

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Emissions Trading Schemes Team
October 21, 2010
Subject: Minutes of Board Meeting: **Date:** October 22, 2010
Emission Trading Schemes
cc: Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Emission Trading Schemes

Basis for Discussion: Measurement of Allowances and the Liability for the Allocation. Recognition of a Liability for Excess Emissions.

Length of Discussion: 7:10 a.m. to 8:40 a.m.

Attendance:

Board members present: FASB: Seidman, Golden, Linsmeier, Siegel, Smith
IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, and Wei-Guo

Board members absent: None

Staff in charge of topic: FASB: Shayne Kuhaneck

Other staff at Board table: FASB: Stoklosa, Breen, Farr, Hood
IASB: McManus, Kusi-Yeboah

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Boards met to discuss issues relating to the development of an Exposure Draft addressing accounting for emission trading schemes. The Board's technical plan calls for that document to be issued in the third quarter of 2011.

Summary of Decisions Reached:

The Boards discussed the measurement of allowances (assets) and liabilities in a cap and trade scheme.

The Boards tentatively decided that the measurement of the allocated allowances and the liability for the allocation should be consistent. Board members expressed support for the model that measures the allocated allowances and liability for the allocation initially at fair value and that also subsequently measures those allocated allowances at fair value.

The Boards also discussed how an entity should determine the quantity of allowances that would be returned under the liability for the allocation, as well as when an entity should recognize an obligation for emissions in excess of the liability for the allocation. The Boards expressed support for an approach that determines the quantity of allowances to be returned on the basis of an entity's expectations of emissions or emissions reductions. However, the Boards expressed different views as to when the liability for excess emissions should be recognized. The Boards requested additional analysis, including quantitative examples that outline the effect of different measurement models.

Next Steps

At future meetings, the Boards will discuss quantitative examples that illustrate measurement issues, and when a liability is incurred for emissions in excess of the liability for the allocation. The Boards will also discuss the issues of presentation (including netting) and whether a right to future allocations can be recognized as an asset.

General Announcements: None.