



International Accounting Standards
Board (IASB)
Dr Andreas Barckow, Chair
30 Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

2 October 2023

Dear Dr Barckow,

Re: Application of the own use exception on power purchase contracts

We write to you regarding the project on the application of IFRS 9 on power purchase agreements ('PPAs'). BusinessEurope is a strong supporter of the project and we appreciate that the IASB has admitted the matter to its workplan.

We are aware of European companies' concerns regarding the current challenges in the application of IFRS 9 to such contracts, which depending on the features of the contract, may require the classification of them as derivative financial instruments.

We emphasize that in our opinion, measuring PPAs, that have the predominant intention of securing access to and prices of renewable energy, at fair value through profit or loss does not adequately depict the economic substance of these transactions. While for storable items (e.g. most raw materials), the application of the own use exception allows for an adequate presentation of the effects when the underlying transaction is consummated (i.e. when the procured goods are transformed into inventories and those are being sold – leading to revenue and costs of sales), this is not so for PPAs. Treating PPAs as derivative financial instruments requires a presentation of such contracts as speculative investments that are not attached to the operating performance of companies.

We observe that companies delay their efforts of transition to a carbon neutral procurement of renewable energy because of the effects that a classification as derivative financial instrument can have on the companies' statements of financial performance. This may lead to projects being delayed due to a perceived absence of demand, hindering progress towards decarbonisation.



Therefore, we urge the Board to act quickly in order to find a narrow-scope solution and allow for an application of the own use exception for these contracts as soon as possible.

If you require further information regarding this matter, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'E. Berggren', with a long horizontal stroke extending to the right.

Erik Berggren
Senior Adviser