

Accounting for solar power purchase agreements

Can IFRS 9 be applied to renewable power purchase agreements?

Effective from 1 January 2026 Companies face challenges in applying IFRS 9 Financial Instruments to contracts referencing nature-dependent electricity - sometimes referred to as renewable power purchase agreements (PPAs). The International Accounting Standards Board (IASB) has now amended IFRS 9 to address these challenges.

What is a Renewable Power Purchase Agreement (PPA)?

In this context, entities have increasingly entered into renewable power purchase agreements ('PPAs'). These agreements enable funding of the development of medium to long-term investments in renewable energy. They provide off-takers with a mechanism to secure a supply of green energy at a set price. PPAs are categorised in various ways.

What are green energy and Power Purchase Agreements (PPAs)?

The climate protection efforts have caused a strong appetite for green energy and Power Purchase Agreements (PPAs). PPAs offer a valuable tool for managing corporate green energy needs. At the same time, PPAs are quite different to the way industrial companies have procured energy in the past.

What is a green power purchase agreement?

Green Power Purchase Agreements are a valuable option for energy consuming companies to leverage their decarbonizing strategy. Deloitte experts explain how to optimize the accounting impact.

Do solar and wind energy PPAs have a lease?

This publication focuses solely on the assessment of whether solar and wind energy PPAs contain a lease in accordance with IFRS 16 Leases. In most cases, other accounting standards, including IFRS 9 Financial Instruments and IAS 38 Intangible Assets, also require consideration when accounting for PPAs.

Can a company buy electricity through a PPA?

It is not always clear under IFRS 9 whether a company that purchases electricity through PPAs can apply the own-use exemption for accounting purposes. If the own-use exemption does not apply, then PPAs are accounted for as derivatives measured at fair value through profit or loss (FVTPL).

As part of their sustainability strategies, companies across the globe are entering into power purchase agreements (PPAs) with renewable energy generators. This paper aims to help address issues surrounding ...

With the Inflation Reduction Act of 2022 ("IRA") and increased focus on climate sustainability, there has been immense interest from international and U.S. investors to enter ...

agreements that exist in practice. This article briefly outlines some considerations that are relevant when

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accounting for these arrangements in terms of IFRS. There is a global ...

As an accountant, the emergence of solar power purchase agreements (SPPAs) in the renewable energy sector is a fascinating development. SPPAs allow businesses to ...

In this Q& A, John Powers addresses the primary accounting considerations that commercial, industrial, and institutional (C& I) energy buyers face regarding power purchase ...

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The Fascinating World of Accounting for Solar Power Purchase Agreements. As an accountant, the emergence of solar power purchase agreements (SPPAs) in the renewable ...

Overview of Power Purchase Agreements Power Purchase Agreements (PPAs) are pivotal for clean energy companies, offering a framework for revenue recognition through long-term contracts for selling electricity. ...

RECs are legal tools for accounting for, tracking, and assigning ownership over the generation and use of electricity produced by PV solar panels. They can be bought and sold to make claims around the use of sustainable ...

electricity contracts - sometimes referred to as power purchase agreements (PPAs). The International Accounting Standards Board (IASB) is seeking to address these ...

On 18 th March 2024, the International Accounting Standards Board (IASB) will convene to consider the staff proposals for inclusion in an exposure draft for amendments to IFRS 9 ...

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1. Revenue Recognition for Solar Energy Sales under Power Purchase Agreements (PPAs) Accounting Issue: Solar power developer companies generate revenue from the sale ...

Key to any business project is the financial pros and cons; whether the project will be a net positive or negative for the business. Purchasing a solar energy system is no different; you must weigh the financial costs and ...

Based on the feedback from the members of the International Forum of Accountancy Standards Setters, securities regulators and major accounting firms contacted in the course of the outreach, an initial staff paper

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On 18 December 2024 the International Accounting Standards Board (IASB) issued amendments to help companies better report the financial effects of nature-dependent electricity contracts, ...

Companies face challenges in applying IFRS 9 Financial Instruments to renewable electricity contracts - sometimes referred to as power purchase agreements (PPAs). The ...

As renewable energy technology continues to improve, it has become less expensive to purchase and increasingly popular. Renewable energy -- primarily solar and ...

Entities have increasingly entered into power purchase agreements (PPAs) over the past 10 years or so. This trend seems to be growing steadily as the drive towards ...

decarbonization of electricity is an achievable goal. One way to buy renewable power is by entering into corporate power purchase agreements (PPAs) directly PPAs can ...

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