



**RAAD VOOR DE
JAARVERSLAGGEVING**

Dutch Accounting Standards Board

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EFRAG
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Re : DASB reaction on Draft comment letter Contracts for Renewable Electricity

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to provide a response to the EFRAG Draft Comment Letter on the Exposure Draft ‘Contracts for Renewable Electricity – Proposed amendments to IFRS 9 and IFRS 7’, issued by the IASB in May 2024.

We generally support EFRAG’s comments. We would like to bring the below mentioned items to your particular attention.

Own use requirements

Like EFRAG we are concerned about the requirements to (re)purchase at least an equivalent volume of electricity within a reasonable timeframe. We support the underlying concept that companies should not be able to “oversize” their contracts and bypass deliberately the derivative accounting requirements under the ED. However, we would like to iterate that the one month may be too restrictive due to the seasonal nature dependent profiles of the renewable energy contracts.

Additionally, we observe companies entering into renewable electricity contracts with the aim to ensure a high level of renewable electricity compared to the expected demand profile. These companies accept that there will be periods where renewable electricity needs to be sold without a direct need to repurchase the electricity, and effectively regard this part of the renewable electricity as “waste” in the purchase process. We are not convinced that such renewable sourcing strategy should automatically result in classifying these contracts as not meeting the own use requirements. We would welcome further discussion about this topic; albeit that this would probably need to be part of a different project in order not to delay finalisation of the current proposals related to contracts for renewable electricity.

Renewable energy certificates (RECs) are out of scope for this project (BC11). However, this raises the question what the consequences are of this statement in the basis for conclusions. Normally, RECs are acquired under these contracts for ‘own use’ purposes, while the renewable

electricity component may not fulfil the own use requirements. In such a scenario the ED is unclear whether this would mean that the entire contract would need to be accounted for as a derivative, or that the RECs component could still be accounted for as own use, and only the purchase of the renewable electricity would need to be accounted for as an (embedded) derivative. The latter is in line with current practice and we would support such accounting treatment. If effectively the RECs component can be bifurcated from the renewable electricity component this raises further questions on whether other (time or volume) components of the purchased electricity could be separately accounted for as well. We would welcome further discussion about this topic; albeit that this would probably need to be part of a different project in order not to delay finalisation of the current proposals related to contracts for renewable electricity.

Hedge accounting requirements

Like EFRAG we generally support the proposals of the IASB related to the amended hedge accounting requirements. However, we believe that the proposal to allow designation of a variable nominal volume of a forecast transaction, including not requiring forecast transactions to be highly probable if the hedging instrument relates to a proportion of the total future sale, does not need to be limited to contracts within the scope of the ED. Such hedges, where the hedging instrument relates to a proportion of the future sales, are usually highly effective as hedging instrument. In economic terms, such a hedge relationship is a near perfect hedge of the entity's exposure to the hedged risk. Therefore applying hedge accounting to all similar contracts would potentially improve the relevance of financial information. We would suggest to address the above comments as part of the post implementation review of IFRS hedge accounting in order not to delay the finalisation of the current proposals related to contracts for renewable electricity.

Disclosure requirements

We support EFRAG's comments related to the proposed disclosures, specifically its suggestion that the disclosure requirements proposed in the ED should apply only to contracts that qualify for the own-use exception. However, we do not believe it would be appropriate to include disclosure requirements that only apply to contracts within the scope of the ED. In practice there may be (many) other contracts for which the own-use exemption is applied which bear similar risks as the contracts within the scope of the ED. We suggest the Board to consider the disclosure requirements for such contracts as part of a different project in order not to delay finalisation of the current proposals related to contracts for renewable electricity.

If you have any questions please do not hesitate to contact me.

Yours sincerely,

drs. G.M. van Santen RA
Chairman Dutch Accounting Standards Board