

Dr Wolf Klinz
EFRAG FRB Chair
European Financial Reporting
Advisory Group (EFRAG)
35 Square de Meeûs
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Ref: EFRAG's due process on the IASB's Exposure Draft Contracts for Renewable Electricity

Dear Dr Klinz, *dear Wolf*,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to contribute to EFRAG's due process with regards to Exposure Draft ED/2024/3 *Contracts for Renewable Energy*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRS.

ESMA welcomes the IASBs' proposals relating to contracts to buy or sell renewable electricity that have specified characteristics as it expects that these proposals will result in providing more useful information to users of financial statements.

ESMA highlighted the increasing importance of the power purchase agreements in its public statements on the European Common Enforcement priorities for 2022¹ and 2023², advocating transparency regarding the financial impact and accounting treatment of such agreements.

ESMA considers that the new requirements explaining how an entity applies (i) the own-use exemption in paragraph 2.4 of IFRS 9 to these contracts and (ii) the hedge accounting requirements in IFRS 9 to a contract for renewable electricity with a variable nominal amount that is designated as the hedging instrument will help ensure that financial statements faithfully represent the effects of these contracts.

Moreover, ESMA supports the disclosure requirements relating to contracts for renewable electricity that have the characteristics in paragraph 6.10.1 of IFRS 9 proposed by the IASB. ESMA considers that the proposed disclosures on how these contracts affect the entity's financial performance for the reporting period and the amount, timing and uncertainty of the entity's future cash flows meet the information needs of investors.

Finally, due to the increasing use of the contracts for renewable electricity, ESMA considers it important that the amendments are finalised in a timely manner.

¹ [ESMA32-63-1320 Public Statement on the European Common Enforcement Priorities 2022 \(europa.eu\)](#)

² [ESMA32-193237008-1793 2023 ECEP Statement \(europa.eu\)](#)

In case you have any questions or comments please do not hesitate to contact me or Isabelle Grauer-Gaynor, Head of the Corporate Finance and Reporting Unit (Isabelle.Grauer-Gaynor@esma.europa.eu).

Yours sincerely,

[Verena Ross]