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Reference: Discount rates used in measuring provisions for decommissioning costs

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the IASB staff consultation on Discount rates used in measuring provisions for decommissioning costs.

We are a standard-setting body engaged in studying, developing, and issuing accounting standards, interpretations, and guidance for Brazilian companies.

Question:

The IASB staff are currently gathering evidence about current practice. We have obtained a useful research report [Black Box Accounting: Discounting and disclosure practices of decommissioning liabilities](#), which provides evidence of diversity in the discount rates used in measuring provisions for decommissioning costs, clean-up costs and other related environmental liabilities—and also about the quality of disclosure about those rates. However, although the research looked at company reports from around the world, it focused more on practice in Europe and North America—all the people interviewed about current practice were European or North American.

We would like to obtain more evidence of rates used in Brazil for discounting long-term provisions and so would be grateful for any information the CPC has on this topic. For example, any evidence about:

- Whether companies in Brazil with long-term provisions discount those provisions at a rate that includes or excludes their own credit risk.
- If practice varies, whether one practice predominate and if so why (eg because of industry guidelines).

¹The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), B3 (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



- Which sectors are most affected and how material the selection of a discount rate is on the financial position or financial performance reported by companies in that sector.
- Whether practices vary between sector (eg oil & gas, mining, energy generation, telecoms and other utilities).
- The extent to which companies disclose information about the rates they have used to discount provisions.

Except for some entities in certain industries that use its own credit risk for measuring a decommissioning provision, it is not common for Brazilian entities to use its own credit risk on such estimate. Disclosures usually comply with the minimum requirements of IAS 37.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,

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