Agenda Item 10: Natural Resources

Edwin Ng, Principal

IPSASB Meeting
March 10–13, 2020
New York, USA
Natural Resources

Session Outline

- Discussions to Date
- Development of the Natural Resources Project Brief
- Key Issues
- Comments from Members, TAs, and Observers
- Approval of the Project Brief
The IPSASB added Natural Resources to the work program in September 2018. Since then...

Input and advice on public interest issues and project scope from:

- IPSASB CAG – June 2019
- National Standard Setters – June 2019
- IPSASB Stakeholders – 3 Regional Roundtables in partnership with African Union, Asian Development Bank and FOCAL
Discussions to Date (2)

Feedback from research and scoping:

- Financial reporting objectives should drive scope
- Keep scope manageable; many broad issues and initiatives related to natural resources, many beyond financial reporting
- Ensure clarity and focus on resources prior to extraction
- Separately consider exploration and development activities and relevance of accounting guidance related to activities (IFRS 6 and IFRIC 20)
- Consider tangible natural resources rather than intangibles
- Broad group of interested stakeholders with high expectations extending beyond financial reporting. Important to clearly communicate project objectives
Natural Resources Project Brief was developed based on the following:

• Research previously performed for CAG and roundtable materials
• Consultations with the CAG and constituents at the Public Sector Standards Setters Forum and regional roundtables
• Input from the Natural Resources Task Force
• The Task Force recommended the project brief for approval by the IPSASB
Natural Resources

Key Issues – Project Management (5.3-5.6)

Complete project in phases for better management:

<table>
<thead>
<tr>
<th>Phase 1 Major Milestones</th>
<th>Date</th>
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<tbody>
<tr>
<td>Approve project brief</td>
<td>March 2020</td>
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<tr>
<td>Develop and approve phase 1 consultation paper covering:</td>
<td>June 2021</td>
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<tr>
<td>• General issues on natural resources</td>
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<td>• Deep dive on subsoil resources</td>
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<td>Develop and approve phase 1 exposure draft</td>
<td>December 2022</td>
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<td>Develop and approve phase 1 final standard</td>
<td>March 2024</td>
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<td>External communications</td>
<td>Throughout</td>
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Natural Resources

Key Issues – Scope, Recognition, and Measurement (5.7-5.11)

- Is there a resource?
- Presently controlled?
- Past event?

Recognition

Natural resource asset

Measurement

Can the resource be reliably measured?

Constraints / Qualitative Characteristics
Constituents concerned about broader financial reporting disclosures, regardless of whether resources are recognized as assets:

<table>
<thead>
<tr>
<th>Fiscal Sustainability</th>
<th>Risks and Uncertainties</th>
<th>Service Performance Information</th>
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<tbody>
<tr>
<td>• Use of currently available resources</td>
<td>• Risks from use of natural resources</td>
<td>• How use of natural resources impacts achievement of the entity’s performance objectives</td>
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<td>• Availability of resources for future generations</td>
<td>• Impact on climate change</td>
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Key Issues – Cost of Related Activities (5.13)

- Resource vs Related Activities
  - Underlying Resource
    - No Existing Guidance
  - Exploration, Evaluation, and Development Activities
    - IFRS 6 and IFRIC 20
Natural Resources

Comments from Members, TAs, and Observers

• Discussion of comments from IPSASB Members, Technical Advisors, and Observers received prior to the meeting
Approval of the Natural Resources Project Brief

The IPSASB is asked to:

• Approve Natural Resources – Project Brief and Outline