

This paper provides the technical advice from EFRAG FR TEG to the EFRAG FRB, following EFRAG FR TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in the EFRAG Update. EFRAG positions as approved by the EFRAG FRB are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Prospective IFRS Accounting Standard - Regulatory assets and regulatory liabilities

Educational session

Cover Note

Objective

- 1 The purpose of this session is to provide EFRAG FRB members with an overview of the main requirements in the forthcoming IFRS Accounting Standard on Regulatory Assets and Regulatory Liabilities (forthcoming Standard).
- 2 This session is aimed at ensuring readiness for the endorsement process of the forthcoming Standard. It complements the updates provided to EFRAG FRB members during the course of the project. The EFRAG Secretariat will plan additional educational sessions if considered useful and also closer to the time when the final standard is published and the final wording is made available.

Background

- 3 In September 2021, EFRAG issued its [final comment letter](#) on the January 2021 IASB Exposure Draft *Regulatory Assets and Regulatory Liabilities* ('ED') and has since been monitoring the IASB's redeliberations and tentative decisions on the feedback to the ED. Updates have been provided at EFRAG RRAWG, FR-TEG, FRB, and FR TEG-CFSS meetings during the IASB redeliberation process.
- 4 In July 2024, the IASB finalised its redeliberations. During the drafting process, the IASB identified a sweep issue on the discount rates, which the IASB discussed in May 2025 and decided to include no requirements for a minimum interest rate (previously, the ED required applying a minimum interest rate in certain circumstances). At its meeting in May 2025, the IASB also decided to add additional disclosures in the context of removing the minimum interest rate requirements.
- 5 In June-July 2025, the IASB made available an external editorial review draft (review draft) of the prospective IFRS Standard to selected stakeholders for their comment. In responding to comments received on the review draft, the IASB identified two further sweep issues on the recognition conditions and inflation adjustments which were discussed at its meeting in October 2025. These decisions were discussed with the EFRAG RRAWG in

December 2025 and with EFRAG FR TEG at its meeting in January 2026. Members of the RRAWG and EFRAG FR TEG were generally supportive of these decisions, noting that the more principles-based approach taken on recognition is an improvement to the previous drafting of the requirements.

- 6 The forthcoming Standard is expected to be published in Q2 of 2026, with an effective date of 1 January 2029 and with early adoption permitted.

EFRAG's preparatory work for endorsement advice so far

- 7 EFRAG started its preparatory work for endorsement advice in Q3 2024 and prepared a list of preliminary areas of focus identified for the endorsement assessment process. In Q3 2024, the EFRAG Secretariat conducted outreach to preparers, building on the 2023 IASB survey on the direct (no direct) relationship. At that stage, the forthcoming Standard had been expected in 2025.
- 8 In 2025, the EFRAG Secretariat conducted additional outreach activities with preparers that will be/could be impacted by the prospective IFRS Standard, focusing on the preliminary focus areas identified. We are conscious that further issues may emerge once the final Standard is published. Some FR TEG members have pointed to the potential challenges of conducting outreach activities without the draft wording of the final standard and illustrative examples.
- 9 The EFRAG Secretariat published two surveys in the latter part of 2025 – one for the energy and gas sector and the second for non-energy companies that operate in a rate-regulated environment (such as water providers, railways and airports). The surveys sought to gather views on the practical application of the requirements based on the IASB tentative decisions and the expected effects of the forthcoming Standard from a cost-benefit perspective.
- 10 In June 2025, EFRAG representatives updated the Accounting Regulatory Committee (ARC) on key aspects of the prospective IFRS Standard. The need to further assess the practicability of the prospective Standard in light of the diverse regulatory regimes across member states was underscored. Stakeholders also mentioned it was important to be thorough and not to rush the endorsement of the new Standard, with its new requirements that fill a gap in existing IFRS. It was agreed that a further update will occur at future ARC meetings
- 11 Outreach initiatives will continue in the first months of 2026, with planned meetings with most the energy companies to further understand their responses, discuss the implications, if any, of the recent IASB tentative decisions and understand whether any changes in relevant regulations are foreseen. The deadline for the survey aimed at non-energy companies is in Q1 2026. The EFRAG Secretariat plans to share the outcome of the outreach work with FR TEG and the FRB in April/May 2026.

Agenda Papers

- 12 In addition to this cover note, the following paper is provided for this session:
 - (a) Agenda paper 07-02 – Presentation on the main requirements in the forthcoming IFRS Standard.