

AASB Standard

**AASB 2025-X**  
[Month] 2025

# **Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures**

[AASB 1060]



**Australian Government**

**Australian Accounting  
Standards Board**

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ISSN 1036-4803

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### PREFACE

### ACCOUNTING STANDARD

#### **AASB 2025-X AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – CONTRACTS REFERENCING NATURE-DEPENDENT ELECTRICITY: TIER 2 DISCLOSURES**

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### BASIS FOR CONCLUSIONS

Australian Accounting Standard AASB 2025-X *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures* is set out in paragraphs 1–7. All the paragraphs have equal authority.

## Preface

### Standards amended by AASB 2025-X

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This Standard makes amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

### Main features of this Standard

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#### Main requirements

AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity* amended AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments* to allow entities to better reflect nature-dependent electricity contracts in the financial statements. Nature-dependent electricity contracts help entities to secure their electricity supply from sources such as wind and solar power. The amount of electricity generated under these contracts can vary based on uncontrollable factors such as weather conditions.

AASB 2025-1 amended requirements to:

- (a) clarify the application of the ‘own-use’ criteria to nature-dependent electricity contracts;
- (b) permit hedge accounting if these contracts are used as hedging instruments; and
- (c) add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity’s financial performance and cash flows.

This Standard amends AASB 1060 to require a Tier 2 entity to disclose information about nature-dependent electricity contracts that meet the ‘own-use’ criteria and are recognised as procurement contracts. Only some of the disclosure requirements added by AASB 2025-1 to AASB 7 for Tier 1 entities are extended to Tier 2 entities.

#### Application date

This Standard applies to annual periods beginning on or after 1 January 2026, with earlier application permitted.

## Accounting Standard AASB 2025-X

The Australian Accounting Standards Board makes Accounting Standard AASB 2025-X *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures* under section 334 of the *Corporations Act 2001*.

Dated ... [date]

Keith Kendall  
Chair – AASB

## Accounting Standard AASB 2025-X *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures*

### Objective

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- 1 This Standard amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020) to require a Tier 2 entity to disclose information about nature-dependent electricity contracts that meet the ‘own-use’ criteria and are recognised as procurement contracts.
- 2 This amendment reflects the issuance of AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity*, which amended AASB 7 *Financial Instruments: Disclosures* (August 2015) and AASB 9 *Financial Instruments* (December 2014), and extends some of the new disclosure requirements to Tier 2 entities.

### Application

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- 3 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 1060 set out in AASB 1057 *Application of Australian Accounting Standards*.
- 4 This Standard applies to annual periods beginning on or after 1 January 2026. Earlier application is permitted.

### Amendments to AASB 1060

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- 5 The heading above paragraph 120 is amended and a new sub-heading added, to read as follows:

#### **Other Financial Instrument Issues<sup>11</sup>**

##### **Hedging disclosures**

- 6 Paragraphs 122A–122B and a related heading are added as follows:

##### **Contracts referencing nature-dependent electricity**

- 122A Contracts referencing nature-dependent electricity are contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions (for example, the weather). Contracts referencing nature-dependent electricity include both contracts to buy or sell nature-dependent electricity and financial instruments that reference such electricity. For contracts to buy nature-dependent electricity that are outside the scope of AASB 9 in accordance with paragraphs B2.7–B2.8 of AASB 9, an entity shall disclose in a single note in its financial statements:

- (a) information about contractual features that expose the entity to:
- (i) variability in the underlying amount of electricity; and

- (ii) the risk that the entity would be required to buy electricity during a delivery interval in which the entity cannot use the electricity (see paragraph B2.7 of AASB 9);
  - (b) qualitative information about how the entity assesses whether a contract might become onerous (see AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*), including the assumptions the entity uses in making this assessment; and
  - (c) qualitative information about the effects on the entity's financial performance for the reporting period.
- 122B In applying paragraph 122A, an entity is not required to disclose:
- (a) comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those requirements; and
  - (b) the quantitative information that would otherwise be required by paragraph 106(b).

## Commencement of the legislative instrument

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- 7 For legal purposes, this legislative instrument commences on 31 December 2025.

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, AASB 2025-X Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures.*

## Introduction

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- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in this Standard. It sets out the reasons why the Board developed the Standard, the approach taken to developing the Standard and the bases for the key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

## Background

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### Tier 1 amendments

- BC2 In February 2025, the Board issued AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity*. Nature-dependent electricity contracts help entities to secure their electricity supply from sources such as wind and solar power. The amount of electricity generated under these contracts can vary based on uncontrollable factors such as weather conditions. AASB 2025-1 amends AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments* to allow entities to better reflect these contracts in the financial statements. The amendments:
- (a) clarify the application of the ‘own-use’ criteria to nature-dependent electricity contracts;
  - (b) permit hedge accounting if these contracts are used as hedging instruments; and
  - (c) add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity’s financial performance and cash flows.
- BC3 These amendments arose from the issuance of International Financial Reporting Standard *Contracts Referencing Nature-dependent Electricity* (Amendments to IFRS 9 and IFRS 7) by the International Accounting Standards Board (IASB) in December 2024.

## Relevance of the amendments to AASB 1060

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- BC4 The AASB *For-Profit Entity Standard-Setting Framework* and the AASB *Not-For-Profit Entity Standard-Setting Framework* outline the approach adopted by the Board for considering whether to add to or amend disclosure requirements in AASB 1060 when the IASB makes amendments to full IFRS Standards. The Board also considers whether to add disclosure requirements to AASB 1060 when additional disclosures are added to other Australian Accounting Standards.
- BC5 The standard-setting frameworks first consider whether the amendments introduce a significant recognition and measurement difference between full IFRS Standards and the *IFRS for SMEs* Accounting Standard. If they do not, the standard-setting frameworks state that no further action is required unless the disclosure is of particular relevance in the Australian environment or addresses a matter of public policy, or the amendments clarify or reduce existing disclosure requirements in full IFRS Standards.
- BC6 The Board noted that the amendments to AASB 9 both clarify the application of existing recognition and measurement requirements and make narrow-scope changes to how some requirements are applied. However, the Board considered that the amendments did not significantly affect or introduce any new significant recognition and measurement differences between full IFRS Standards and the *IFRS for SMEs* Accounting Standard.
- BC7 The Board also noted that the disclosure requirements in AASB 7 were amended for several reasons:
- (a) contracts referencing nature-dependent electricity (‘eligible contracts’) that are recognised as procurement contracts – disclosures would be useful to financial statement users as the disclosures would provide information about the entity’s short-term cash flow commitments, liquidity and measurement uncertainties;

- (b) eligible contracts that are designated in a cash flow hedging relationship – to clarify the application of the existing disclosure requirements for all hedge transactions; and
  - (c) the requirement to cross-reference between financial statement notes – cross-referencing is useful for entities holding multiple contracts referencing nature-dependent electricity that are recognised in an entity's financial statements in different ways, in accordance with the Standards.
- The feedback from Australian users (predominantly representing Tier 1 entities) supported the need for these disclosures.
- BC8 Although the Board had not received any feedback on whether these disclosures are of similar importance to users of Tier 2 financial statements, the Board considered the principles it used when developing AASB 1060 and subsequently when considering whether to add to or amend the disclosure requirements. When developing and considering amendments to AASB 1060, the Board considers that information about short-term cash flows and obligations, commitments or contingencies, liquidity and solvency, measurement uncertainties, accounting policy choices and disaggregation of amounts presented in the financial statements would be particularly important to the users of Tier 2 financial statements.
- BC9 The Board considered that:
- (a) the additional qualitative information about eligible contracts that are recognised as procurement contracts would be useful to the users of Tier 2 financial statements because information about cash flows and liquidity are particularly important to them;
  - (b) the additional quantitative information about eligible contracts that are recognised as procurement contracts would be excessive for Tier 2 entities, as the costs to preparers would likely outweigh the benefits to the users of financial statements of Tier 2 entities;
  - (c) when AASB 1060 was developed, there was a significant reduction in disclosure requirements for hedge transactions, with the result that the Board proposed to leave these requirements unchanged; and
  - (d) since AASB 1060 includes general requirements to cross-reference the items in the financial statements to related information in the notes, but does not require cross-referencing between notes, the Board proposed to retain this approach and not require note cross-referencing in respect of eligible contracts.
- BC10 Therefore, the Board decided to issue Exposure Draft ED 337 *Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures*, proposing:
- (a) amendments to AASB 1060 to require a Tier 2 entity to disclose qualitative information about eligible contracts that are recognised as procurement contracts; but
  - (b) no amendments to AASB 1060 for:
    - (i) additional quantitative information about eligible contracts that are recognised as procurement contracts;
    - (ii) additional disclosure requirements for eligible contracts that are recognised as a cash flow hedging instrument; and
    - (iii) cross-referencing between notes regarding all contracts referencing nature-dependent electricity.
- BC11 The Board also proposed to provide Tier 2 entities with transitional relief equivalent to that available to entities applying the requirements of AASB 2025-1 in Tier 1 general purpose financial statements for the first time. Therefore, the Exposure Draft proposed to not require:
- (a) comparative disclosures on initial application of the Tier 2 disclosure requirements; and
  - (b) the quantitative information that would otherwise be required by paragraph 106(b) of AASB 1060.

## Finalisation of ED 337 proposals

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- BC12 ED 337 was issued in March 2025, with comments due to the Board by 20 May 2025. The Board did not receive any comment letters on ED 337. The Board decided to proceed with issuing this Standard, with no changes from the proposals in ED 337.



## **Effective date**

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- BC13 The Board decided that the amendments should be made effective for annual periods beginning on or after 1 January 2026, with earlier application permitted, as proposed in ED 337. This is the same effective date as for the amendments in AASB 2025-1 for Tier 1 general purpose financial statements.