INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON CONTRACTS REFERENCING NATURE-DEPENDENT ELECTRICITY – AMENDMENTS TO IFRS 9 AND IFRS 7

Once filled in, this form should be submitted by 13 January 2025 using the 'Comment publication link' available at the bottom of the respective news item. All open consultations can be found on EFRAG's web site: Open consultations: express your views.

EFRAG has been asked by the European Commission to provide it with advice and supporting material on Contracts Referencing Nature-dependent Electricity—Amendments to IFRS 9 and IFRS 7 ('the Amendments'). In order to do so, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from their implementation in the European Union (the EU) and European Economic Area.

A summary of the Amendments is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of the Amendments.

Your details

1 Please provide the following details:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

Geir B. Risnes - Å Energi AS

(b) Are you a:

☑ Preparer ☐ User ☐ Other (please specify)

(c) Please provide a short description of your activity:

Producer of hydroelectric power, grid operator and supplier of electricity to consumers and businesses

(d) Country where you are located:

Norway

(e) Contact details, including e-mail address:

Geir.Bastelid.Risnes@aenergi.no

EFRAG's initial assessment with respect to the technical criteria for endorsement

2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG's reasoning is set out in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

(a) Do you agree with this assessment?

☑ Yes ☐ No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of the accompanying Draft Letter to the European Commission regarding endorsement of the Amendments that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

We consider the wording in appendix 2 paragraph 35 and 36 to be important for our support of the endorsement advice.

The European public good

3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments.

Improvement in financial reporting

4 EFRAG has identified that in assessing whether the endorsement of the Amendments is conducive to the European public good it should consider whether the Amendments are an

improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 6 of Appendix 3 of the accompanying Draft Letter to the European Commission). To summarise, EFRAG's initial assessment is that the Amendments are likely to improve the quality of financial reporting.

Do you agree with the assessment?

☑ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Costs and benefits

5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 8 to 17 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that the Amendments are likely to reduce the costs for preparers especially as it relates to the own-use exemption. These cost reductions might be partially offset by additional disclosure requirements introduced by the Amendments, however, the information requested is expected to be available or would be available with minimal on-going costs, once the implementation occurred.

Further, EFRAG assessed that implementation of the Amendments will not result in an increased costs to users.

Do you agree with this assessment?

☑ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraph 18 to 24 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of the Amendments. To summarise, EFRAG's initial assessment is that the Amendments improve the quality of financial reporting by providing relevant, reliable, understandable and comparable information which faithfully reflect the economic impacts of the nature-dependent electricity (NDE) contracts in scope of the Amendments and do not impede prudent accounting.

Do you agree with this assessment?

☑ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

7 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 above.

Do you agree with this assessment?

☑ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Other factors

1 EFRAG has identified a number of other factors that could be considered in assessing whether the endorsement of the Amendments is conducive to the European public good (see Appendix 3, paragraphs 25 to 28). Specifically, EFRAG highlighted that the Amendments overcome the issues that preparers quoted as an obstacle to entering into the NDE contracts. By solving the issue, the Amendments contribute to the growth of the renewable electricity market, as more entities will be entering into renewable energy contracts knowing that they can faithfully reflect their effects on entity's financial statements. Such behaviour

could result in the development of additional renewable production facilities which would contribute to the European Green Deal.

2 Do you agree with the assessment of these factors?

☑ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Do you agree that there are no other factors to consider in assessing whether the endorsement of the Amendments is conducive to the European public good?

☑ Yes ☐ No

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice.

Overall assessment with respect to the European public good

8 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 29 to 32 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

☑ Yes ☐ No

If you do not agree, please explain your reasons.