



November 17, 2022

International Public Sector Accounting Standards Board
277 Wellington Street West Toronto, ON M5V 3H2

VIA EMAIL - EdwinNg@ipsasb.org

Re: Comments on *Natural Resources* Consultation Paper

The First Nations Financial Management Board (“the FMB”) is pleased to provide the International Public Sector Accounting Standards Board (“IPSASB”) with comments on the Consultation Paper (“CP”) – *Natural Resources*.

General Comments

The CP is an important step in developing guidance related to accounting for natural resources. As a result of a growing global population, industrialization, and climate change, natural resources, especially those that are non-renewable, are being depleted at an alarming rate. The FMB commends the work that has been done by the IPSASB in this emerging reporting area.

Accounting for natural resources in the public sector will apply to a broad range of stakeholders – including Indigenous governments. It is vital that standard setting bodies, including the IPSASB, reflect the unique needs of Indigenous people and their governing bodies. The CP has failed to include reference to the United Nations Declaration on the Rights of Indigenous People (“UNDRIP”). As the CP focuses on accounting for natural resources, UNDRIP is particularly relevant to considerations around ownership and enforceable rights. While the requirement to report on factors that impact Indigenous rights will vary by jurisdiction, they are an important consideration for all reporting entities. There are estimated to be 476.6 million Indigenous people around the world and spread across more than 90 countries, and who speak more than 4,000 languages.¹

As the applicability of the natural resources guidance is quite narrow, we feel that sustainability reporting as envisioned within the Advancing Public Sector Sustainability Reporting consultation paper provides a more complete option for disclosure of relevant environmental and natural resource-based information for stakeholders.

The virtual roundtable discussions which were hosted by the Canadian Public Sector Accounting Board and attended by an IPSASB representative were a good opportunity to target Indigenous perspectives and include individuals who may not have otherwise participated in the consultation process. The FMB is

¹ National Geographic Society, November 16, 2018, <https://www.nationalgeographic.com/environment/article/can-indigenous-land-stewardship-protect-biodiversity->

supportive of these type of events throughout the standards development process and would be happy to help promote this type of outreach. There are other organisations in Canada such as the Indigenous Bar Association and AFOA Canada that may be able to assist with the consultation process by informing and connecting with interested and impacted stakeholders. There is also a need for outreach with Indigenous rightsholders outside of Canada where different perspectives as well as unique jurisdictional challenges may exist. This consultation is required under UNDRIP which is now Canadian federal law.

The principles underlying the CP do not consider Indigenous perspectives on land and resources

The concept of valuing natural resources in economic terms conflicts with the core beliefs of some Indigenous people. Natural resources have intrinsic value beyond the economic benefits for which they can be exchanged. For some, placing a monetary value on air, water, or plant and animal life would be akin to putting a price on another person, or a part of oneself. The reporting on natural resources should remain optional to ensure that varying perspectives are respected.

Some of the terminology used within the CP may also be considered inappropriate by stakeholders. Variations of the word “exploit” appears throughout the document when referring to the utilization or harvesting of natural resources. While this may be a common term when working in extractive industries, this terminology would likely be offensive to Indigenous people when used to describe their relationship with natural resources, particularly living organisms. Many Indigenous people around the world are fighting to stop the reckless exploitation of natural assets.

Similarly, the use of “control” as one of the asset recognition criteria may be similarly controversial in the context of natural resources. While we are understanding of the use of control as an asset recognition criterion in accounting, describing the relationship between humans and natural resources in this way may be problematic. Indigenous people co-exist with land, water, plants, and wild animals, they do not own or control them. While Indigenous governments may derive service potential from natural assets in their traditional territory, these benefits only exist because of the stewardship practices that Indigenous people have maintained over many centuries. We recommend that IPSASB consult with Indigenous rights holders and involve them in the development of this principle, including making the indicators listed in section 2.6 of the CP more inclusive from an Indigenous perspective.

The CP should incorporate UNDRIP and the rights of Indigenous people

The rights of Indigenous people in their traditional territory are not extinguished by “ownership” or “control” by other entities or orders of government. In jurisdictions all over the world, Indigenous people have used various methods to verify and document their traditional territories. These territories frequently overlap and in some cases are topics of dispute. UNDRIP Article 26 states “Indigenous peoples have the right to own, use, develop and control the lands, territories and resources that they possess by reason of traditional ownership or other traditional occupation or use, as well as those which they have otherwise acquired.” There is an obvious difficulty in the ability of a reporting entity to establish that it has control over a natural resource that exists in the traditional territory of Indigenous people. Ability to access or use that resource is far more complicated, and the legalities around ownership or right to use will vary by jurisdiction possibly on an individual case by case basis. The concept of free, prior, informed,

consent in traditional territories is similarly reinforced by UNDRIP article 32: “States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources.”

Mitigating the effects of climate change, or other conservation efforts, does not invalidate natural resources

The determination that resources which have been impacted by human intervention are no longer natural ignores conservation and climate change mitigation efforts. In the pursuit of reconciliation between Canada and Indigenous people, some lands are being returned to First Nations after being taken by federal and provincial governments. As part of this process, some of these lands are being restored to their pre-contact condition. An example of this is the conservation work the Tsleil-Waututh Nation is doing to implement their [xʔəlilwətaʔɫ/Indian River Watershed Integrated Stewardship Plan](https://twnation.ca/tsleil-waututh-nations-integrated-stewardship-plan/).²

Recent research demonstrates that while the world’s 370 million indigenous peoples make up less than five percent of the total human population, they manage or hold tenure over 25 percent of the world’s land surface and support about 80 percent of the global biodiversity³. From an Indigenous perspective, lands and resources are for people to use, to protect and to benefit from. This custodial world view instills the obligation of looking after the environment in a way that ensures the next seven generations of people will be able to enjoy its use and benefits in the same way.

Legal ownership of reserve land in Canada is with the Crown

In Canada, the *Indian Act* still governs some aspects of many Indigenous peoples’ lives. Section 18(1) of the *Indian Act* stipulates that “...reserves are held by Her Majesty for the use and benefit of the respective bands for which they were set apart, and subject to this Act, and to the terms of any treaty or surrender, the Governor in Council may determine whether any purpose for which lands in a reserve are used or are to be used for the use and benefit of the band.”⁴ While legal ownership is only one of the four indicators described in section 2.6 of the CP, it creates some uncertainty in assessing control over resources. In addition, the other criteria in section 2.6 also exist in unclear legal determinations. The rights of Indigenous people over the resources in their traditional territory varies across jurisdictions around the world. In many cases, the legal precedence in this area is continuing to evolve.

² <https://twnation.ca/tsleil-waututh-nations-integrated-stewardship-plan/>

³ Garnett, S.T., Burgess, N.D., Fa, J.E. et al. A spatial overview of the global importance of Indigenous lands for conservation. *Nat Sustain* 1, 369–374 (2018)

⁴ Indian Act, RSC 1985, c I-5

Consultation and cooperation with Indigenous people is necessary

Public sector accounting standards apply to Indigenous governments, which in Canada are a separate order of government with their own reporting needs. It will be necessary for IPSASB to create a mechanism for Indigenous consultation and for inclusion of Indigenous government standards. Establishing permanent Indigenous representation on IPSASB would be an important change that would demonstrate implementation of UNDRIP and strengthen this consultation process. We recommend that IPSASB also begin to hire Indigenous staff to develop organisational competency in Indigenous government and Indigenous rights reporting.

Sincerely,

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Per: *"Harold Calla"*

Harold Calla, FCPA, FCGA, CAFM
Executive Chair

Responses to Specific Questions in Consultation Paper

Preliminary View 1—Chapter 1

The IPSASB's preliminary view is that a natural resource can be generally described as an item which:

- (a) Is a resource as described in the IPSASB's Conceptual Framework;
- (b) Is naturally occurring; and
- (c) Is in its natural state.

Do you agree with the IPSASB's Preliminary View, particularly whether the requirement to be in its natural state should be used to scope what is considered a natural resource?

If not, please provide your reasons.

No, we do not agree with the preliminary view.

We find the requirement to be in its natural state too restrictive for what should be considered a natural resource. Human intervention in the form of restoration and conservation are becoming increasingly important to reverse or mitigate the effects of overharvesting, climate change and other negative impacts. This is particularly relevant for Indigenous people who may be working to restore natural resources in lands previously taken from them which have subsequently been returned.

Specific Matter for Comment 1—Chapter 1

The IPSASB's preliminary description of natural resources delineates between natural resources and other resources based on whether the item is in its natural state.

Do you foresee any challenges in practice in differentiating between natural resources and other resources subject to human intervention? If so, please provide details of your concerns. How would you envisage overcoming these challenges?

Yes. We do see challenges in practice in differentiating between natural resources and other resources subject to human intervention. The space between taking action to demonstrate control of a resource, but not having that action not represent human intervention appears to be quite narrow. Giving consideration to the intent behind the human intervention as an indicator for whether the item is in its natural state may serve to improve this determination. For example, human intervention with the intended purpose of mitigating the effects of pine beetle infestation to preserve old growth forest as carbon sinks should be viewed differently than thinning techniques used to promote tree growth in the short term to maximize harvestable timber output.

Specific Matter for Comment 2—Chapter 1

The IPSASB noted that the natural resources project and sustainability reporting in the public sector are connected in that this project focuses on the accounting for natural resources while sustainability reporting may include consideration of how natural resources can be used in a sustainable manner.

In your view, do you see any other connections between these two projects?

Yes, we see a connection between the two projects as there will be a need to take inventory of natural resources in order to appropriately design, measure, and report on sustainability efforts. We expect that sustainability reporting would incorporate determination and measurement of natural resources. As expressed above, a sustainability report prepared by a reporting entity would provide stakeholders with an improved understanding not only of the natural resources relevant to the entity, but an integrated plan that includes environmental, social, governance, and Indigenous rights considerations. It is important to present these factors together in order to provide elected representatives, users, residents, and citizens with the information they need to make informed decisions.

Preliminary View 2—Chapter 2

The IPSASB's preliminary view is that a natural resource should only be recognized in GPFS if it meets the definition of an asset as defined in the IPSASB's Conceptual Framework and can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Yes, we do agree that a natural resource should only be recognized in the GPFS if it meets the definition of an asset in the Conceptual Framework and can be measured. This does however present significant practical challenges due to the relatively narrow scope of natural resources that are both free of human intervention, but where there is a sufficient level certainty around control and ownership.

Preliminary View 3—Chapter 3

The IPSASB's preliminary view is that guidance on exploration and evaluation expenditures, as well as development costs, should be provided based on the guidance from IFRS 6, *Exploration for and Evaluation of Mineral Resources*, and IAS 38, *Intangible Assets*.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We agree with the preliminary view that guidance on exploration and evaluation expenditures should be based on IFRS 6, and IAS 38. However, IFRS 6 lacks conformity with important requirements of UNDRIP and this must be considered by the IPSASB.

Impact to Indigenous land and water should form part of the criteria used to identify the existence of any conditions that impair the value of exploration and evaluation assets (IAS 36 Impairment of Assets). The need for free, prior and informed consent ("FPIC") needs to be incorporated as part of the evaluation process and included in disclosures.

The failure to obtain FPIC for the Dakota Access Pipeline resulted in a loss of USD \$12 billion. This risk was not disclosed to investors in a timely manner.

Preliminary View 4—Chapter 3

The IPSASB's Preliminary View is that IPSAS 12, IPSAS 17, and IPSAS 31 should be supplemented as appropriate with guidance on the accounting for costs of stripping activities based on IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We have no comment on this preliminary view.

Preliminary View 5—Chapter 3

The IPSASB's preliminary view is that, before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset.

Do you agree with the IPSASB's Preliminary View?

Please provide the reasons supporting your view.

Yes. We agree with the preliminary view that before consideration of existence uncertainty, an unextracted subsoil resource can meet the definition of an asset.

An unextracted subsoil resource can meet the asset recognition criteria outlined in section 2.2.

Preliminary View 6—Chapter 3

The IPSASB's preliminary view is that existence uncertainty can prevent the recognition of unextracted subsoil resources.

Do you agree with the IPSASB's preliminary view?

Please provide the reasons supporting your view.

Yes. We agree with the preliminary view that existence uncertainty can prevent the recognition of unextracted subsoil resources.

The challenges discussed in paragraphs 3.29 and 3.30 clearly indicate considerations around existence uncertainty for subsoil resources.

Preliminary View 7—Chapter 3

The IPSASB's preliminary view is that the selection of a measurement basis for subsoil resources that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs may not be feasible due to the high level of measurement uncertainty. Based on this view, the recognition of subsoil resources as assets in the GPFS will be challenging.

Do you agree with the IPSASB's Preliminary View?

If not, please provide the reasons supporting your view.

Yes. We agree with the preliminary view that the recognition of subsoil resources as assets in the GPFS will be challenging owing to the uncertainty factors described in paragraph 3.29 and 3.30.

Preliminary View 8—Chapter 4

Based on the discussions in paragraphs 4.11–4.31, the IPSASB’s preliminary views are:

- (a) It would be difficult to recognize water in seas, rivers, streams, lakes, or certain groundwater aquifers as an asset in the GPFS because it is unlikely that they will meet the definition of an asset, or it is unlikely that such water could be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs;
- (b) Water impounded in reservoirs, canals, and certain groundwater aquifers can meet the definition of an asset if the water is controlled by an entity;
- (c) Where water impounded in reservoirs and canals meets the definition of an asset, it may be possible to recognize the water in GPFS if the water can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs; and
- (d) In situations where the financial capacity or operational capacity of a water resource cannot be reliably measured using currently available technologies and capabilities, the resource cannot be recognized as an asset in the GPFS.

Do you agree with the IPSASB’s Preliminary View?

If not, please provide your reasons supporting your view.

Yes. We agree with the preliminary views expressed above.

Specific Matter for Comment 3—Chapter 5

Living organisms that are subject to human intervention are not living resources within the scope of this CP. The accounting treatment of those living organisms, and activities relating to them and to living resources, is likely to fall within the scope of existing IPSAS.

In your view, is there sufficient guidance in IPSAS 12, IPSAS 17, or IPSAS 27 on how to determine which IPSAS to apply for these items necessary?

If not, please explain the reasons for your view.

We have no specific comments on this matter.

Preliminary View 9—Chapter 5

Based on the discussions in paragraphs 5.18-5.41, the IPSASB's preliminary views are:

(a) It is possible for a living resource held for financial capacity to meet the definition of an asset, be measurable in a way that achieves the qualitative characteristics and takes account of the constraints on information in the GPFRs, and thus meet the criteria to be recognized as an asset in GPFS;

(b) If a living resource with operational capacity meets the definition of an asset, an entity will need to exercise judgment to determine if it is feasible to measure the living resource in a way which achieves the qualitative characteristics and takes account of the constraints on information in the GPFRs, and so meet the criteria to be recognized as an asset in the GPFS; and

(c) In situations where the financial capacity or operational capacity of a living resource cannot be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in the GPFRs using currently available technologies and capabilities, the living resource cannot be recognized as an asset in the GPFS.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

Yes. We agree with the preliminary view presented above.

In our view, reporting on natural assets goes beyond the GPFS and in most cases, natural assets could be better represented through separately produced sustainability reporting. Limiting the accounting for natural resources to an estimate of monetary value and some limited qualitative information will not meet the needs of most users. We expect a relatively small percentage of living resources to meet the criteria to be recognized within the GPFS.

Preliminary View 10—Chapter 6

Based on the discussion in paragraphs 6.7-6.15, the IPSASB's preliminary view is that certain information conventionally disclosed in GPFS should be presented in relation to natural resources.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

We agree that if there are natural assets which are recognized by a reporting entity in the GPFS, then the information described in sections 6.11 to 6.15 should also be disclosed.

Preliminary View 11—Chapter 6

Based on the discussion in paragraphs 6.16-6.20, the IPSASB's preliminary view is that certain information conventionally found in broader GPFRs should be presented in relation to recognized or unrecognized natural resources that are relevant to an entity's long-term financial sustainability, financial statement discussion and analysis, and service performance reporting.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons.

No, we do not agree with IPSASB's preliminary view.

If a reporting entity determines that natural assets should not be recognized within their GPFS, it should not be obligated to report on these items within their GPFR. The reporting entity should have the option of making these disclosures. IPSASB's RPG's do not currently provide sufficient guidance for the disclosure of sustainability related factors other than economic sustainability. Additional guidance should be developed with inclusion and consultation of Indigenous rightsholders to ensure that the guidance appropriately considers Indigenous unique circumstances and perspectives.

Specific Matter for Comment 4—Chapter 6

The proposals in paragraphs 6.16-6.20 (Preliminary View 11) are largely based on the IPSASB's RPGs. While these proposals are expected to be helpful to users of the broader GPFRs, the information necessary to prepare these reports may be more challenging to obtain compared to the information required for traditional GPFS disclosures. As noted in paragraph 6.17, the application of the RPGs is currently optional.

In your view, should the provision of the natural resources-related information proposed in Preliminary View 11 be mandatory? Such a requirement would only be specifically applicable to information related to natural resources.

Please provide the reasoning behind your view.

No, we do not feel the provision of natural resources-related information proposed in preliminary view #11 should be mandatory.

As discussed above, the disclosure of natural resources-related information should be optional.

It is stated in 6.18 that “When an entity is potentially able to recognize future cash flows through exploitation or selling the right to exploit a natural resource, these resources may have an impact on the long-term sustainability of the entity’s finances.” In our view the potential ability to realize an economic benefit should not create a requirement to disclose natural resource information. If a reporting entity does not intend to realize economic benefit from the use of natural resources, there may not be value in disclosing this information. Reporting entities will likely have very different views on the appropriateness of accounting for natural resources, particularly living organisms. There needs to be consideration of varying perspectives even between types of reporting entities such as Indigenous governments.