspects presented in the ED, we have identified some concerns and areas that may warrant further attention. Below, we provide observations, structured by key themes stemming from consultations with Canadian interested and affected parties.

Indigenous Perspectives and Ongoing Engagement

The Indigenous Advisory Group (the IAG) highlighted the challenges posed by traditional accounting concepts, such as control and ownership, in recognizing and valuing natural resources. We understand that the IPSASB considered these concerns to the best of its ability. However, these challenges underscore the need for ongoing consultation to ensure that Phase II of this project adequately addresses these concerns.

Notably, the IAG emphasized the stewardship role that Indigenous communities play in sustainable resource management. Placing financial value on natural resources may conflict with their holistic approach to living in harmony with nature. It is crucial to maintain and expand engagement with Indigenous governments, organizations and communities to address these unique perspectives and ensure practical guidance.

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Moreover, the effort and cost required to implement this standard could disproportionately impact Indigenous communities which may lack technical resources.

Finally, although the IAG discussed potential issues for consideration, it recognizes that it does not reflect the broader perspectives of all Indigenous peoples across Canada. We strongly urge that the IPSASB continue to engage with Indigenous communities, both within Canada and internationally, to gain a more comprehensive understanding of the diverse issues relevant to the ED and the wider Indigenous communities. Leveraging frameworks like the United Nations Declaration on Rights of Indigenous Peoples (UNDRIP) could assist in improving meaningful participation with Indigenous governments, organizations and communities in the standard-setting process, and we encourage IPSASB to consider adopting these frameworks. Such ongoing engagement is essential to ensure that the standard captures the diversity of Indigenous perspectives and provides meaningful, inclusive guidance.

Residual Standard and Scope

Having a standard with a broad scope aligns with the expectations of interested and affected parties and emphasizes the importance of accounting for tangible natural resources. Additionally, emphasizing the ED's flexibility to include other tangible natural resources as techniques and methodologies evolve would enhance its relevance and applicability into the future.

Some interested and affected parties have suggested that positioning this as a residual standard might hinder its adoption, as most guidance would default to existing standards aside from tangible natural resources held for conservation.

Measurement and Valuation

The inclusion of application and illustrative guidance in the ED is a positive step. However, interested and affected parties raised concerns (i.e. lack of comparability) with providing a choice of measurement basis for measuring natural resources held for conservation. We encourage the IPSASB to incorporate application guidance from paragraph AG 25 directly into the standard as this would enhance clarity and consistency.

Events such as forest fires highlight the challenges of applying measurement principles to natural resources impacted by natural lifecycles. We recommend including examples and guidance on these scenarios to improve the standard's practicality.

Usefulness of Information and Future Developments

Many Canadian interested and affected parties expressed that reporting on natural resources is better suited to broader sustainability reports than financial statements. The IPSASB's forthcoming project on non-financial disclosure of natural resources is an opportunity to address these expectations. We encourage the IPSASB to reflect on how reporting could focus on an entities' sustainable use of natural resources, unconstrained by the scoping limitations of ED 92.

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Continued Developments for the Reporting of Natural Resources

We recognize that this is a rapidly evolving area and encourage the IPSASB to stay informed with the latest developments involving the reporting of natural resources. The IPSASB may want to consider potential impacts of future developments as it continues to explore advancing guidance for natural resources in the public sector.

A common concern raised throughout our outreach was that the lack of professional and technical resources, coupled with the potentially significant implementation costs, would make it challenging for some public sector entities to meet all the requirements for adopting this standard. We recommend that the IPSASB consider the challenges that smaller public sector entities may face in adopting this ED.

Closing Remarks

Once again, we commend the IPSASB for its progress in developing guidance on tangible natural resources and hope that our feedback proves valuable in shaping the development of this vital standard.

That said and as previously mentioned, our discussions with interested and affected parties in Canada noted that while ED 92 represents an important starting point, its scope as a residual standard may limit its usefulness for Canadian public sector entities. Particularly considering that most tangible natural resources may not meet all recognition criteria or fall within the scope of existing IPSASB standards. As a result, we encourage the IPSASB to advance Phase II of this project to address the identified expectation gap and provide comprehensive guidance on the appropriate disclosure of natural resources.

Kind regards,



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RESPONSES TO SPECIFIC QUESTIONS

Specific Matter for Comment 1: Scope (paragraphs 3-5):

This Exposure Draft is broadly applicable to all tangible natural resources which are not within the scope of any other existing IPSAS. (See paragraphs 3-4, BC8, and BC34.)

Do you agree with the proposed scope? If not, what alternative scoping approach would you propose and why?

As a result of the proposed scope, tangible natural resources held for conservation are one common example of items which could fall within the scope of this Exposure Draft. What other items would you anticipate being accounted for through this Exposure Draft?

ED 92 includes an "Alternative View" regarding its scope and the definition of tangible natural resources.

Response

We agree that existing IPSAS would capture certain tangible natural resources. By excluding those that may fall within existing IPSAS, it appears that tangible natural resources held for conservation would be a common example of items that would fall within the scope of this ED.

We were unable to identify other tangible natural resources that would fall within the scope of the ED, aside from those held for conservation. Participants at our roundtables echoed this sentiment and were unable to provide other examples. As a result, we agree that tangible natural resources held for conservation are likely to be a category that falls within the scope of ED 92.

Some participants in the roundtables supported the alternative view that this standard should not be an exhaustive or catch-all standard, while others endorsed the IPSASB's position to leave the door open for other potential tangible natural resources to be recognized in this ED. While it was noted that allowing the standard to include other tangible natural resources beyond those held for conservation could lead to varied interpretations and potential risks¹, many acknowledged that this area continues to evolve and supported maintaining flexibility.

Given the recognition criteria noted in the ED and future advancements in control, measurement and valuation techniques, and other areas, additional types of tangible natural resources may fall within the scope of this ED. As a result, we agree with the scope that includes tangible natural resources held for conservation as an example of items which could fall within the scope, while opening the door for possible other examples that may arise in the future. As a participant to the roundtables put it, this allows IPSASB to "future proof" the standard. However, we find it concerning that the outcome of the ED is regarded as a residual standard and that its scope is likely limited to only tangible natural resources held for conservation. Greater emphasis should be placed on the fact that the ED allows for the inclusion of other potential tangible natural resources.

¹ A potential risk cited was that from an audit perspective it would be difficult to determine the completeness of the recognition of the natural resources in scope of this standard.

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Lastly, we agree with the removal of "human intervention" as a determining factor in the definition of a natural resource. This shift ensures that conservation efforts do not unintentionally disqualify assets from being considered natural resources, aligning with sustainability goals and reflecting the urgency of addressing environmental degradation.

Specific Matter for Comment 2: Definitions (paragraph 6)

This Exposure Draft defines a natural resource as an item which is naturally occurring and embodies service potential, the capability to generate economic benefits, or both, and a tangible natural resource as a natural resource with physical substance.

Do you agree with the proposed definitions? If not, why not?

ED 92 includes an "Alternative View" regarding its scope and the definition of tangible natural resources.

Response

We agree with the improvements made to the natural resource definition in the ED and find that it provides a much clearer definition than what was previously proposed in the Consultation Paper. However, some participants at our roundtables found it challenging to understand how the concepts of service potential or economic benefits apply to tangible natural resources held for conservation. Some respondents argued that tangible natural resources held for conservation might be perceived as having indeterminate service potential or not being intended to generate economic benefits. These respondents noted that if the scope of this ED is likely to apply to tangible natural resources held for conservation, the definition of natural resources may not align with the intended outcome of the scope.

Some respondents also felt that the discussion of acts of conservation is too broad and would benefit from more detailed specifications. It was noted that the mechanisms for creating a conservation item may vary, including legal obligations, formal declarations, or other notices that establish conservation status for a tangible natural resource.

Finally, it was noted that paragraph AG23 states that "an entity would recognize the cost of repopulating the forest as an asset, as these costs result in incremental service potential that would likely flow to the entity." A question arose as to whether "planting trees" would conflict with the definition of natural resources which states that they are "naturally occurring".

Specific Matter for Comment 3: Depreciation (paragraph 23)

This Exposure Draft includes a rebuttable presumption that the tangible natural resources recognized within the scope of this [draft] Standard have indefinite useful lives on the basis that they are generally not used or consumed in the same manner as tangible assets within the scope of other IPSAS. Therefore, these tangible natural resources are not depreciated.

Do you agree with the proposed rebuttable presumption that tangible natural resources should not be depreciated? If not, why not?

Response

Unlike other depreciable capital assets, the value of some tangible natural resources may increase over time as they grow and mature. A young, undeveloped forest does not hold the same value as a forest composed of mature trees. Conversely, an aging of mature trees that are nearing the end of their life cycle would eventually produce deadwood and hold less value. An argument was made that this example highlights the need to consider the depreciation of certain tangible natural resources, provided that appropriate information and measurement tools are available. Additionally, a discussion highlighted the

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idea that forest fires can naturally occur in aging forests and underscores the potential change in value of this type of tangible natural resource, especially if the forest is held for conservation. As a result, the rebuttable presumption that recognized tangible natural resources within the scope of the ED that have indefinite useful lives may not be appropriate for all tangible natural resources. Certain tangible natural resources may have life-cycles, and the presumption that they are generally not used or consumed may not be accurate. Consequently, it remains to be determined if certain tangible natural resources should be depreciated, or not.

In our opinion, the rebuttable presumption may be too broad, as it does not adequately consider the life-cycles of all tangible natural resources. However, it is important to note that this view was not unanimous among Canadian interested and affected parties, as some concluded that the rebuttable presumption was appropriate. Therefore, we recommend that the IPSASB provide examples of natural resources with useful lives based on their life-cycles when determining factors that may justify not considering their lives as indefinite.

Specific Matter for Comment 4: Exemption from Certain Disclosures (paragraph 51)

As explained in paragraph BC31, this Exposure Draft exempts an entity from disclosing certain information which may lead to further degradation of tangible natural resources which are rare or endangered.

Do you agree with the proposed disclosure exemption? If not, why not?

Response

We agree with the proposed disclosure exemption in the ED, if the information could lead to further endangerment or degradation of rare or endangered tangible natural resources. We recognize that the preservation and protection of endangered species and resources is integral to how such critical resources are managed by public sector entities.

We acknowledge that it is essential to thoroughly assess any unintended consequences that may result from the disclosures and items introduced in the ED, as these could significantly affect the intended outcomes.

For example, while illegal poaching may be prevalent in some areas of the globe, disclosing information about rare or endangered tangible natural resources could instead help raise awareness and public interest. This, in turn, could highlight the potential further endangerment or degradation of these resources if they are not protected and conserved. As such, we agree with the IPSASB's proposed approach to allow an entity to limit the disclosure of such information if such information leads to the further degradation of the natural resource. However, if such information does not, we would consider such information useful and thus accept and agree with the "limited" exemption. We would caution however that professional judgement must be exercised, similarly to the approach to IPSAS 19, in having an exemption from disclosing information could hinder or prejudice a public sector entity's preservation of its rare or endangered tangible natural resources. Exempting public sector entities from disclosing information about rare or endangered tangible natural resources may be counterproductive, as such information could aid the public in preserving and protecting these resources and it is also important for accountability purposes.

Specific Matter for Comment 5: Cross-References to IPSAS 45, Property, Plant, and Equipment (paragraphs 15 and 54):

This Exposure Draft includes cross-references to the guidance in IPSAS 45 on the determination of cost in an exchange transaction and the disclosure requirements for current value. This guidance was incorporated by cross-reference as the acquisition of tangible natural resources is expected to be rare in the public sector, and there is familiarity with the principles on the determination of cost, which are consistent with those found in IPSAS 45.

Do you agree that these cross-references are sufficiently clear? If not, how should the above guidance be incorporated into the Final Standard?

Response

We agree that the cross-references are helpful in clarifying the rare instances where an exchange transaction involving a tangible natural resource would occur. Providing cross-references, rather than requiring users to determine the applicable paragraphs in IPSAS 45, will ease adoption and improve clarity in such instances.

Referencing paragraphs 14-22 of IPSAS 45 will allow for the appropriate references in determining the cost of a recognized tangible natural resource acquired through an exchange transaction when applying the principles of cost and measurement of cost. For the appropriate measurement value, paragraphs 80-84 of IPSAS 45 provide consideration on the requirements for current operational value or fair value.

Placing additional emphasis on paragraph AG25 of the ED may prove helpful for interested and affected parties in understanding the measurement of a tangible natural resource held for conservation (i.e. current operational value). As previously mentioned, we recommend that paragraph AG 25 be incorporated directly into the IPSAS rather than as Application Guidance. We recommend including this point immediately before paragraph 16 of the ED to ensure it is thoroughly addressed within the main text of the standard, rather than as application guidance. This approach would clarify that a tangible natural resource within the scope of the Standard that is held for conservation will generally be held for its operational capacity, and its current value shall be measured at current operational value. On the other hand, it would be measured at fair value if they are held for their financial capacity. Certain participants at our roundtables were unclear about this aspect, and having this form part of the standard would provide additional clarity and consistency in application. In addition, this change in the standard may create a need for paragraph 16 to be amended so as the two paragraphs are not contradictory.

Specific Matter for Comment 6: Transition (paragraph 60)

This Exposure Draft allows the application of its requirements on a modified retrospective approach, by recognizing tangible natural resources which meet the recognition criteria on the date of initial application of the [draft] Standard at their deemed cost, or on a full retrospective basis in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.

Do you agree that the option to apply the proposed guidance on a modified retrospective basis will result in useful information? If not, why not?

Response

We did not identify any concerns with the transitional approaches.

Given that most tangible natural resources are expected to primarily utilize existing IPSAS, we do not foresee any significant issues in this area and therefore have limited comments. The IPSASB has provided helpful illustrative examples in relation to its transitional provisions in paragraphs IE16-IE28. These examples also help to clarify what is meant by deemed cost or current value. It may be helpful to

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the reader to direct them to these illustrative examples in the "Transition" section of the standard. For example, paragraph 63 could be added that states the following "Paragraphs IE16-IE28 provide illustrative examples in relation to the transitional provisions."

Specific Matter for Comment 7: Amendment to the Description of 'Heritage Asset' in IPSAS 45, Property, Plant, and Equipment (Appendix B)

The IPSASB proposes to amend the description of 'heritage asset' in IPSAS 45 so that heritage assets which are also tangible natural resources are accounted for within the scope of this [draft] Standard. Do you agree with the proposed amendment? If not, why not?

Response

We agree with the proposal to amend the description of "heritage assets" so that heritage assets which are also tangible natural resources held for conservation are accounted for within the scope of ED 92. Since some tangible natural resources held for conservation could also have the characteristics of heritage assets as described in IPSAS 45, it is important to have appropriate referencing across existing IPSAS so that the appropriate and intended standard is utilized specifically for tangible natural resources held for conservation. We concur that these heritage assets should fall within the scope of this ED to avoid confusion among interested and affected parties, rather than being included under IPSAS 45.

Specific Matter for Comment 8: Sufficiency of Proposed Implementation Guidance and Illustrative Examples

The non-authoritative guidance in this [draft] Standard was developed for topics that are potentially complex and difficult to apply in practice, are areas of concern for constituents, or where additional non-authoritative guidance could be useful.

Do you agree that the proposed implementation guidance and illustrative examples are sufficient? If not, what other topics would be helpful and why?

Response

The IPSASB made significant improvements with the implementation and illustrative guidance. However, many Canadian interested and affected parties expressed particular interest with respect to enhanced or engineered green infrastructure and how such would fall outside the scope of the ED. The examples and guidance allow interested and affected parties to access practical examples where tangible natural resources may be captured by existing IPSAS. Given that most tangible natural resources are expected to primarily utilize existing IPSAS, it would be beneficial to provide examples and guidance on specific instances where these standards can be applied, such as green infrastructure that could be recognized under IPSAS 45. While the ED provides implementation guidance and explains the reasoning, clearer examples of tangible natural resources covered by existing IPSAS would be helpful. Such a change would help entities understand the scope and application considerations between this ED and existing IPSAS.

Additionally, the flowchart outlining² the applicability of the appropriate application is helpful for entities to understand key considerations when applying the proposed standard.

² Appendix A to the ED provides Application Guidance to assist with the applicability of principles introduced in the ED. Paragraph AG2 depicts a flowchart to assist entities with the key considerations when applying the ED.