
IFRS Foundation Trustees' Due Process Oversight Committee (DPOC) meeting

Date	June 2024
Project	IFRS Accounting Taxonomy
Topic	Approval to publish the Proposed IFRS Taxonomy Update based on the Exposure Draft <i>Contracts for Renewable Electricity</i>
Contacts	Nili Shah (nshah@ifrs.org)

This document is prepared for discussion of a public meeting of the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

Introduction to the IFRS Accounting Taxonomy

1. The IFRS Accounting Taxonomy provides a list of defined elements which, when assigned to information in financial statements prepared in accordance with IFRS Accounting Standards, provide the structure and classification necessary for that information to be computer-readable. Information in a computer-readable, structured data format allows investors to compare and analyse information efficiently—and on a large scale.

Purpose

2. The purpose of this paper is to seek the Due Process Oversight Committee's (DPOC) permission to publish a proposed IFRS Taxonomy update (PTU) based on the proposals in the Exposure Draft *Contracts for Renewable Electricity* (Exposure Draft).
3. In accordance with paragraphs 6.47 and A28 of the [Due Process Handbook](#), a PTU is developed for a *final* Standard or amendment, and the publication of the PTU normally happens at the same time as, or shortly after, the final Standard or amendment is published ([Appendix A](#)).

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- Specifically in this case, the staff recommend publishing the PTU based on the Exposure Draft because this will allow the IASB to finalise the Update to the IFRS Accounting Taxonomy by March 2025, so that the Taxonomy elements may be used from the first period the related amendments are effective. The IASB discussed this recommendation at its May 2024 meeting and supported the recommendation.

Background

- The IASB added an urgent research project on contracts for renewable energy (commonly referred to as ‘power purchase agreements’) in July 2023, following requests from stakeholders for a timely solution that will better reflect the purpose and effects of these contracts in the financial statements while at the same time increase their use of renewable electricity.¹
- The Exposure Draft was published in May 2024. Following a shortened 90-day public consultation period (as approved by the DPOC) and redeliberation by the IASB, a final amendment is expected to be issued towards the end of November 2024, subject to feedback, and expected to be effective for annual reporting periods beginning on or after 1 January 2025.

Rationale for recommendation

- To facilitate effective digital financial reporting, IFRS Accounting Taxonomy elements should be available for entities to use from the first period that the related Standard or amendments are effective.
- Accordingly, to facilitate the use of the elements relating to *Contracts for Renewable Electricity*, those elements should be included in the IFRS Accounting Taxonomy 2025, expected to be published in March 2025. Annual compilations of the IFRS Accounting Taxonomy are published by the end of March to allow regulators

¹ Staff paper from March 21, 2024 DPOC meeting [AP1: Approval of shortened comment period for proposed amendments to IFRS 9 and IFRS 7 related to power purchase agreements](#)

sufficient time to review and embed the updated taxonomy in their jurisdictions’ digital reporting frameworks. Elements included in the IFRS Accounting Taxonomy 2025 would be available for entities to tag their 2025 financial reports, published in 2026.

9. If a final amendment is published towards the end of November 2024, under normal due process, it is not possible to complete the necessary steps of the taxonomy development process in time for a final Taxonomy update to be published in the IFRS Accounting Taxonomy 2025.
10. The consequence of not including these elements in the IFRS Accounting Taxonomy 2025 is that entities would need to create custom elements (called ‘extension elements’) to capture the information disclosed in accordance with *Contracts for Renewable Electricity* for the first year in which the amendment is effective.² These extension elements are not comparable, can be difficult to understand and inefficient to consume. Superfluous use of such extension elements undermines the benefits of digital financial reporting.
11. To publish the final Taxonomy Update in time for the IFRS Accounting Taxonomy 2025 in March 2025, the staff recommend publishing the PTU earlier than the final amendment and based on the proposals in the Exposure Draft. The staff do not think that this would undermine the principles in the Due Process Handbook—transparency, full and fair consultation and accountability—because all necessary due process steps would still be completed. The comment period for the PTU will be 60 days in accordance with the Due Process Handbook.
12. Under normal due process, a PTU is published at the same time or shortly after a final Standard or amendment because the taxonomy modelling proposals would be based on the final disclosure requirements. The main risk of publishing a PTU earlier than the final Standard or amendment is that the proposed disclosure requirements might

² Entities applying *Contracts for Renewable Electricity* earlier than the effective date, that is, for the 2024 financial year, would, in any case, need to create extension elements to capture information disclosed in accordance with the amendments. However, these entities would be able to apply the basis for our proposed modelling approach to create their extension elements in a manner that facilitates a consistent tagging approach.

change, requiring changes to the taxonomy modelling proposals, and, at most, re-exposure of the PTU. However, the staff do not think this is a significant risk because the modelling of the proposed disclosure requirements for *Contracts for Renewable Electricity* is straight-forward and is not expected to benefit from further consultation.

13. The staff considered delaying publication of IFRS Accounting Taxonomy 2025 to April/May 2025 to allow time to incorporate updates arising from *Contracts for Renewable Electricity*. However, the staff rejected this approach because it will not give some regulators sufficient time to incorporate the update in their digital reporting frameworks for 2026.
14. The staff also considered asking for a comment period shorter than the typically shortened period of 30 days, to allow finalisation of the Update in March 2025. However, the staff rejected this approach because this approach is still dependent on when the underlying project is finalised and because the shortened comment period would also fall within the holiday period for many stakeholders, making the consultation process ineffective.

Question for the DPOC

1. Does the DPOC agree with the staff recommendation to publish the proposed IFRS Taxonomy update based on the Exposure Draft *Contracts for Renewable Electricity*?

Appendix A: Summary of Due Process Handbook section on timing of proposed Taxonomy updates

A1. The IFRS Taxonomy due process normally requires a proposed IFRS Taxonomy update to be published based on new or amended IFRS Standards. The relevant paragraphs from the Due Process Handbook have been provided below for reference.

6.47 In the case of a taxonomy update reflecting a new or amended IFRS Standard, the implications for the IFRS Taxonomy are considered during the development and drafting of new or amended IFRS Standards. The publication of the proposed IFRS Taxonomy update normally happens at the same time as, or shortly after, the final Standard or amendment to a Standard is published.

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A28 ... A proposed IFRS Taxonomy update is developed for the final IFRS Standard only.

A29 The Board approval of the proposed IFRS Taxonomy update normally takes place concurrently with the approval of the ballot of the related final IFRS Standard. The Board may decide that the approval of the proposed IFRS Taxonomy update should take place at a later time if:

- (a) its concurrent publication with the related Standard risks delaying the publication of the Standard; or
- (b) the proposed amendments to the IFRS Taxonomy are sufficiently narrow in scope and consequently can be combined with future proposed amendments into one proposed IFRS Taxonomy update.

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A42 In the case of a taxonomy update reflecting a new or amended IFRS Standard, the proposed IFRS Taxonomy update is released at the same time or shortly after the final Standard is published, except as described in paragraph A29.