

# PwC's Quarterly Sustainability Webcast

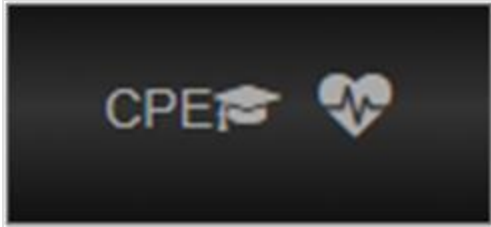
Third quarter 2023



# CPE details

**You will have 2 minutes to each timed polling question  
You do not need to get the question correct to get CPE**

**Monitor CPE progress by clicking on the  
CPE icon at the lower right of your screen:**



Prior to meeting the requirements, the CPE icon will initially progress notes.

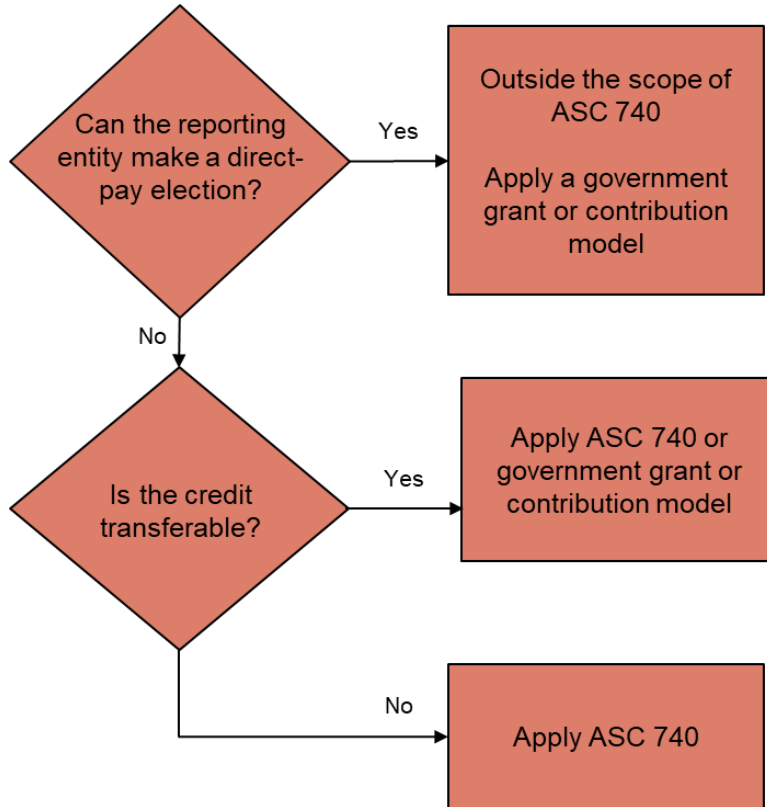


# Trivia contest

- The polling questions will ask trivia about some of the topics we are covering today.
- Polling questions will pop up with a chime sound, and you will have two minutes to answer the poll.
- After the poll closes, we will share the correct answers to the questions, so you can grade yourself.
- However, viewers who answer **all** polling questions correctly will be eligible for a random prize drawing. We will select 10 winners from each airing of the webcast.
- **Reminder: Your answer does not need to be correct to earn CPE**



# Accounting for IRA credits



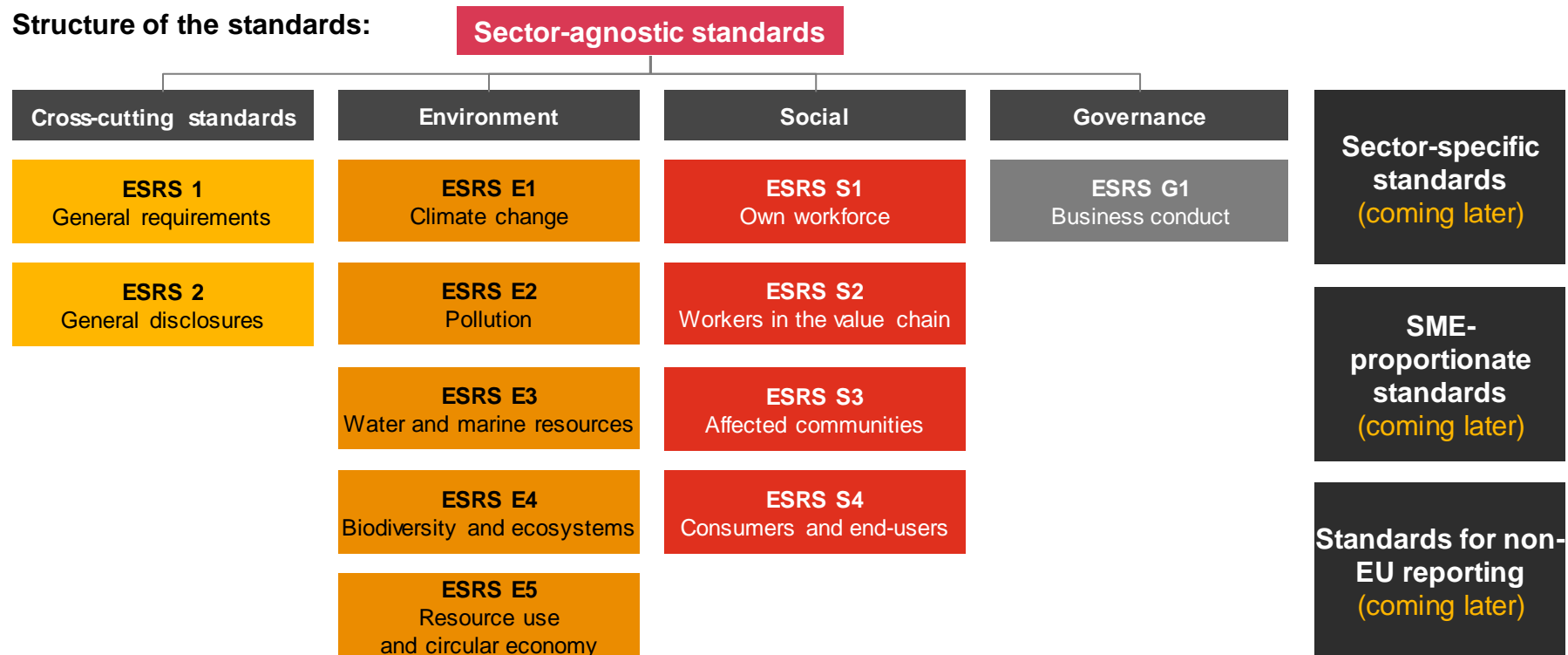
Related PwC thought leadership:  
[Accounting for Inflation Reduction Act energy incentives](#)

# Accounting for transferable tax credits

Accounting Element	ASC 740 (Investment Tax Credit)	ASC 740 (non-ITC)	IAS 20 (Asset grant)	IAS 20 (Income grant)
<b>Initial recognition</b>	When all requirements are met and the entity either (1) uses the credit to reduce income taxes otherwise currently payable, <b>or</b> (2) recognizes a deferred tax asset for an allowable carryforward (subject to valuation allowance considerations)		When there is reasonable assurance that the entity will comply with applicable conditions and the credit will be received	
<b>Timing and pattern of recognition in the income statement</b>	<b><i>Policy election:</i></b> <b><u>Deferral method</u></b> - over the useful life of the related asset  <b>or</b> <b><u>Flow-through method</u></b> - in the period that the credit is generated	In the period that the credit is generated	Over the useful life of the related asset	Using a systematic basis over the periods in which the entity recognizes the related expenses, or immediately when the grant compensates the entity for expenses already incurred
<b>Income statement presentation</b>	<b><i>Deferral method</i></b> - <b><i>Policy election:</i></b> Reduction in depreciation expense  <b>or</b> Reduction in the income tax provision  <b><i>Flow-through method</i></b> - Reduction in the income tax provision	Reduction in the income tax provision	<b><i>Policy election:</i></b> As a separate line item or under a general heading such as other income  <b>or</b> as a reduction of depreciation expense	<b><i>Policy election:</i></b> As a separate line item or under a general heading such as other income  <b>or</b> as a reduction to the related expense

# The European Sustainability Reporting Standards (ESRS)

Structure of the standards:



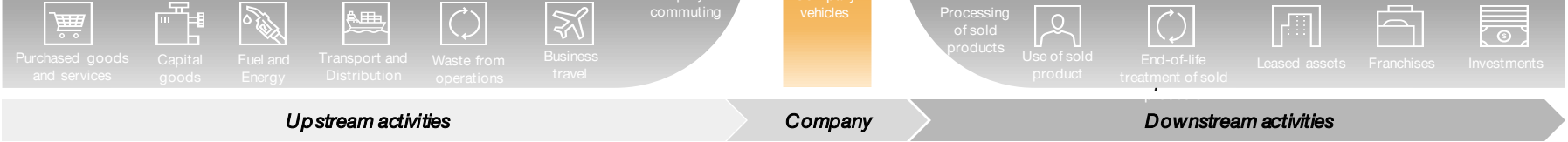
# Calculating GHG emissions

## Scope 1

**All direct emissions** from the activities of an organization or under their control. Includes fuel combustion on site such as gas boilers, fleet vehicles, and air-conditioning leaks.

## Scope 2

**Indirect emissions** from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organization.



## Scope 3

**All other indirect emissions** from activities of an organization, occurring from sources that they do not own or control.

These are often the greatest share of the carbon footprint, covering emissions associated with procurement, transport and distribution, product use, and product end of life.

These also can be the most challenging to address.

# Calculating GHG emissions (Continued)

The GHG Protocol requires that scope 2 emissions be calculated and accounted for under two distinct methods: (1) location-based method and (2) market-based method.

## *Location-based method:*

- Calculation based on average emission factors for defined geographic locations, including local, subnational, or national boundaries
- Emission factors represent average emissions occurring within a defined geographic area and a defined time period

## *Market-Based Method:*

- Calculation based on emission factors derived from contractual instruments (e.g., power purchase agreements (PPAs) or renewable energy certificates (RECs))

## Scope 2 quality criteria

*All contractual instruments used in the market-based method for scope 2 accounting shall:*

**Criteria 1.** Convey the direct GHG emission rate attribute associated with the unit of electricity produced

**Criteria 2.** Be the only instruments that carry the GHG emission rate attribute claim associated with that quantity of electricity generation

**Criteria 3.** Be tracked and redeemed, retired, or canceled by or on behalf of the reporting entity.

**Criteria 4.** Be issued and redeemed as close as possible to the period of energy consumption to which the instrument is applied

**Criteria 5.** Be sourced from the same market in which the reporting entity's electricity-consuming operations are located and to which the instrument is applied



# Resources and links

## PwC publications

- [Worldwide impact of CSRD—are you ready?](#)
- [Navigating the ESG landscape.](#)
- [Final European Sustainability Reporting Standards have been adopted.](#)
- [Finalization of EU Corporate Sustainability Reporting Directive \(CSRD\).](#)
- [Accounting for Inflation Reduction Act energy incentives.](#)
- [IFRS Sustainability Disclosure Standards—Guidance, insights and where to begin.](#)

## PwC podcasts

- [Talking ESG: EU sustainability reporting standards are near final.](#)
- [Podcast—Talking ESG: What's inside the final ISSB standards.](#)

## Third party materials

- [Achieving Internal Control over Sustainability Reporting \(COSO\).](#)

# Register for upcoming CPE-eligible webcasts



- [Q3 Quarterly accounting webcast | Sept. 13, 19, or 28](#)
- [Q4 Quarterly sustainability webcast | November 9 or 15](#)



# Thank you

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