

MINUTES



Financial Accounting
Standards Board

To: Board Members
From: Emissions Trading Schemes Team
November 18, 2010
Subject: Minutes of Board Meeting: **Date:** November, 19 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: Recognition of a liability for Excess Emissions and Measurement of Purchased Allowances. Presentation of Allowances and Liabilities on the Balance Sheet.

Length of Discussion: 8:00 a.m. to 10:00 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, Allison McManus

Other staff at Board table: FASB: Stoklosa, Breen, Farr
IASB: 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 originally called for that document to be issued in the third quarter of 2011. The technical plan was revised due to a concentration on priority projects relating to the Boards' Memorandum of Understanding, calling for the document to be issued in the fourth quarter of 2011.

Summary of Decisions Reached:

The Boards discussed accounting issues in a cap and trade scheme, specifically the recognition of a liability for emissions in excess of the initial allocation and the measurement of liabilities and purchased allowances. The Boards also discussed the presentation of the allowances and liabilities on the balance sheet.

The staff provided the Boards with three views on the recognition of liabilities in a cap and trade scheme. Board members supported two of the views that "cap" the measurement of the liability for the allocation at the quantity of allowances allocated. Those two views differ only on the timing of the recognition of the liability for excess emissions. Some Board members supported the view that recognizes the excess liability throughout the compliance period as an entity emits, while others supported the view that recognizes the excess liability when the entity's emissions exceed the liability for the allocation. The Boards asked the staff to seek feedback from stakeholders on both views.

The staff also presented two possible models for measuring the quantity of allowances to be returned or submitted. The Boards asked the staff to seek feedback from stakeholders on both the expected return model and the derecognition model.

The staff provided two measurement models for measuring the purchased allowances. The Boards tentatively decided that purchased allowances should be initially and subsequently measured at fair value. This is consistent with the Boards' tentative decision in October to measure the allocated allowances initially and subsequently at fair value.

The staff provided three views for the presentation of assets and liabilities in a cap and trade scheme on the balance sheet. The IASB preferred gross presentation of the assets and liabilities on the balance sheet; however, it indicated that it would not object to a linked presentation. (A linked presentation would present the assets and liabilities gross, but the amounts would be presented together and total to a net emission asset or net emission liability.) The

FASB tentatively decided that the assets and liabilities should be presented on the balance sheet using a form of linked presentation. However, the FASB also indicated that it did not believe that an entity needed to have the intention of offsetting the assets and liabilities to be able to present the items using a linked presentation.

Next Steps

The Boards asked the staff to perform outreach on the Boards' tentative decisions to date and present them with feedback in the second half of 2011.

General Announcements: None.