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December 15, 2010

Sir David Tweedie, Chairman  
International Accounting Standards Board  
30 Cannon Street  
London  
EC4M 6XH



**Subject: Exposure Draft - Leases**

Dear Mr. Tweedie:

Methanex Corporation is pleased to respond to your invitation to comment on the Exposure Draft on "Leases." We support the efforts of the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) (collectively the boards) to improve the standards on the accounting for leases. The current accounting for leases is an often-used example of accounting guidance that allows for structuring opportunities, which result in many assets and liabilities being off-balance sheet. We do not believe that economically similar arrangements should receive different accounting nor do we believe a small difference in economics should completely change the accounting result.

While we understand the goal of the proposed new standard, we are concerned with whether or not the new leasing standard would accurately reflect the nature and risk of leased assets and how management manages the business. Leasing is a way for management to obtain the essential output of an asset without taking the risks of ownership and having increased flexibility to adapt to changes in the business. We are concerned whether the financial statements will fairly reflect management's decisions through implementation of the proposed standards.

We believe the boards need to explain better how the proposed standard reconciles to the definitions of assets and liabilities in their conceptual frameworks. For example, a lessee would evaluate at lease inception the probability that a contingent event would occur in the future for determining lease term and rental payments. While we understand the rationale that the right of use asset might include the effect of renewal options because the lessee can "control" the asset during the renewal periods by its ability to exercise its renewal option, it is not as understandable on the liability side because the obligating event does not occur until the lessee exercises its renewal option. The same could be said for contingent rents. We believe that the lessee does not have an unconditional obligation to pay contingent rent until the contingency has been met.

In addition to the above conceptual concerns, we have several other significant concerns related to the exposure draft as follows:

- The purpose in applying a single model to all "lease" transactions is to bring consistency and comparability in the application of the standard and to reduce judgment. However, we believe the new proposed standard has not "solved" this problem, as there is still significant judgment in measurement of the leased asset and related obligation. The requirement to determine the lease term as the longest possible term that is more likely than not to occur, the requirement to estimate contingent rentals and the requirement to reassess these items when facts and circumstances change, will require significant judgment, create inconsistencies in application and also create financial statement volatility for many companies, while the economic substance of the transactions and cash flows have not necessarily changed. The question to be asked is how much benefit is gained from moving away from the current model of "finance and operating lease" with supplemental note disclosure. We feel that the lease term should not consider lease renewal or termination options and should reflect the base lease term only noted in the leasing



agreement. Additionally, we propose that the minimum payments (as in the current standards) are used for measurement and that there be no reassessment. Not considering these variable items in a lease will lead to a more consistent application of the standard and increase the comparability of financial statements across companies.

- We understand the concerns expressed by many that a scope exception for immaterial leases is necessary in order to relieve the burden of applying a lease standard to what can amount to thousands of leases for some companies. We are not in favour of a "bright-line" exception, because of the difficulty in drawing a clear distinction between material and immaterial leases and the concern that a bright-line exception will only perpetuate the development of a rules-based approach. However, we believe it would be helpful for the boards to state specifically in the final standard that the requirements of the standard need not be applied to immaterial leases and that materiality should be evaluated individually and in the aggregate. We agree that short-term leases (i.e. those having a maximum term of 12 months or less) should be eligible to be accounted for in a simplified way and effectively treated as "operating leases" as they currently stand. It would seem onerous from a practical perspective to set up an asset and corresponding liability and amortize these over a one year period. However, we do not believe this addresses the concept of materiality since the majority of leases are greater than 12 months and accordingly, many leases that are insignificant to the business overall would still be required to be accounted for as financing in nature under the proposed standard. Without the concept of materiality, there will be a significant administrative burden and an increase in costs for organizations to implement the proposed standard. Companies would have to essentially review every "lease-like" transaction and quantify the impact on their financial statements.

We continue to support the boards' efforts to improve financial reporting and converge to one set of global accounting standards and thank you for the opportunity to comment on the exposure draft.

If you have any questions in relation to this letter, please do not hesitate to contact me or Rich Sumner, Corporate Controller, at 604-661-2600.

Sincerely,  
On behalf of Methanex Corporation

A handwritten signature in blue ink, appearing to read "Brad Boyd".

Brad Boyd  
Vice President, Finance