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project that could result in new rules being created on how companies should account for environmental credits, such as renewable energy credits and carbon offset credits.

Jason Bramwell • Jun. 27, 2022

The Financial Accounting Standards Board (FASB) recently decided to tackle a project that could result in new rules being created on how companies should account for environmental credits, such as renewable energy credits and carbon

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evolving business environment, transactions, and investor needs regarding climate-related issues," he said. "We encourage the FASB to continue to perform outreach with investors and other stakeholders and to monitor development of climate-related accounting and financial reporting issues."

After receiving feedback from investors and stakeholders, the FASB on May 25 added a project to its technical agenda on the recognition, measurement, presentation, and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits. These credits include but are not limited to:

- Those created under compliance programs, such as cap and trade and baseline allowance programs;
- Renewable energy credits/certificates;
- Renewable identification numbers; and
- Carbon offset credits.

"Renewable energy credits are certificates regulators offer to energy providers when they deliver wind, solar, or hydroelectric energy to a power grid. Carbon offsets are credits companies buy and count toward their targets to reduce greenhouse gas emissions," Tom Long, an associate at Westbury, N.Y.-based firm DSJCPA, wrote in a blog about the FASB's decision. "At this time, there are no specific rules that companies must follow when accounting for the purchase of renewable energy credits and carbon offsets. Currently, some companies expense the credits at the time of purchase, while others capitalize and write them off later."

The FASB project also includes financial reporting requirements for nongovernmental creators of environmental credits. According to an *Accounting Today* report on the May 25 meeting, FASB Chairman Richard Jones said an example of creator accounting would be an electric car manufacturer that generates credits

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social, and governance (ESG) rules for investment funds in late May that are intended to provide consistent requirements for ESG disclosures and to modernize and expand the SEC's Names Rule that covers fund names.

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