

# **Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity**

**[AASB 7 & AASB 9]**



**Australian Government**

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**Australian Accounting  
Standards Board**

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AASB 2025-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – CONTRACTS  
REFERENCING NATURE-DEPENDENT ELECTRICITY**

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**AVAILABLE ON THE AASB WEBSITE**

**IASB Illustrative Examples – Amendments**  
**IASB Bases for Conclusions – Amendments**

Australian Accounting Standard AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity* is set out on pages 5–9. All the paragraphs have equal authority.

## Preface

### Standards amended by AASB 2025-1

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This Standard makes amendments to AASB 7 *Financial Instruments: Disclosures* (August 2015) and AASB 9 *Financial Instruments* (December 2014).

These amendments arise 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 in December 2024.

### Main features of this Standard

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#### Main requirements

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.

This Standard amends AASB 7 and AASB 9 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.

#### Application date

This Standard applies to annual periods beginning on or after 1 January 2026. Earlier application is permitted.

# Accounting Standard AASB 2025-1

The Australian Accounting Standards Board makes Accounting Standard AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity* under section 334 of the *Corporations Act 2001*.

Dated 3 February 2025

Keith Kendall  
Chair – AASB

## Accounting Standard AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity*

### Objective

This Standard amends AASB 7 *Financial Instruments: Disclosures* (August 2015) and AASB 9 *Financial Instruments* (December 2014) as a consequence of 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 in December 2024.

### Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 7 and AASB 9 set out in AASB 1057 *Application of Australian Accounting Standards*.

This Standard applies to annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

This Standard uses underlining, striking out and other typographical material to identify some of the amendments to AASB 7 and AASB 9 in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

### Amendments to AASB 7

Paragraphs 5B–5D, 30A–30C, 44OO–44PP and the subheading before paragraph 30A are added. Paragraph 5 is not amended but is included for ease of reference. New text is underlined.

### Scope

- ...
- 5 This Standard applies to contracts to buy or sell a non-financial item that are within the scope of AASB 9.
- ...
- 5B Paragraph 30A applies only to contracts to buy nature-dependent electricity that satisfy the requirements in paragraph 2.3A of AASB 9 and are outside the scope of that Standard in accordance with paragraphs B2.7–B2.8 of AASB 9.
- 5C Paragraph 30B applies only to contracts that satisfy the requirements in paragraph 2.3A of AASB 9 and have been designated in a cash flow hedging relationship in accordance with paragraph 6.10.1 of AASB 9.
- 5D Paragraph 30C applies only to contracts that satisfy the requirements in paragraph 2.3A of AASB 9 and have been entered into with regards to an entity’s electricity purchases. These contracts comprise those:
  - (a) within the scope of AASB 9; and

- (b) outside the scope of AASB 9 in accordance with paragraph 2.4 of that Standard, including those excluded in accordance with paragraphs B2.7–B2.8 of that Standard.

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## **Significance of financial instruments for financial position and performance**

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### **Other disclosures**

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

30A An entity shall disclose in a single note in its financial statements information about contracts that meet the criteria set out in paragraph 5B. In particular, the entity shall disclose information that enables users of its financial statements to understand the effects these contracts have on the amount, timing and uncertainty of its future cash flows and on its financial performance. To meet these objectives, an entity shall disclose:

- (a) information about contractual features that expose the entity to:
- (i) variability in the underlying amount of electricity (see paragraph 2.3A of AASB 9); 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) information about unrecognised commitments arising from such contracts as at the reporting date, including:
- (i) the estimated future cash flows from buying electricity under these contracts. The entity shall apply its judgement when identifying the appropriate time bands within which to disclose the estimated future cash flows.
  - (ii) 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.
- (c) qualitative and quantitative information about effects on the entity's financial performance for the reporting period. The disclosure is based on the information that is applicable to the reporting period that the entity used to assess whether it has been a net purchaser of electricity (see paragraph B2.8 of AASB 9). An entity shall disclose information for the reporting period about:
- (i) the costs arising from purchases of electricity made under the contracts, disclosing separately how much of the purchased electricity was unused at the time of delivery;
  - (ii) the proceeds arising from sales of unused electricity; and
  - (iii) the costs arising from purchases of electricity made to offset sales of unused electricity.

30B An entity shall disaggregate, for its contracts that meet the criteria set out in paragraph 5C, the information the entity discloses, by risk category, about the terms and conditions of hedging instruments in accordance with paragraph 23A.

30C If an entity discloses information about other contracts referencing nature-dependent electricity as described in paragraph 5D (including those contracts described in paragraph 30B) in other notes in its financial statements, the entity shall include cross-references to those notes in the single note required by paragraph 30A.

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## **Effective date and transition**

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4400 AASB 2025-1 Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity, issued in February 2025, which also amended AASB 9, added paragraphs 5B–5D, 30A–30C and

44PP. An entity shall apply these paragraphs when it applies the amendments to AASB 9. If an entity does not restate comparative information when it first applies the amendments to AASB 9 in accordance with paragraph 7.2.51 of that Standard, the entity shall not provide comparative information for the disclosures required by paragraphs 30A–30C.

44PP In the reporting period in which an entity first applies AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity*, the entity need not disclose the quantitative information that would otherwise be required by paragraph 28(f) of AASB 108.

## Amendments to AASB 9

Paragraphs 2.3A–2.3B, 2.8, 6.10.1–6.10.2, 7.1.15, 7.2.51–7.2.53, B2.7–B2.8 and their subheadings are added. A subheading is also added before paragraph 2.4. Paragraph 2.6 is amended. New text is underlined. Paragraphs 2.4 and 2.5 are not amended but are included for ease of reference.

## Chapter 2 Scope

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**2.3A** Paragraphs 6.10.1–6.10.2 and B2.7–B2.8 apply only to contracts referencing nature-dependent electricity. 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.

**2.3B** An entity shall not apply paragraphs 6.10.1–6.10.2 and B2.7–B2.8 by analogy to other contracts, items or transactions.

### Contracts to buy or sell non-financial items

**2.4** This Standard shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. However, this Standard shall be applied to those contracts that an entity designates as measured at fair value through profit or loss in accordance with paragraph 2.5.

**2.5** A contract to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contract was a financial instrument, may be irrevocably designated as measured at fair value through profit or loss even if it was entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. This designation is available only at inception of the contract and only if it eliminates or significantly reduces a recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from not recognising that contract because it is excluded from the scope of this Standard (see paragraph 2.4).

**2.6** There are various ways in which a contract to buy or sell a non-financial item can be settled net in cash or another financial instrument or by exchanging financial instruments. These include:

...

A contract to which (b) or (c) applies is not entered into for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements and, accordingly, is within the scope of this Standard. Other contracts (which include contracts as described in paragraph 2.3A) to which paragraph 2.4 applies are evaluated to determine whether they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements and, accordingly, whether they are within the scope of this Standard.

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2.8 An entity shall also apply paragraphs B2.7–B2.8 to assess whether contracts referencing nature-dependent electricity (as described in paragraph 2.3A) are entered into and continue to be held for the purpose of the receipt of electricity in accordance with the entity’s expected usage requirements.

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## Chapter 6 Hedge accounting

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

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6.10.1 Some contracts referencing nature-dependent electricity are designated as hedging instruments in hedges of forecast electricity transactions. In addition to the requirements in paragraph 6.3.7, for such a hedging relationship an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument. The other hedge accounting requirements of this chapter continue to apply to such a hedging relationship.

6.10.2 If the cash flows of the contract referencing nature-dependent electricity designated as the hedging instrument are conditional on the occurrence of a forecast transaction that is designated as the hedged item in accordance with paragraph 6.10.1, this forecast transaction is presumed to be highly probable as required by paragraph 6.3.3.

## Chapter 7 Effective date and transition

### **7.1 Effective date**

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7.1.15 *AASB 2025-1 Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity*, issued in February 2025, added paragraphs 2.3A–2.3B, 2.8, 6.10.1–6.10.2, 7.2.51–7.2.53, and B2.7–B2.8 and amended paragraph 2.6. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2026. Early application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

### **7.2 Transition**

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#### **Transition for Contracts Referencing Nature-dependent Electricity**

7.2.51 An entity shall apply paragraphs 2.3A–2.3B, 2.8 and B2.7–B2.8 retrospectively in accordance with AASB 108 using the facts and circumstances at the date of initial application (the date when an entity first applies the amendments). The date of initial application shall be the beginning of a reporting period, which might be a reporting period other than an annual reporting period. An entity need not restate prior periods to reflect the application of these amendments. The entity is permitted to restate prior periods only if it is possible to do so without the use of hindsight. If the entity does not restate prior periods, it shall recognise any difference between the previous carrying amount and the carrying amount at the date of initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) at the beginning of that reporting period.

7.2.52 If a contract referencing nature-dependent electricity (as described in paragraph 2.3A) would be outside the scope of AASB 9 as a result of applying the requirements in paragraphs B2.7–B2.8, an entity is permitted, at the date of initial application, to irrevocably designate this contract as measured at fair value through profit or loss in accordance with paragraph 2.5.

7.2.53 An entity shall apply paragraphs 6.10.1–6.10.2 prospectively to new hedging relationships designated on or after the date of initial application. An entity is permitted, at the date of initial application, to discontinue a hedging relationship in which a contract referencing nature-dependent electricity (as described in paragraph



2.3A) has been designated as the hedging instrument, if the same hedging instrument is designated in a new hedging relationship in accordance with paragraphs 6.10.1–6.10.2.

...

## **Appendix B**

### **Application guidance**

*This appendix is an integral part of AASB 9.*

## **Scope (Chapter 2)**

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### **Contracts to buy nature-dependent electricity**

B2.7 Some contracts referencing nature-dependent electricity (as described in paragraph 2.3A) require an entity to buy and take delivery of the electricity when it is generated. These contractual features expose the entity to the risk that it would be required to buy electricity during a delivery interval in which the entity cannot use the electricity. The entity might also have no practical ability to avoid making sales of unused electricity because the design and operation of the electricity market in which the electricity is transacted under the contract require any amounts of unused electricity to be sold within a specified time. When an entity applies the requirements in paragraph 2.4, such sales are not necessarily inconsistent with the contract being held in accordance with the entity's expected usage requirements. An entity entered into and continues to hold such a contract in accordance with its expected electricity usage requirements if the entity has been, and expects to be, a net purchaser of electricity for the contract period. An entity is a net purchaser of electricity if it buys sufficient electricity to offset the sales of any unused electricity in the same market in which it sold the electricity.

B2.8 In determining whether an entity is a net purchaser of electricity, the entity shall consider reasonable and supportable information (that is available without undue cost or effort) about its past, current and expected future electricity transactions over a reasonable amount of time. The entity identifies 'a reasonable amount of time' by considering the variability in the amount of electricity expected to be generated due to the seasonal cycle of the natural conditions and the variability in the entity's demand for electricity due to its operating cycle. In determining whether the entity has been a net purchaser, 'a reasonable amount of time' shall not exceed 12 months.

## **Commencement of the legislative instrument**

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