

Field-configuring events and the failure to standardise accounting for carbon emissions

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Abstract

Purpose – Since the withdrawal of IFRIC 3 in 2005, there has been a regulatory freeze in accounting for emission rights that contrasts with the international momentum of climate-related financial disclosures. This paper explores how different narratives and institutional dynamics explain the failure to produce guidance on accounting for emission rights.

Design/methodology/approach – This paper mobilises the notion of field-configuring events to examine a sequence of six events between 2003 and 2016, including four public consultations and two dialogues between standard setters. The paper presents a qualitative analysis of documents produced in this space that investigates how different practices and narratives configured the field's positions, agenda, and meaning systems.

Findings – Accounting for emission rights was gradually decoupled from climate change and carbon markets, relegated to the research pipeline, and forgotten. The obstacles that the IASB and EFRAG found in presenting themselves as central in the recurring events, the excess of representations, and the increasingly technical and abstract debates eroded the 2003 momentum for regulation, making the different initiatives to revitalise the project vulnerable and open to scrutiny. Lukes (2021) refers to nondecision-making to express that some issues are suffocated before they are expressed.

Originality/value – The regulation of accounting for emission rights, an area that has received scant attention in the literature, provides some insights into the different narrative mechanisms that, materialising in specific times and spaces, draw regulatory attention to particular accounting issues, which are problematised and, eventually, forgotten. This study also illustrates that identifying interests is problematic as actors shift from alternative positions over a long period. The case examined also raises some doubts about the previous effectiveness of international standard setters in dealing with matters of connectivity between the environment and finance, as is the case for accounting for emissions rights.

Keywords Emission rights, Accounting regulation, IASB, Field-configuring events, Carbon

Paper type Research paper

1. Introduction

The report of the Working Group I contributing to the Intergovernmental Panel on Climate Change's Sixth Assessment Report (IPCC 2021) provides evidence of the unequivocal

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anthropogenic origin of climate change, as well as its irreversibility and persistent effects. This report warns that the COP21 Paris Agreement to target a maximum 1.5–2 °C increase in global temperatures will require achieving net zero CO₂ emissions and intense reductions in further greenhouse gases. Different initiatives are attempting to transform businesses and markets, driving them to internalise the costs of greenhouse gas (GHG) emissions. Examples of those initiatives are the UN Global Compact Business Ambition for 1.5 °C [1] and the UN Race to Zero or Net-Zero [2].

As far as accounting is concerned, different initiatives, such as the Carbon Disclosure Project (CDP), the Task Force on Climate-related Financial Disclosures (TCFD) [3] (O'Dwyer and Unerman, 2020) and Interpretation 3, issued in December 2004 by the International Financial Reporting Interpretations Committee (IFRIC), have adopted strategies to enhance information about the cost of climate change available for investors, markets, stakeholders, and companies. However, compared with CDP and TCFD (among other initiatives), whose interest is the disclosure of different assessments of the risks and opportunities arising from climate change and the carbon strategies adopted by corporations, IFRIC 3 is unique in that it focuses on accounting for emissions rights (hereafter AER) [4], i.e. the accounting puzzle that results from the operation of companies in carbon markets (e.g. the EU ETS) and the subsequent need to recognise, value, and report information on the assets and liabilities arising from participation in those markets.

Intriguingly, IFRIC 3 was withdrawn in 2005, and despite initial interest and the growing trading volume of carbon markets, there is still a lack of standardisation concerning AER (Allini *et al.*, 2018; Bebbington and Larrinaga, 2008; Garcia-Torea *et al.*, 2022; Hopwood, 2009; Lovell *et al.*, 2013; MacKenzie, 2009).

Although we concur with Charnock and Thomson (2019) that “Momentum is building in the global effort to tackle climate change” (p. 192), while attempts have been made to standardise the AER and increase the visibility of carbon accounting, CO₂ emissions increased by 52% between 1990 and 2014 (World Bank, 2021), and CO₂ concentrations in the atmosphere increased from 368 in 2000 to 410 in 2021 (IPCC, 2001, 2021). If investors, policy-makers, companies, and stakeholders are aligned in efforts to limit climate change, the question is why standard-setters have failed thus far to regulate the provision of more transparency as to the financial effects of climate change in companies and markets. The failure to standardise the AER is illuminating, as the IFRS Foundation has claimed that its investors and regulators have urged it to use *its experience* in creating the “International Sustainability Standard Board” (ISSB) and issue new carbon reporting standards. Admittedly, the mission addressed to the ISSB is not to propose any method to account for emissions rights but to complement the IASB’s standards by allowing financial markets to assess the risks and opportunities arising from ESG issues. By issuing two first standards on general sustainability disclosures and on climate-related disclosures, the ISSB requires reporting on any material sustainability topics that may affect the enterprise value and the significant climate-related risks and opportunities to which a company is exposed. However, the *experience* of the IFRS Foundation in climate change has been marked in the last 2 decades by the failure to standardise the AER.

Despite the momentum to address climate change and the remarkable failure to produce an international AER standard (Bebbington and Larrinaga, 2008; Lovell *et al.*, 2013; MacKenzie, 2009), the literature has not examined the regulatory process that led to this situation. The primary aim of this paper is to examine the dynamics that have prevented the crystallisation of an AER regulatory field. To that end, we mobilise the notion of field-configuring events (FCE hereafter), which allows us to study how the convergence of different actors, narratives, and accounting issues in specific time and space results in the configuration of a particular regulatory field. More specifically, we examined a sequence of events that created the opportunity (but ultimately failed) to regulate the AER. We focus on

six key events, including four public consultations (IFRIC D1 consultation in 2003, the IASB Agenda consultation in 2011, EFRAG ETS consultation in 2013, and the IASB Agenda consultation in 2015) and two dialogues between standard setters (FASB-IASB joint project between 2007 and 2010 and the interaction with the Australian Accounting Standard Board in 2013–2014). We explore how those events unfolded, the practices and narratives that were mobilised, and the relational spaces and meaning systems that could explain the failure to produce AER norms. To that end, we perform a qualitative analysis of a range of international documents produced since 2003.

This paper makes two contributions. Despite the importance of climate change and the attention given to AER since the launching of the European Emission Transfer System (hereafter, EU ETS) (Bebbington and Larrinaga, 2008; Hopwood, 2009), regulation in this area has not received attention, other than signalling the lack of disclosure and inconsistent practices (Allini *et al.*, 2018; Garcia-Torea *et al.*, 2022; Lovell *et al.*, 2013) resulting from the absence of regulation. The first contribution of this paper consists of understanding the process that led to the lack of regulation in the AER. This is important because, due to the lack of an accounting standard, carbon markets lack a source of information for their operation and, arguably, could be less effective in the fight against climate change. An FCE analysis of the AER regulation process elucidates how the obstacles that the IASB and EFRAG found to presenting themselves as central in the recurring events, the excess of AER representations, and the increasingly technical and abstract debates eroded the 2003 momentum for AER regulation, making the different initiatives to revitalise the project vulnerable and open to scrutiny. Moreover, the case examined raises some doubts about the effectiveness of international standard setters in dealing with matters of connectivity between the environment and the financial, as is the case for an AER.

Previous research has approached accounting regulation through the lens of regulatory spaces (Canning and O'Dwyer, 2013; Young, 1994) or epistemic communities (Himick and Brivot, 2018) to study power dynamics within regulatory arenas with a plurality of actors. A key tenet in this literature is the notion that accounting regulation is the product of the interaction of a constellation of actors whose strategies and attributes determine the regulation process. An additional literature stream has focused on the notion of normativity (Bebbington *et al.*, 2012; Chauvey *et al.*, 2015; Senn and Giordano-Spring, 2020) and endogeneity (Kohler *et al.*, 2021) to explore how the process of accounting regulation extends through the life cycle and how the meaning of norms is constructed by the internal legitimacy of the law and the agency of regulatees and further actors. Notwithstanding the importance of actors' power (Botzem and Quack, 2006; Young, 1994) and strategies (Baudot and Cooper, 2022; Canning and O'Dwyer, 2013), within and beyond the regular construction of the standard (Bebbington *et al.*, 2012; Kohler *et al.*, 2021), the study of networks and processes at the field level (Robson and Ezzamel, 2022) can provide further insight into how accounting regulation is constructed. In that regard, the second contribution of this study lies in mobilising the notion of field-configuring events (Hardy and Maguire, 2010; Lampel and Meyer, 2008; Schüssler *et al.*, 2014), which facilitates giving specific consideration to how time and space coalesce in events that have the potential to change fields, problematising (rather than taking for granted) the identity of regulatory actors (Botzem and Quack, 2006; Stenka, 2022) and their interests (Malsch and Gendron, 2011; Robson and Ezzamel, 2022; Young, 1994).

The rest of the paper is structured as follows. Section two develops the theoretical background for analysing the AER field. Section three provides background information about AER and its interplay with carbon markets. Section four describes the research method. Informed by the literature on FCE and discursive struggles, section five presents the different events that unfolded in this field. The last section provides a discussion and conclusions.

2. Theory

Regulatory fields (Botzem and Quack, 2006) or spaces (Canning and O'Dwyer, 2013; Malsch *et al.*, 2011; Young, 1994) have become key levels of resolution for the study of accounting regulation. Central to this notion is the proposition that regulation no longer emanates from a single standard-setting institution but is the product of the interaction between constellations of actors whose identification is in itself problematic (Botzem and Quack, 2006).

However, Botzem and Quack (2006) contend that neoinstitutional theory has paid more attention to the diffusion of existing standards than to the emergence of new standards. The study by Botzem and Quack on the emergence of the international regulatory field of financial reporting is particularly relevant to our focus; from a Bourdieusian perspective, they inspected the power dynamics that the opening of international standard-setting spaces creates. In general, research on accounting regulation has studied how sets of actors engage over time around accounting issues (Botzem and Quack, 2006), creating the conditions (Bebbington *et al.*, 2012) and rationales (Young, 1994) that give rise to a regulatory field and the potential normativity of some accounting standards.

The perspective adopted in this paper is that accounting standards are the product of specific regulatory fields. The question that arises is what dynamics prevented the configuration of an AER regulatory field. In that respect, the development of fields has been conceptualised with reference to conflicts and debates around a contested issue (Hoffman, 1999; Young, 1994), discursive struggle (Hardy and Maguire, 2010), and field-configuring events (Lampel and Meyer, 2008; Schüssler *et al.*, 2014). These concepts provide the theoretical framework for this paper and are reviewed below.

2.1 Field-configuring events

In neoinstitutional theory, the notion of fields that focused initially on industries and professions (DiMaggio and Powell, 1983) was later broadened to include conflicts and debates around contested issues (Hoffman, 1999; Scott, 2008). "Issues define what the field is, making links that may not have previously been present" (Hoffman, 1999, p. 352). Hoffman (1999) noted the importance of *time* for field configuration when he affirmed that field "membership may also be for a finite time period, coinciding with an issue's emergence, growth, and decline" (p. 352). In his theorisation of accounting regulation as a regulatory space, Young (1994) also sustained that such space is constructed by "people, organizations and *events* that act upon (...) the set of accounting problems for which a rational for standard-setting action can be developed" (pp. 84–85; emphasis added). Events have received specific attention in institutional theory (Hardy and Maguire, 2010; Lampel and Meyer, 2008; Schüssler *et al.*, 2014) but have not been explicitly examined in the accounting literature, despite the importance of time in accounting regulation. In fact, accounting regulation, as a process, is punctuated by agendas, consultations, reforms, deadlines, standards no longer applicable and standards entering into force. In the case of the AER, national and international standard setters and other organisations have attempted to regulate the recognition, valuation and disclosure of assets and liabilities arising from participation in carbon markets from 2003 until 2016 in sustained efforts, gathering various actors in different events and activities. Events such as the launch of the EU ETS and the issuance of IFRIC 3 are milestones in the formation of the AER regulatory field.

Events not only punctuate the evolution of institutional fields but also configure and change them. Field-configuring events "are settings in which people from diverse organizations and with diverse purposes assemble periodically, or on a one-time basis, to announce new products, develop industry standards, construct social networks, recognize accomplishments, share and interpret information, and transact business" (Lampel and Meyer, 2008, p. 1026). FCEs have a relational potential for fields, as they offer opportunities for changing the positions and

meanings that provide the fields with substance (Hardy and Maguire, 2010; Lampel and Meyer, 2008; Schüssler *et al.*, 2014). They construct meaning and collective beliefs because they “are characterized by extensive textual activity (...) participants (...) prepare accounts, circulate reports, give press statements, make speeches (...) which are then consumed (...) by other participants” (Hardy and Maguire, 2010, p. 1367), creating a discursive space that constitutes institutional fields, a point to which we return later in this section. However, we now focus on how the dynamic characteristics of FCE are associated with field-level changes.

Hardy and Maguire (2010) found that FCEs “can both produce and inhibit field-level change” (p. 1384), depending on the rules and understandings that characterize them. In this regard, Schüssler *et al.* (2014) studied how FCE’s interactional openness and temporal boundedness are associated with field-level change. They define interactional openness as “the temporary spatial copresence of diverse actors that can interact in the context of overlapping formal and informal spaces” (p. 143), finding that regular (rather than high-stakes) events attract less attention and participation yet provide more opportunities for formal and informal interaction, mutual understanding and compromise. These events produce advances in negotiating rules that are less visible to the external public. According to Schüssler *et al.* (2014), interactional openness is associated with institutional change.

Likewise, temporal boundedness may be associated with institutional change. Schüssler *et al.* (2014) define temporal boundedness as “the temporal limitation of events” (p. 143), which produces creative friction and stimulates momentum for change. In this case, high-stakes events with clear deadlines and publicised negotiations among key individuals, dramatised as critical, attract more attention and create the momentum for altering positions that are more visible to the external public.

2.2 Fields as space for contested issues and discursive struggle

There is always potential for field-level change; issues might emerge and crystallise in fields. Therefore, although actors and organisations might be against the development of a particular field, they may have an urgency to participate in its configuration to influence its positions, understandings, and rules (Hoffman, 1999). For example, although different actors may not be interested in the development of a climate change field, the urgency of the climate agenda may destabilise existing institutions, creating opportunities for alternative discourses in schismatic events, occupying central positions in the field, and transforming categories and beliefs. FCEs provide momentary opportunities for “the interactions, sensemaking, and political manoeuvring that reconstitute the field” (Zilber, 2011, p. 1541).

If we focus on FCEs, they bring together actors with different interests and agendas and offer the opportunity for field-level change (Zilber, 2011). As they are interactionally open and temporally bounded (to different degrees), actors may be interested in influencing the configuration of the field to advance their interests and agendas. However, institutions and institutional change need to be rationalised; institutions are constructed by narratives that provide meaning to events and human actions (Hardy and Maguire, 2010). Institutional fields are characterised by the textual activity that produces those explanations (Phillips *et al.*, 2004), especially considering that narratives are not always uncontested. For example, the business case for sustainability, which is a central narrative in the field of corporate social responsibility in business schools and business studies, has also been contested by civil society and researchers (Ergene *et al.*, 2021).

As transitory events that hold the potential for change, FCEs generate discursive spaces characterised by contestation, the participation of multiple voices and the production of texts conveying different narratives (Hardy and Maguire, 2010). Competing interest groups seek to promote their positions and configure the fields in specific directions by producing and exchanging specific narratives (Gross and Zilber, 2020; Hardy and Maguire, 2010).

In their study of how biotech conferences configure a field in Israel, Gross and Zilber (2020) draw on Lukes' (2021) faces of power to characterise three different narrative mechanisms that allow exerting power, including "including telling stories and enacting them, setting the stage, and embedding the stories in a specific meta-narrative" (Gross and Zilber, 2020, p. 1381). This paper mobilises these three narrative mechanisms to make sense of the discursive struggles in the attempts to standardise AER.

Concerning the first narrative mechanism, Gross and Zilber (2020) found that the way roles, interrelations, and positions are narrated in events configure some actors as central, possessing crucial knowledge about issues, while configuring other actors as passive recipients. This perspective would be harmonious with describing accounting regulation as a political process involving actors occupying different field positions and disputing definitions (Botzem and Quack, 2006). The undefinition of issues, the problematic identification of individuals and organisations participating, the temporary participation of actors, and the plurality of actors that could participate in the field's crystallisation (Bebbington *et al.*, 2012; Botzem and Quack, 2006; Young, 1994) all lead to conflicts that are negotiated through symbolic forms of power (Botzem and Quack, 2006). Organisations might engage in different strategies to procure and maintain authority to produce norms (Canning and O'Dwyer, 2013).

However, these settings do not usually lead to open conflict but rather to *restricted* forms of conflict. The authority of organisations participating in standard setting can be seen as vulnerable, requiring conformance with normative expectations (Bebbington *et al.*, 2012; Young, 1994). In that regard, considering what is constructed as appropriate, for example, could help to understand the responses of some standard-setting organisations. This leads to Gross and Zilber's (2020) second narrative mechanism that, echoing Lukes' (2021) second face of power, consists of setting the agenda to prevent the emergence of alternatives. Following this mechanism, the stage at conferences is set to allow the circulation of the approved narrative only, to demean alternative formulations and to distinguish between insiders and outsiders. There is a recursive relationship at play in any discursive struggle to impose meaning, definitions, and how to address issues (Canning and O'Dwyer, 2013; Malsch *et al.*, 2011; Young, 1994).

Narratives provide meaning to institutional actions. However, at the same time, coherent narratives that draw on broader, well-established discourses are more likely to construct fields (Phillips *et al.*, 2004). The third narrative mechanism, drawing on the third face of power (Gross and Zilber, 2020; Lukes, 2021), departs from the behavioural approach of the first two faces. The third face pays attention to taken-for-grantedness, values, and interpretations that might prevent even the conception of alternatives, making this mechanism arguably the most influential narrative. The third face of power allows theorising about the lack of action, the "non-decision making" (Lukes, 2021), which also questions the strategic intentionality of those narratives (Stenka, 2022). Precisely, Phillips *et al.* (2004) use the example of financial reporting to exemplify widely shared discourses whose strength rests on clear practices that are taken for granted. Phillips *et al.* (2004) believe that, in contrast to financial reporting, the narrative of environmental accounting is too incoherent and unstructured to produce institutions like those of financial reporting. However, fields can be jeopardised by "the production, distribution, and consumption of texts that destabilise the discourses supporting existing institutions" (Hardy and Maguire, 2010, p. 1367). One case with the potential to destabilise financial accounting was the regulation of AER.

3. Standardisation of financial carbon accounting

The EU ETS is an instrument designed to encourage the reduction of GHG emissions (Bebbington and Larrinaga, 2008; IPCC, 2014; MacKenzie, 2009). Although, for some time, the

EU ETS was criticised for not implementing truly binding emissions caps, leading to prices that were below the expected levels (IPCC, 2014), prices have increased notably in recent years (Strefler *et al.*, 2021). AER could arguably play an important function in the transparency of those markets and in conveying appropriate information to investors and other stakeholders. After all, carbon markets aim to internalise costs and visualise the risks of carbon emissions (Bebbington and Larrinaga, 2008).

As this paper will show, some actors consider that companies are well served by existing accounting standards to elaborate relevant information about the financial effects of carbon markets. However, proponents of an AER standard contend that in its absence, the affected companies are not recognising and valuing how emission rights might affect their results and their financial position, stealing this information from the (carbon and financial) markets and precluding their efficient operation (Allimi *et al.*, 2018; Lovell *et al.*, 2013). The lack of sufficient and appropriate information about the effects of carbon markets on companies could limit the effectiveness of policies aimed at reducing GHG emissions (Haupt and Ismer, 2013).

The 2005 launch of the EU ETS revealed the necessity of regulating different aspects of accounting for the assets, liabilities, expenses, and income resulting from participation in this market. In December 2004, the IFRIC issued Interpretation 3 *Emission Rights* (IFRIC 3) with the understanding that a financial carbon accounting rule was needed for policy-makers, analysts, and investors to make informed decisions (Haupt and Ismer, 2013) and for the market to work (MacKenzie, 2009).

However, IFRIC 3 was withdrawn in July 2005, mainly considering the negative endorsement issued by EFRAG. Since 2005, different national standards on AER have been issued in some European countries, while the IASB and the FASB have launched, abandoned, and resumed different plans. The outcome is that an international accounting standard does not exist, leaving absolute discretion on accounting methods to the largest companies using IFRS and resulting in a lack of comparable accounting information (Garcia-Torea *et al.*, 2022).

The attempts and failures to standardise AER, the sustained interest, and the potential implications for the operations of carbon markets illustrate the contentious nature of this accounting matter (Ascui and Lovell, 2011; MacKenzie, 2009) and the interest in studying it as a regulatory field. Although over 2 decades, experts have discussed whether emission rights are intangible assets, inventory, or nothing at all and whether they should be measured at fair value or nil, the diverse views of carbon markets continue to make carbon rights difficult to ascribe to conventional financial accounting categories (Ascui and Lovell, 2011).

4. Research method

This study focuses on the standardisation of accounting for emission rights, which addresses the recognition of carbon allowances within conventional financial reporting [5]. As such, the disclosure of physical carbon emissions, climate risks and opportunities, as outlined by CDP, ISSB, TCFD and other initiatives, is outside the scope of this study.

To provide insight into the different narratives and institutional dynamics that explain the failure to produce guidance on AER, we explore AER as a regulatory field and study the sequence of events that ensued from the inception of the EU ETS, drawing on the notion of field-configuring events. The research method followed previous constructionist studies on FCE (Gross and Zilber, 2020; Hardy and Maguire, 2010; Zilber, 2011; Phillips *et al.*, 2004). Institutional fields are characterised by abundant textual activity (Phillips *et al.*, 2004) that can help identify the positions and interests of different participants. Filed events are part of the “ongoing stream of institutional texts” (Zilber, 2011, p. 1541). Therefore, by compiling and analysing qualitatively an extensive collection of public documents exchanged during

the considered events, this study identifies the actors' positions across the timeline and situates the narratives according to the three narrative mechanisms explained in section two. This method has been used in previous studies of accounting regulation (Canning and O'Dwyer, 2013; Malsch and Gendron, 2011).

4.1 Data collection and analysis

The data source for this study consists of public documents dealing with AERs produced between 2003 and 2016. We searched the EFRAG and IFRS archives [6] and retrieved 68 primary documents (Table A1 in supplementary material), including IASB and FASB minutes, staff papers, ASAF minutes, agenda and research papers, meeting updates, and public reports produced in the six events analysed. Additionally, in our study, we included the 412 comment letters that the four public consultations received (Tables A2 to A5 in supplementary material).

The methodological approach is a two-level analysis that aligns with Hardy and McGuire (2010). Following a chronological timeline, we first isolated sequential FCEs. We identified six FCEs documenting the specific set of participants involved and the type of textual interactions that characterised each of them. Second, focusing on each FCE, we performed a qualitative analysis of all the available documents to identify consensus (or dispute) on positions and meanings within the field regarding the specific topic of AER.

4.2 Identifying field-configuring events

Drawing on Lampel and Meyer (2008) and Hardy and Maguire (2010), we define FCEs in an accounting regulation field as settings in which participants (regulatory bodies, companies and experts, among others) assemble on a regular or exceptional basis and engage in textual activity to produce definitions and rules about given accounting problems. In our study, each identified FCE sought to make specific decisions concerning AER and convened different standard setters, including among others, the International Accounting Standards Board (IASB), the US Financial Accounting Standards Board (FASB), the French *Autorité des Normes Comptables* (ANC), and the European Financial Reporting Advisory Group (EFRAG), together with a myriad of different stakeholders.

It was possible to identify discrete FCEs in the 2003–2016 period, as events were followed and preceded by periods of inactivity and launched and led by recognizable organisations. For example, the first event, which the IFRIC led, ended in 2005 with the withdrawal of the proposal. A period of inactivity ensued until 2007, when the FASB included the topic in its agenda, initiating the second event. We identified six key events (see Table 1), including four public consultations (FCE 1, FCE 3, FCE 4, and FCE 6) and two dialogues between standard setters (FCE 2 and FCE 5). The events take various forms: public consultation on a draft paper prepared by a standard-setting organisation; specific questions included in broader agenda consultations; a research project; or a technical work program developed within a standard-setting organisation.

Following Schüssler *et al.* (2014), temporal boundness and interactional openness help characterise FCEs. Public consultations are events launched by a standard setter that have clear deadlines and can potentially attract the attention of the public. In contrast, lacking temporal limitation, research projects are unlikely to generate creative friction. Research projects are announced, launched, managed, and eventually abandoned. They are carried out by a standard setter and communicated to external parties by means of minutes and updates.

Different degrees of interactional openness can also be observed in those events, considering the actors who are allowed to interact and the form of interaction. For example, public consultations called for comments and contributions from various participants, including preparers, users, fellow standard setters, and special interest groups. To close the

Identification (relevant dates)	Event	Description	Category of event	Narrative mechanisms	Regulatory outcome
FCE 1 (2003–2005)	IFRIC D1 Consultation and IFRIC 3 withdrawal	IFRIC issued a draft interpretation (IFRIC D1 Emission Rights) for public consultation in 2003, an interpretation in 2004 and withdrew it in 2005, considering EFRAG’s negative endorsement	High-stakes Event - Clear limit in time - Open to public and focused on AER	IASB central stage by launching the first ever consultation on AER (agenda-setting) “Practice diversity” narrative (<i>power of interpretation</i>)	IASB sets the agenda: AER to deal with “practice diversity” Solution contested by EFRAG: IASB withdraws the IFRIC
FCE 2 (2007–2010)	IASB FASB Joint project	In 2007 FASB included “Emission Trading Schemes” in its agenda, joining forces with IASB. Meetings and discussions papers were ineffective and the interest on this issue faded away by 2010	Regular Event - Blurred time limit, growing number of meetings dealing with subcategories of technical issues - Weak openness: broadened scope of emission trading schemes and limited to two standard setters	IASB holds interest in the topics and remains in a leading position. The scope of the project is broadened (<i>power to impose definition</i>) The scope of participants is narrowed. (<i>power of central actors</i>)	IASB broadens the topic and puts it out of a due process
FCE 3 (2011)	IASB Agenda Consultation	After the agenda consultation to prioritize accounting standard projects, “Emissions trading schemes” suspended and included in “Research projects”	Regular Event - Event that is regularly planned beyond the scope of AER. - Interaction not limited to AER	IASB still concerned with the topic, but delegate decision to stakeholders (<i>power of positions among actors</i>) It justifies moving AER out of a new due process (<i>power of setting the agenda</i>)	IASB gets confirmation of stakeholders to maintain the topic out of a due process

Table 1.
Six events identified in the study and main narrative mechanisms

(continued)

Identification (relevant dates)	Event	Description	Category of event	Narrative mechanisms	Regulatory outcome
FCE 4 (2013)	EFRAG Consultation	Failed EFRAG attempt to urge IASB to move forward by launching a consultation urging	High-stakes Event - Temporally bounded - Interactions focused on AER	EFRAG attempts to lead setting new agenda and imposing new definitions in AER (<i>power of setting the agenda, power of interpretation</i>). IASB does not reconsider the topic (<i>power of setting the agenda</i>)	Alternative regulator makes a proposal IASB resists the proposal
FCE 5 (2013–2014)	Australian Accounting Standards Board request to IFRS Interpretation Committee	The AASB asked IFRS Interpretation Committee to issue guidance on the valuation of liabilities under emission trading schemes. IFRS declined because it did not meet the “agenda criteria of the Interpretations Committee”	Regular Event - No temporal bounding - Interactions limited to two standard setters (ad hoc discussion)	IASB resists the proposal to put the topic in the agenda (<i>power of agenda-setting</i>).	Topic excluded from the agenda
FCE 6 (2014–2016)	IASB Agenda Consultation	Discussion initiated by the Global Preparers Forum and the Accounting Standards Advisory Forum, followed by an agenda consultation that included the relabelled “Pollutant Pricing Mechanisms” project, which ended up in the “research pipeline”	Regular Event - Event that is regularly planned beyond the scope of AER. - Interactions not limited to AER	Topic reworded and extended by IASB to “Pollutant Price Mechanisms” (<i>power of interpretation</i>) Topic must now align to the conceptual framework (<i>power of interpretation</i>)	IASB changes the definition of the topic and connects it to the framework

Table 1.

event, the organisation leading the public consultation issued a feedback statement, providing ample space for editing and arbitration between the different positions expressed in the comment letters. In contrast to the openness of public consultations, research projects mainly fall into the hands of the staff of standard-setting organisations, limiting exchanges to those taking place between the staff, the board, and, eventually, research fellows who might also bring their contributions. Technical staff assist standard-setting boards and play an important role in articulating possible alternatives and editing the final documents.

Considering the scope of the event (focused on AER or related to a wider scope) and the two dimensions of temporal boundedness and interactional openness, we identify two categories of events (Table 1): high-stakes events that were characterised by a specific focus on AER, limited temporal boundedness and high openness, providing the opportunity for authoritative participants to express alternative positions; and regular events, such as agenda consultations, which had a wider scope than did AER or research projects/discussions and implied limited participation.

4.3 Analysing the textual activity

The second level of analysis consisted of analysing the textual activity of the different organisations participating in the identified events (Tables A1 to A5 in supplementary material).

Unlike conferences (Gross and Zilber, 2020; Zilber, 2011; Schüssler *et al.*, 2014), accounting regulation is highly formalised, with textual exchanges playing a more important role than live events. Minutes, staff papers, agendas, research papers, public reports, consultation documents and comment letters provide a window into the discussions by actors holding different positions and the narrative mechanisms mobilised to defend their positions.

All documents were carefully read and coded with the assistance of Nvivo software until we achieved thematic saturation (Bardin, 2013; Miles *et al.*, 2014) concerning the manifest content of the documents (Canning and O'Dwyer, 2013). The codes used include date, thematic content, authorship, and views expressed. Those codes allowed us to identify the documents' authors, e.g. the Board in a due process document, a national standard setter in a comment letter or the staff of IASB in the minutes, which in some cases differed from the narrative's author, i.e. contributions made by participants in some meetings that were included in the subsequent minutes. These codes also allowed us to identify the narratives mobilised for and against the regulatory decision, as well as the ensuing steps in this dynamic process.

In a second reading, documents were analysed interpretatively, considering that they are not isolated items but rather constructed through interaction (Gross and Zilber, 2020), providing different clues about latent meanings (Canning and O'Dwyer, 2013). In this regard, the analysis pays attention to the content and how the document was consumed and responded to. This relational and dynamic analysis provided insights into the positions of the different actors in the events, the shared meanings and contested issues, the new proposals made, and the narratives displayed by the participants involved in each event.

This relational and dynamic analysis also allowed us to situate the different narrative mechanisms proposed by Gross and Zilber (2020): telling and enacting stories, setting the stage and embedding narratives in broader discourses. Telling and enacting narratives are inherent to the organisations of events, such as consultations, which consist of placing and enacting actors in different positions that imply either possessing crucial knowledge or being passive recipients. For example, an organisation that is successful in occupying the centre of a stage in a consultation (e.g. IASB) can select specific comments from stakeholders to support its stance. Similarly, a second narrative mechanism, agenda-setting, is identified through the structure given to the discussions, which is noticeable in the documents. For example, public consultations were held to provide answers to specific questions, but alternative questions were rarely considered. Finally, narratives conforming to widely shared discourses (the metanarratives to which Gross and Zilber (2020) refer) and taken-for-granted practices are more likely to guide the direction of the field. Two alternative metanarratives could be identified: a comparability discourse and an economic reality discourse.

Although the authors did not participate in the events analysed, the interpretive analysis was enriched by the involvement of two of the authors in different activities in the broader AER regulatory field and by research on this topic conducted in the last twenty years.

To illustrate the analysis, the findings section includes citations to the documents gathered in the study. Primary documents are referenced with a #number (see [Table A1](#) in [supplementary material](#)) and comment letters with the acronym CL, followed by the letter's author.

5. Findings

The launch of the EU ETS in 2005 (EU Directive, 2003/87/EC) introduced a novel accounting issue of concern: how to account for the assets and liabilities arising from the operation of companies in carbon markets, i.e. AER. The origin of the AER arena lies in the draft interpretation and consultation launched in May 2003 by the IASB's IFRIC (D1), which addresses accounting for emission rights ([Bebbington and Larrinaga, 2008](#); [MacKenzie, 2009](#)). The Exposure Draft noted that different cap and trade schemes were developing, and neither guidance nor market consensus existed on the accounting treatment. Following [Hoffman's \(1999\)](#) ideas, this novelty coalesced different actors and views in what we argue is a potential field formation around an AER.

5.1 FCE 1 (2003–2005): avoiding the clash

In 2003, the approval of Directive (2003)/87/EC, which created the EU ETS, together with the existence of other cap and trade schemes such as those motivated by the Kyoto Protocol, with the precedent of the SO₂ market launched in 1995 in the US, built the momentum for considering emission rights by accounting standard setters.

In 2001 the International Financial Reporting Interpretations (IFRIC) replaced the Standard Interpretations Committee as the IASB's interpretative body to provide guidance on issues that were not specifically addressed by standards. The IFRIC, which first met in February 2002, was based in London and, in 2003, comprised 12 part-time voting members. At that time, the IASB was funded with contributions from major accounting firms, large corporations, central banks, and other international organisations [#4, 15 May 2003]. Despite being a private organisation, the last 2 decades have witnessed, except for the United States, a global convergence of accounting regulation with the accounting and reporting standards (IFRS) issued by the IASB (presently renamed the IFRS Foundation). Notably, the 2000 Lisbon European Council set a strategy (COM/2000/0359 final) for the convergence of accounting standards in the European Union around International Accounting Standards (as IFRS was previously known).

The year 2003 was a kind of honeymoon between the IASB and the European Union, and the AER was a genuinely European problem, with the urgency arising from the operation of the EU ETS, which was set to launch in 2005. Therefore, the fact that IFRIC D1 was the first draft interpretation issued by IFRIC [#3 May 2003, p.1] and its first consultation ([Bradbury, 2007](#)) may not have been a coincidence. Given the urgency created by the new carbon market and the increasing prominence of IFRS, it is difficult to conceive a more conducive moment for the IFRS to address a European problem. This was a high-stakes, visible and temporally bounded event ([Schüssler et al., 2014](#)).

The dominant narrative that accompanied the introduction of D1 consisted of the risk of diverse accounting practices [Kevin Stevenson, IFRIC Chairperson, #4, 15 May 2003] and the correlated comparability concerns. Studies carried out at that time showed that information about emissions was value relevant in stock markets for high-polluting companies affected by US regulation ([Hughes, 2000](#)), but problems related to information comparability were prevalent [7].

The IFRIC observed that many companies are, or will be, subject to such schemes. It also noted that there is at present no guidance on the accounting for such schemes. The IFRIC was informed that no consensus had emerged among market participants on what the accounting treatment should be. As there is a risk of divergent practices developing, the IFRIC concluded that it should develop an Interpretation. [#3, May 2003, p.11]

IFRIC D1 was released in May 2003, with a call for comments before July 2003. The consultation was supported by the IASB Chairperson, who nonetheless noted that the “accounting matters involved in such schemes are challenging and may need work beyond the current proposals” [Sir David Tweedie, #4, 15 May 2003].

Consultations frame the discussion by signalling the questions that participants can address and the range of possible answers to those questions. The accounting treatment that IFRIC D1 proposed consisted of accounting “for the emission allowances [the companies] receive from governments as intangible assets, recorded initially at fair value. Emissions of pollutants would then give rise to a liability for the obligation to deliver allowances to cover those emissions” [#4, 15 May 2003]. This proposal interpreted the four questions that framed AER in IFRIC D1. First and foremost, the draft interpretation excluded a net approach (offsetting assets and liabilities arising for related operations) as “there is no right of offset between the allowances and the obligation to deliver allowances” [#3, May 2003, p.13]. For the remaining three questions, the draft considered that the nature of the asset was intangible, that emissions would give rise to a liability and the accounting treatment of any penalty.

The framing of the invitation to comment on a specific set of questions could be seen as setting the agenda and preventing alternatives from emerging, i.e. the second narrative mechanism (Gross and Zilber, 2020). The draft interpretation launches the circulation of a narrative that sets the appropriate terms for the conversation, the suitable questions, and the potential alternatives to those questions, excluding alternative formulations.

Although, as the field was taking shape, the IFRIC and its *diverse practice* narrative were central, this narrative was contested by certain IFRIC “Board members [that] expressed serious reservations about the draft Interpretation” [#2, April 2003], associated with the proposal to amend IAS 20 (Accounting for Government Grants). In addition, only 11 out of the 40 comment letters received expressed support for the draft interpretation (Table A2 in supplementary material).

Part of the contestation was confined within the terms of the conversation created by the IFRIC, expressing “serious reservations over the accounting treatment” [FCE1, CL06 IETA, Preparer], particularly concerning the “over-complicated accounting and results in a grossing-up of the assets and liabilities that is inappropriate and not helpful to users of the accounts” [FCE1, CL26 BP, Preparer]. However, more effective resistance to the draft interpretation was waged by providing arguments beyond the consultation’s remit, destabilising the IFRIC attempt to frame the field. The most disrupting narrative consisted of the *mismatch* problem. Subverting the IFRIC’s attempt to frame the agenda, various respondents did not confine their answers to the options allowed by the draft interpretation but argued that “this interpretation may result in mismatching revenues and expenses as a result of the different valuation methods employed for the emission rights and the liability” [FCE1, CL12, The Japanese Institute of Certified Public Accountants]. According to the IFRIC, economic rationality involves comparable methods across companies; for the alternative narrative, the recognition of benefits or losses in the value of assets and liabilities that “does not seem economically correct” [FCE1, CL09, CNC, French Accounting Standard-setter], i.e. economic rationality, is defined in different terms. A further undermining argument was that the interpretation was too narrow, focusing on one specific type of emission right [FCE1, CL3, Hong Kong Society of Accountants; CL32, The Canadian Institute of Chartered Accountants] and that the design of those instruments was still unclear [FCE1, CL10, The Federation of Swiss Direct Investors], leading some of those respondents to recommend delaying the issue of such guidance, going beyond the remit of the consultation. The proposal itself acknowledged that emission rights did not constitute a material topic for companies at that time [#3 May 2003, p.11].

We consider that D1, as currently drafted, focuses on rule making for one specific type of emission rights scheme rather than establishing principles for schemes in general. We believe that this would set an undesirable precedent for the future development of interpretations as it establishes no guiding principles or conclusions that can be applied to analogous circumstances. [FCE1, CL3, Hong Kong Society of Accountants]

Although in the meeting held in London on 30 September and 1 October 2003, the IFRIC noted the concerns of many respondents to the consultation, it agreed to maintain its interpretation, recommending that the IASB amend IAS 38 to allow for emission rights (intangibles) to be valued at fair value, given that by valuing both intangible assets and liabilities at fair value, the mismatch problem would be disentangled [#5, IFRIC Update October 2003], a recommendation that was made by the IASB in December 2003.

The Board had considered and agreed to the IFRIC's proposal to amend IAS 38 *Intangible Assets*. The amendment would require an intangible asset that is like a currency and whose fair value is determinable by reference to an active market (eg, a tradeable emissions allowance) to be measured at fair value with changes in value recognised in profit or loss. [#6, IFRIC Update Feb 2004].

However, one year later, in the September 2004 IFRIC meeting, the prospects of an IAS 20 amendment were uncertain. In this situation, considering that the operations of the EU-ETS would effectively start . . .

at the beginning of 2005, and given the potential for diversity of accounting for that scheme, the IFRIC reconsidered whether it should finalise its original proposals in D1. (. . .) the disadvantage of this treatment specified by the current IAS 38 would be outweighed by the benefits of providing timely accounting guidance that would promote consistent application of IFRSs. [#8, IFRIC Update Sep 2004].

In its October meeting, the IFRIC confirmed its position and decided to issue a draft interpretation (IFRIC 3 Emission Rights), which was finally published in December 2004 with an effective date of March 2005. In the introduction of IFRIC 3, Chairperson Kevin Stevenson insisted on the comparability narrative and the urgency caused by EU ETS [#9, Press Release, Dec 2004].

According to the third narrative mechanism identified by [Gross and Zilber \(2020\)](#), specific interpretations are sustained by widely shared discourses. The IFRIC attempted to frame the carbon accounting field around a *comparability* metanarrative, allowing it to confine the agenda to certain technical questions. However, resistance to this interpretation, which included important national standard setters (such as the French Conseil National de la Comptabilité) and affected corporations, assembled around the *mismatch* narrative, supported by an *economic reality* discourse, putting IFRIC 3 under siege. The IFRIC framing was also contested by the Chair of EFRAG when, early in 2005, he proposed considering emission rights as a hedge for forecast emissions, which would lead to amending IAS 39 rather than IAS 38. Showing IFRIC 3 instability, the IFRIC was willing to discuss the EFRAG informal proposal, even though it noted that this proposal "had neither been discussed with the EFRAG Technical Experts Group, nor exposed for public comment, and that it expressed the views and thoughts of the EFRAG staff only" [#13, IFRIC Update, June 2005]. Finally, the failure to frame the carbon accounting field around the AER proposal was palpable when EFRAG advised the European Union not to endorse IFRIC 3, framing this recommendation under the *mismatch* narrative: in some cases, different valuation bases did not result in "relevant financial information because (. . .) [it did] not faithfully represent the economic reality" [#13, EFRAG, May 2005].

Nonendorsement by the European Union meant that the entities affected by the EU ETS would not need to consider IFRIC 3. The momentum that led the IFRIC to embark on this interpretation in 2003 was dissolving, not only because the bulk of carbon emission trading

would not be compelled to follow this guidance but also because the European Union had become a crucial stakeholder for the IASB. At that point, although the IASB still reassured that IFRIC 3 was an appropriate interpretation of existing IFRS, it decided to withdraw it under the argument that the slim market for emission rights and the EU ETS implementation delays did not result in an “urgent need for an Interpretation as originally concluded by the IFRIC in 2004” [#15, July 2005]. To date, this remains the swiftest withdrawal by the IFRIC and the only one not motivated by superseding amendments in accounting standards.

5.2 FCE 2 (2007) to FCE 4 (2013): increasing abstraction and technical content and declining momentum

From 2005 to 2013, we identified three main events in the international standardisation of AER (see Table 1). A joint project between the IASB and FASB (2007–2010) that attempted to provide guidance on the matter (FCE 2), an IASB agenda consultation in 2011 (FCE 3), and an EFRAG consultation in 2013 (FCE 4). These three events share a declining interest in the topic while still considering that emission trading schemes had material financial outcomes.

The IFRIC 3 withdrawal marks the beginning of a two-year period of inactivity. While the IASB deferred the work on emission trading, it was the FASB who revived this topic when it decided to include it in its agenda as a part of a “traded physical commodity inventory” project [#18, FASB, May 2007], joining later forces with the IASB, which in December 2007 reactivated this topic [#19, IASB Dec 2007]. The lack of guidance and practice convergence was still argued as the motivation for this project (i.e. *diverse practice* narrative), with FASB board members evoking the critiques of analysts of inadequate disclosure [#17, FASB, Feb 2007]. This narrative was still present in 2010:

Both boards [FASB’s and IASB’s] understand the importance of **emissions trading schemes** as a mechanism to help manage CO₂ emissions. The financial reporting consequences of the many different allocation and trading systems will become increasingly important. [#28, FASB IASB March 2010 Memorandum of Understanding; emphasis in the original]

The US Federal Energy Regulatory Commission’s Uniform System of Accounts provided guidance on how to account for emission allowances, prescribing a net approach for companies participating since the 1990s in the US SO₂ market. However, it was argued that this guidance was not a proper financial reporting standard (Ertimur *et al.*, 2009), and aware of divergent accounting practices, the FASB staff recommended issuing comprehensive guidance.

At the same time, all EU countries had implemented the EU ETS first phase (2005–2007) and initiated the second phase (2008–2012) with a lower emission cap and higher penalties for noncompliance. The trading volume reached 3.1 billion emission rights in 2008, with prices in the range of 20–30€/allowance. The market was operational, and despite the preparers’ demand for guidance [#20, IASB, May 2008], we could not identify any clear sense of a deadline or temporal limitation, which, following Schüssler *et al.* (2014), would create momentum and creative friction for the construction of new standards. Compared to the IFRIC 3 high-stakes, the FASB-IASB joint project was punctuated by educational and technical meetings and research papers, aiming to exchange information and negotiate rules. Therefore, we categorise this FCE as a regular event (Schüssler *et al.*, 2014).

In October 2008, the FASB Board asked the staff to write a comprehensive paper on the topic [#23, FASB, Oct 2008]. In June 2008, it was projected to issue an exposure draft by 2009 and an accounting standard by 2010 [#22, IASB Work Plan, June 2008]. In educational and technical meetings between the FASB and IASB, it was noted that *accounting for emission trading schemes* should be consistent with the (then) existing IAS 37 and joint conceptual framework projects [#25, FASB minutes 13 April, 2009]. In contrast, the IASB confirmed in

May 2008 that the staff should not be constrained by existing IFRS [#31, IASB, June 2010]. Notably, this new field event renamed the project, which was now about *accounting for emission trading schemes*, a broader remit compared to the more specific and manageable accounting for emission rights. The accumulation of issues that stem from broadening the guidance scope has been associated with decreasing mutual understanding and an ever-larger number of meetings (Schüssler *et al.*, 2014).

In March 2009, the IASB Board tentatively decided that free assets and liabilities should be measured at fair value, reaffirming the IFRIC 3 position [#24, IASB, March 2009]. A similar recommendation was made a month later by the staff to the FASB, but the board disagreed and did not vote on this issue [#25, FASB minutes 13 April, 2009]. In March 2010, a Memorandum of Understanding again adjourned any guidance:

The boards have been working together on this project and expect to publish an exposure draft together in 2010 with the aim of issuing common standards in 2011 [#28, FASB IASB, March 2010].

In a joint meeting held in September 2010, the FASB and IASB finally agreed that emission rights should be recognised as assets. However, although both standard setters agreed that “a liability exists upon the allocation of the allowances” [#32, IASB/FASB, Sept 2010], the FASB did not achieve majority support for any of the alternative models to account for liabilities presented in the event. In subsequent meetings in October and November 2010, the boards could not agree on this matter, requiring further analysis and quantitative examples to illustrate the impact of the different models. The IASB preferred a gross presentation model, while the FASB preferred a net presentation model.

The participation of a new actor in the AER field (FASB) could suggest a strengthening of the field. Schüssler *et al.* (2014) contend that the participation of more actors in regular events allows them to develop mutual understanding and reach compromises in technical negotiations that are less visible to the public than in high-stakes events. However, these events lack the momentum and creative friction needed to produce radical changes in the field. The increasing number of actors and the burgeoning complexity of the accounting nuances introduced in the meetings (caused by broadening the scope of the guidance) reduced the possibilities for mutual understanding and for reaching an overarching agreement between authoritative field members. What Schüssler *et al.* (2014) describe for a different context could be applied here:

[A]n ever-larger number of meetings was necessary to coordinate highly specific negotiations on multiple subissues, and exchanges increasingly took place within constituency groupings rather than in unexpected constellations crossing categories of field members (p. 162).

From whether to provide guidance on AER (which would be the appropriate question under the comparability discourse), the debate drilled down to the details of accounting for emission trading schemes: asset recognition, liability recognition, asset measurement, the correlation between emissions and the liability, netting, contingent assets, and reporting, among other matters that populate discourses about economic rationality and economic reality. At the end of the meeting of 18 November 2010, the FASB and IASB had been unable to reach a common understanding of all accounting technicalities considered, and the boards asked the staff to provide feedback on those matters by the end of 2011 [#39, FASB IASB, Nov 2010]. This feedback was never provided, however, and the project was effectively closed under the argument of its lower priority [8], in contrast with the arguments initially made in 2007 by the FASB.

The third FCE identified consists of the first agenda consultation carried out by the IASB in 2011 (FCE 3). Compared to the IFRIC D1 consultation in FCE 1, an agenda consultation is relatively more open-ended. However, the questions still guide the answers through a set of established strategic directions and projects to engage in. The agenda consultation aimed to prioritise different accounting standard projects, considering the IASB's limited resources.

The agenda consultation invited respondents to comment on the most pressing financial reporting needs and about the need to prioritise, reactivate or remove 23 projects, for example, “Discount rate” and “Extractive activities”, and where “Emissions trading schemes” was classified as a “Project for which significant work [has been] performed” [#40, IASB, July 2011].

Twenty-five comment letters (10% of the 243 received) supported the prioritisation or reactivation of this project (Table A3 in supplementary material), with three respondents against, arguing that existing standards and norms were already shaping the field:

The IASB initiated a new project which should clarify how to present emission trading schemes in the financial statements. This could have been useful, especially for preparers. However, the project was stopped (. . .) Hence, users had been forced to develop their own approach. Currently the majority sees no necessity and/or urgency to reactivate the project. [FCE 3, CL17, Institut Der Wirtschaftsprüfer, IDW, Germany, National standard setter]

The analysis of comment letters and their transformation into conclusions offer ample space for editing the outcome of the consultation. In this regard, the consultation report does not contain sufficient information to judge why the “Emissions trading schemes” project was suspended and included in the list of “Research projects”, despite a clear majority of letters supporting its reactivation. This category puts the project at stake since “research on a particular issue may lead the IASB to conclude that changes to a Standard are not required. Such an outcome would bring an end to the research project, which would then be removed from the technical programme” [#41, IASB, 2012].

The project momentum was, therefore, dissolving. From the guidance required to avoid divergent practice (FCE 1), the scope of the project was later broadened, and accounting technicalities crowded the discussions (FCE 2) until it was considered that significant work had been performed in this project, something that, paradoxically, did not impede its reclassification as a research project (FCE 3). Consistent with what Gross and Zilber (2020) theorise as the second narrative mechanism, by setting the agenda, the consultation reconceptualised AER as a project. This reconceptualisation may be seen as paradoxical, since the standard setters worked in a standard and only later started a research project. The IASB reframed emissions trading as a “practical problem” to test the concepts developed in the revised conceptual framework, given its inherent problems in the definition of assets and liabilities [#41, IASB, 2012]. The need to modify the conceptual framework arguably made any progress in the specific guidance on AER unfeasible.

FCE 4 turned out to be an opportunity for an outsider to reframe the AER and take the lead on the definition of the topic. Although EFRAG paradoxically caused the withdrawal of IFRIC 3 in 2005, it identified the enigmatic downgrading of emissions trading. Françoise Florès was appointed in 2010 as an EFRAG CEO and was attentive to the work of the French standard setter (which was reestablished as the *Autorité des Normes Comptables*; ANC thereafter) (Colasse and Pochet, 2009). The first mechanism Gross and Zilber (2020) refer to is the enactment of the narrative: ANC and EFRAG tried to occupy the centre of the stage in a new event, with the EFRAG consultation (FCE 4) trying to enact their new narrative.

The new ANC direction put AER again on the agenda and decided to issue a paper on this topic [#43, EFRAG, 2013]. Following this paper and acknowledging the existence of various national initiatives, EFRAG launched a draft comment paper in 2013, urging respondents to call the IASB to move forwards.

EFRAG notes that considerable work has been done on accounting for Emission Trading Schemes, by the IASB, national standard setters and industry associations. In 2012, besides the ANC paper, the Italian standard setter has published a draft standard for entities reporting under Italian GAAP; in prior years the Spanish ICAC and the Belgian Commission des Normes Comptables also issued recommendations on the topic, whereas Eurelectric is finalising a paper on carbon accounting. [#43, EFRAG, 2013, Draft comment paper]

The Draft Comment Paper presented alternative approaches to accounting for emission rights and 12 questions, including views about the need for specific guidance on this topic and requesting comment letters by the end of April 2013 [#43, EFRAG, 2013, Draft comment paper]. The consultation, which was invited by a key participant in the field, drew some attention from the specialised public, still puzzled by the IFRIC 3 fiasco. We can interpret that EFRAG attempted to change field positions by prescribing the IASB to “move ahead rapidly in developing guidance” [#43, EFRAG, 2013, Draft comment paper] and presenting itself as a central actor (by running a public consultation). EFRAG’s plan was seconded by several national standard setters, such as the Italian one in this case:

In fact, we note that the IASB in the past demonstrated to be unable in resolving the issue efficiently and, therefore, we think that a cooperation among the National Standard Setters could lead to an accounting model’s agreement. (FCE 4, CL11 – OIC)

However, EFRAG’s attempt to occupy the centre of the stage and enact a new narrative gained no traction. Field practices and values had solidified, and guidance was now considered superfluous. Only 11 respondents participated in the consultation, with mixed views. Although the EFRAG Feedback Statement [#44, EFRAG, 2013] concluded that a majority agreed that further guidance was needed, most of those comments were made by national European standard setters that sit in EFRAG governing bodies, with preparers expressing disagreement and claiming that the industry had already identified the best accounting practices.

Even those who reasoned that the time had come to resolve the issue and bring it to completion were critical of the ANC’s proposal:

More specifically in relation to Point 9 - summarizing the ANC position that emission rights differ from intangible assets such as taxi licenses and fishing quotas (the absence of which could either prevent an activity to be carried out or make it illegal), and, therefore, emission rights may not be considered as intangible assets; we consider the ANC argument to be **invalid**. [FCE 4, CL6 – CDSB and IETA; emphasis in the original].

The EFRAG narrative became ineffective in producing drastic shifts in values, financial reporting practices and, more importantly, field positions for two intertwined reasons: this event lacked the momentum of IFRIC 3 (Phillips *et al.*, 2004), and the IASB successfully set the agenda (Gross and Zilber, 2020), with the ETS being now classified as a research project.

5.3 FCE 5 (2014) and FCE 6 (2015–2016): moving the topic of AER out of the scope of regulation

Two last events in this field were identified between 2013 and 2016. A request to the IFRS Interpretation Committee by the Australian Accounting Standard Board in 2013 (FCE 5) and an IASB agenda consultation in 2015 after a discussion initiated by the Global Preparers Forum and the Accounting Standards Advisory Forum (FCE 6).

In May 2010, the IFRIC was relabelled the IFRS Interpretation Committee (IC). In September 2013, the IC received a request from the Australian Accounting Standard Board to provide guidance on the valuation of liabilities under emissions trading schemes, asking specifically whether they should be valued under IAS 37 at fair value at the end of each reporting period [#46, IFRS IC, May 2014].

The second narrative mechanism (Gross and Zilber, 2020) involves creating institutional rules and procedures that limit the scope of political consideration to previously approved perspectives (see also Lukes, 2021). In this case, the IC revised the merits of the Australian standard setter’s request and concluded in January 2014 that it did not “meet the agenda criteria of the Interpretations Committee”, and no further analysis was made [#44, IFRS IC, Jan 2014]. The 2013 IC *Due Process Handbook* was a modified version of its 2006 (first)

edition, in the understanding that “a comprehensive and effective due process is essential to developing high quality IFRSs that serve investors and other users of financial information”, given the “IASB full discretion in developing and pursuing its technical programme and in organising the conduct of its work” [#42, IFRS Foundation, 2012].

According to the IC, the Due Process Handbook determined that IC should address only issues that, according to the IC, met three criteria: were material, would reduce practice diversity, and could be “resolved efficiently within the confines of existing IFRSs and the *Conceptual Framework Financial Reporting*” [#42, IFRS Foundation, 2012; emphasis in the original]. While noting that this issue was material and could improve comparability, the IC declined to include this issue in its agenda on the grounds of the *mismatch* problems (which arguably prevented an efficient solution within the existing framework), adding that this issue was “too broad for the Interpretations Committee to deal with” [#45, IFRS IC Meeting, 2014]. The IC concluded that this issue would be better continued as a research project, although the AASB was still concerned with the diverse accounting methods employed by companies affected by an increasing number of worldwide emissions trading schemes in 2014. Ultimately, the *artificial* volatility created by the different valuations of assets and liabilities carried more weight than practice diversity, carbon market transparency, and climate change itself.

In November 2014, the IFRS Foundation invited new actors to participate in the field. The Accounting Standards Advisory Forum (ASAF) was created in November 2012 as a new advisory body comprising “national accounting standard-setters and regional bodies with an interest in financial reporting” [9]. The IFRS Foundation describes the Global Preparers Forum (GPF) as an independent body from the IASB and the IFRS Foundation [10] that provides the IASB with input from the global community of financial report preparers. ASAF and GPF participation in the AER research project (and arguably in further IASB activities) situated the IASB at the centre of the stage, retaining critical knowledge about financial reporting (first narrative mechanism). At the same time, *national* standard setters (ASAF) and preparers (GPF) were unproblematically represented in this stage as advisors or input providers to the central actor, a private organisation such as the IASB. Through the activities repeatedly carried out and the narratives circulating in this field event, the IASB built a central position (Gross and Zilber, 2020) that legitimised and authorised this body to set the agenda and construct the norm (Botzem and Quack, 2006).

Furthermore, to secure the conformity of those bodies to the IASB perspectives, their composition was closely supervised by the IFRS Foundation.

This Constitution was approved in its original form by the original members of the Global Preparers Forum at a meeting at the IASB offices on 11 November 2008. [11]

In March 2013, the [IFRS Foundation] Trustees announced the inaugural membership of the ASAF. The Trustees agreed to review the ASAF and its membership two years after its establishment. [12]

To proceed with the research project following the 2011 consultation (FCE 3), the IASB consulted the GPF and ASAF on current accounting practices, noting that “there are diverse accounting approaches in use today” [#56, IASB ASAF, Dec 2014]. In addition, Japanese (December 2014) and Chinese (July 2015) ASAF members made alternative proposals with no effect whatsoever. However, the GPF and ASAF suggested changing the name of the project to “Pollutant Pricing Mechanisms” to encompass emissions trading schemes and other mechanisms.

In early 2015, the IASB decided to take a “fresh start” approach to the project and work collaboratively with national standard setters [#59, IASB ASAF, July 2015].

In taking a fresh approach to the issues, the staff would like the IASB to focus initially on the financial or economic effects of ETS and how best to report those effects. At this stage, we are looking at generating thought-provoking ideas about possible approaches [#59, IASB ASAF, July 2015].

ASAF and IASB staff continued to discuss different alternatives on how to account for assets and liabilities throughout 2015, without any consensus on the topic. However, according to the minutes of the October 2015 meeting [#65, IASB ASAF, Oct 2015], ASAF deliberations were absorbed by accounting nuances, with the project's priority not addressed whatsoever. This is a further indication that the IASB staff capacity to set the agenda for those discussions. In July 2015, the IASB launched a new Agenda Consultation (FCE 6), asking for comments by the end of that year. The newly labelled "Pollutant pricing mechanisms" (PPM) was characterised as a research project in the "assessment stage" [#62, IASB Agenda Consultation, Aug 2015] together with, for example, "Discount rates" or "Goodwill and impairment". The IASB affirmed in the consultation that the assessment stage was nearing completion and planned to issue a discussion paper in 2016. Once complete, the project would "move into the development stage, be suspended or be removed from the research programme" [#62, IASB Agenda Consultation, Aug 2015].

Fifty-one respondents out of the 119 participants alluded to the PPM project in their comment letters (see [Table A5 in supplementary material](#)), with only 13 respondents judging that this project was highly important (11% of the total comment letters), mainly national accounting standard setters from Asia and Oceania but also Canada.

There is significant diversity in accounting for emission trading schemes. Therefore, guidance for pollutant pricing mechanisms is necessary for consistent application. [FCE 6, CL 6128: Korea Accounting Standards Board]

However, most observers (particularly those in the accounting industry) reasoned that the PPM project should be postponed until the conceptual framework for nonfinancial liabilities was finalised [FCE 6, CL6071: Price WaterHouse Coopers].

If appropriately addressed in the revised Conceptual Framework, it may be possible to avoid the need for specific rules for pollutant pricing mechanisms. In light of this, unless there is significant evidence to suggest otherwise in the discussion paper, we recommend that this project becomes inactive. [FCE 6, CL6207: The Institute of Chartered Accountants in England and Wales]

The IASB conclusion from the agenda consultation [#67, IASB, Nov 2016] aligned closely with the views expressed by the accounting industry and most of the comment letters, disregarding the views of some standard setters. The IASB succeeded in creating a level playing field where the views of standard setters carried the same weight as those of practitioners, situating itself as the arbitrator at the centre of the stage. Consequently, the IASB removed the PPM project from the active research program. Somewhat euphemistically, in this consultation, the IASB created a "research pipeline" (i.e. nonactive research projects) for lower-priority projects, for which a re-evaluation was expected in 2021. However, at the time of writing these lines, no updates have been made.

The 2015 IASB agenda consultation (FCE 6) sealed the failure to standardise the AER. All the narrative mechanisms ([Gross and Zilber, 2020](#); [Lukes, 2021](#)) that create the conditions of possibility for this outcome are present in this last event. First, the IASB achieved a central position, allowing it to make crucial decisions: the IASB supervised advisory meetings with the ASAF and GPF, with IFRS staff writing the minutes of those meetings, channelling the *participation of different countries'* standard setters and reporters through those bodies. In contrast, *national* standard setters and reporters represented passive receivers of calls for feedback, with restricted opportunities to act independently and develop alternative constructions of how to account for emission rights.

Second, the agenda consultation (see also the 2011 agenda consultation above) allowed the IASB ample room to set the agenda through the choice of the questions asked, the projects to prioritise, and the analysis and interpretation of the answers. IASB had the leeway to, for example, create a new category for idle research projects and ignore the comments received

from *national* standard setters. Alternative understandings are thus channelled through different procedures and inactivated.

Finally, two narratives allow degrading alternative formulations, such as the initial narrative on practice diversity. The problem of valuing carbon assets and liabilities was enlarged and removed from its specific context. It was intellectualised as a definition problem for (abstract) assets and liabilities, which required revising the conceptual framework. Guidance on this specific issue was not possible under the existing conceptual framework. Furthermore, the title of the project was renamed from “emission rights” to “emissions trading schemes” and then to “pollutant pricing mechanisms”, signalling that financial standards need to be general, with carbon markets being too specific. This relabelling of the project resulted in the gradual distancing of the project from the EU ETS, which was the event that created momentum for IFRIC 3 and turned out to be history in 2015.

6. Discussion and concluding comments

Malsch and Gendron (2011) argue that accounting regulatory spaces are contested, with participants engaging in struggles to advance their positions. Institutional changes are supported and resisted by actors with different interests, mobilising different resources to engage in different strategies (Baudot and Cooper, 2022; Canning and O’Dwyer, 2013). A growing literature addressing accounting regulation from an institutional perspective has shown, for example, how large firms have mobilised different strategies and resources to align regulation (or self-regulation) to their interests (Canning and O’Dwyer, 2013; Giner and Arce, 2012; Malsch and Gendron, 2011). Our analysis, however, focuses on the microfoundations of institutions, paying attention to field configuring events and to the discursive struggle that takes place in those events. The analysis of those events revealed two elements that can contribute to the understanding of accounting regulation in regulatory fields. On the one hand, it allowed us to observe both linguistic and nonlinguistic elements of discourse (Zilber, 2011). Through the positioning of actors and other ritualistic and conventional practices, field-configuring events enact narrative mechanisms (beyond linguistic statements) crucial to understanding fields. On the other hand, the longitudinal study of this regulatory field also showed that any assumption concerning actors’ interests was problematic.

Since the first event (IFRIC D1 consultation), it was apparent that the AER field could be built upon competing narratives supported by two broader discourses. On the one hand, the absence of accounting guidance could result in diverse accounting practices, damaging the comparability of material information. This was the main narrative for the guidance that IFRIC intended to introduce with IFRIC D1. On the other hand, financial reporting must faithfully represent the economic reality, and the solution devised in this interpretation was against the true and fair view principle. While the first narrative emphasised the equivalence of different financial reports, the second stresses the conformity of financial reports with the underlying economic reality it purports to represent. According to this narrative, the economic reality is that assets and liabilities are two expressions of the same phenomenon. Therefore, different valuation bases for assets and liabilities created a mismatch and artificial volatility of profits.

A purely linguistic discourse analysis can identify the *practice diversity* and *mismatch* narratives. Discourse is usually analysed by reference to documents, verbal expressions (e.g. interviews), images, symbols, and other forms of human construction (Phillips *et al.*, 2004). However, institutional analysis has introduced the study of “field-level events (...) [as] part of the stream of institutional texts that constitute the discourses upon which a field is built” (Zilber, 2011, p. 1541). In this study, conceptualising standard setters’ consultations and projects (see Table 1) as field configuring events allowed us to identify further mechanisms

that constituted the field, including positions, agendas, and meaning. In line with Gross and Zilber (2020), we found that Lukes' (2021) three faces of power are a productive heuristic for investigating the repertoire of different mechanisms through which narratives are mobilised in field-configuring events.

A look at the first face of power (how narrative mechanisms construct relational spaces) reveals the difficulties encountered by the IASB and EFRAG in portraying themselves as central to the different events. IASB developed a persistent activity to present itself as pivotal in the regulation of AER by launching the 2003 consultation, framing consultations to signify users and national standard setters as advisors or input providers and creating dramatism and friction through the temporal boundedness of consultations. These mechanisms have rarely been questioned, except for the proposal of the Italian standard setter. In contrast with the remaining FCE examined, the 2003 consultation favoured the high stakes of IFRIC 3, which responded quickly to the launch of the European carbon market. The approval of the European carbon market and the convergence of European standards around the IRFS created the conditions of possibility and a sense of urgency for the IASB to provide guidance on AER. These external events, together with the IASB's decision to raise stakes through the dramatic issuing of IFRIC 3, generated momentum that could allow the construction of new accounting norms. However, the intrinsically hierarchical nature of the consultation did not allow for sufficient interaction to develop trust and negotiate the new accounting standards with relevant users and standard setters, notably EFRAG (i.e. it was interactionally *closed*; Schüssler *et al.*, 2014).

A strategic reading of the repeated failures to regulate AER would seek to identify different interests in different network positions, i.e. those that favoured and those that opposed regulating AER. However, our study reveals that identifying interests is problematic: IASB and EFRAG were shifting their supporter and detractor positions. Within eight years, EFRAG's position in this field shifted from recommending that the European Union not endorse IFRIC 3 in 2005 to launching a draft comment paper urging respondents to demand IASB move forwards in 2013. Within seven years, the IFRIC narrative changed from maintaining in 2004 that timely guidance and comparable financial reporting outweighed the *mismatch* costs of the IFRIC 3 proposal to removing the interpretation from the agenda in 2011. The elusive nature of interest is congruent with the view that interests are not inevitable and invariable for actors in each position but are constructed and interpreted in specific situations (Young, 1994) and do not emerge out of the blue but are discursively constructed (Malsch and Gendron, 2011). These findings draw attention to the need to problematise actors' interests and strategic actions (cf. Oliver, 1991). Robson and Ezzamel (2022) noted the tension between strategic approaches such as those of Oliver (1991) and the concept of institutions employed by many theorists (Scott, 2008).

The design of FCE *limits the circulation of narratives* (Gross and Zilber, 2020). In the events analysed, how the consultation is framed, the questions that are included, the potential categories considered, the analysis of the comment letters carried out by the same organisations that launch the consultation, and the strategic directions of the standards (e.g. by IASB), all of those mechanisms can be used as tactics to reduce the number of options available. Lukes' (2021) second face of power involves setting the agenda to prevent the emergence of alternatives. We have noted how the IASB struggled to set the agenda in the 2003 consultation. For example, while this consultation asked whether emissions rights are intangible, participants responded by favouring a delay in the issuance of the interpretation and questioning its economic rationality. In contrast with previous studies of field configuring events (Gross and Zilber, 2020; Zilber, 2011), the endeavour to *position* carbon markets at the centre of the field failed to overcome the resistance (Canning and O'Dwyer, 2013) of alternative narratives.

Exceptionally, the temporal boundedness of the first event (2003–2005) engendered creative friction and dramatism, allowing different perspectives and destabilising the IASB's endeavour. Lacking the capacity to set the agenda or negotiate in this high-stakes event, the IASB could not

avoid the collision of the two narratives that culminated in the theatrical withdrawal of IFRIC 3. The mobilisation of numerous representations of the AER from 2003 until 2016 gradually eroded the 2003 momentum impeding the configuration of the field and, finally, the regulation of AER. These alternative narratives constructed the accounting problem as increasingly abstract (therefore erasing the need to respond to a concrete need) by making it more general and loosely connected with the EU ETS. AER ceased to be an interpretation problem and was enlarged to a problem that required reforming, first, accounting standards and, finally, the whole conceptual framework. This construction would discourage any attempt to provide guidance because it did not entail the interpretation of the law, not even the law itself: the constitution itself needed a reform, an enterprise that would require considerable resources to bring to completion. The IASB changed the name of the project: “emission rights” in 2003, “emissions trading schemes” in 2008, and finally, “pollutant pricing mechanisms” in 2015. If the EU ETS was created in 2003, the momentum for such guidance waned, and although in 2015, the EU ETS remained the single largest carbon market in terms of both emissions covered and revenues generated, the employment of the vaguer notions of pollution and pricing mechanisms gradually disconnected the accounting project from this singular carbon market.

In the events examined, deadlines were announced, comment letters were invited, reports and drafts were issued, staff papers were written, meetings were held, and issues were discussed. However, repeated deliberations and votes did not lead to shared *meanings among* participants. Despite the increasing importance of climate change and carbon markets, the AER was gradually decoupled from those concerns, relegated to the research pipeline, and, eventually, forgotten. Lukes (2021) refers to nondecision-making to express that some issues are suffocated before they are expressed. Similarly, institutional theory is interested in how cognition and meaning are powerful mechanisms of institutionalisation (Scott, 2008; Stenka, 2022). Our analysis of how the six events materialise in specific time and space provides some insight into how the conflict between narratives wanes and is ultimately forgotten. The long sequence of events, the increasing technical content of the debates, the growing abstraction and the remarkable arrival of new actors trying to revitalise the project made carbon accounting innovations vulnerable, open to scrutiny from the established discourses of financial reporting that framed questions that were repeatedly asked in consultations around the preoccupations of financial reporting. As Phillips *et al.* (2004) point out, the reality constructed by structured and coherent narratives, such as those sustaining financial accounting, is taken for granted, making alternative, fragmented, and diffuse constructions, such as environmental accounting, difficult to conceive and enact. In the events examined, technical aspects were framed in terms of financial reporting discussions, contributing to the solidification of conventional financial reporting narratives.

Failing to problematise AER has important consequences for the operation of carbon markets if those mechanisms are thought to contribute to the fight against climate change. When MacKenzie (2009) pointed out the importance of issues of apparent detail in the construction of carbon markets, he was specifically referring to AER. However, the AER project was abstracted from the urgency of climate change and the attributes of carbon markets, metamorphosing AER into a financial accounting technicality, i.e. the Pollutant Pricing Mechanisms, which was ritually included in the further agenda consultations, while being pushed a little bit further away from the stage on every occasion.

Those findings are important beyond the specific case of AER (Warren, 2023). Today, the IFRS Foundation has engaged in a race to situate its sustainability reporting standards as the international reference, including the creation of the ISSB, under the narrative that sustainability reporting would benefit from the Foundation’s experience in financial reporting. For example, it has published a Climate-related Disclosures standard. However, while the IFRS experience in financial reporting is extensive and it has some experience in the field of climate change (since the issuance of IFRIC D1 in 2003), this experience is marked by

an excessive influence of financial reporting and the abstracting of CO₂ emissions from climate change. The narrative that is used to support the IFRS project is one of *connectivity*, according to which only the IASB and the ISSB can ensure connectivity and compatibility between sustainability reporting and financial reporting. However, in the epitome of climate-finance connectivity (carbon markets), our study demonstrates how problematic the connection between climate and financial reporting can be. Climate change and carbon markets respond to an economic logic that is alien to that embraced by the IFRS Foundation.

Returning to the elusive nature of the interests revealed by IASB's and EFRAG's shifting positions and the argument, according to which interest is discursively constructed, we argue that despite the FCE understanding being incomplete without considering the existence of different interests, overstating the effect of strategic actions by participants would negate the nuances provided by an institutional analysis (Larrinaga and Bebbington, 2021; Robson and Ezzamel, 2022). The romanticisation of human agency (Jepperson and Meyer, 2011), the heroic (Aldrich, 2011) and functionalist (Hardy and Maguire, 2008) representations of actors run the risk of downplaying the centrality of narratives (Gross and Zilber, 2020; Hardy and Maguire, 2010), cognition (Robson and Ezzamel, 2022; Stenka, 2022) and fields in institutional analysis. The failure to regulate AER was not the masterpiece of any singular strategic actor, as the shifting positions demonstrate.

Finally, this study draws on the interpretive analysis of public documents. The public nature of the intense textual activity that accounting regulation produces helps document the discussions, positions and narrative mechanisms mobilised in those events. However, admittedly, participant observation in the FCEs analysed would be likely to provide further insight into those issues. In that regard, despite the authors' interest in this topic, from its inception, we did not have the opportunity to participate in those events. The effect of this omission is somehow mitigated by the participation of two of the authors in the broader field of AER regulation, as described in section four. Nevertheless, further research drawing on interviews with direct participants in those events could provide more insights into this important process of accounting regulation.

Notes

1. <https://www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition> (accessed 17/11/2021).
2. <https://unfccc.int/climate-action/race-to-zero-campaign> (accessed 17/11/2021).
3. <https://www.fsb-tcfd.org/> (accessed 18/11/2021)
4. In conjunction with the generic term AER, specific standardisation projects had designations that are employed in this paper when relevant.
5. As will be apparent, this accounting concern was reframed under different names: emission rights, emission trading schemes and pollutant pricing mechanisms.
6. Due process considerations make a substantial part of the documents publicly available on different websites and archives. archive.ifrs.org was frozen in June 2017 and available until the launch of a new version of the IFRS Foundation's ifrs.org website on 11 April, 2021.
7. A limited academic debate in Critical Perspectives on Accounting had questioned in 1996 the ethics of attributing a value to pollution allowances (e.g. Lehman, 1996). However, this debate did not have any translation into the narratives examined in this study.
8. www.ifrs.org/projects/completed-projects/2012/emissions-trading-schemes, visited 05/07/2022.
9. <https://www.ifrs.org/groups/global-preparers-forum/#abouthttps://www.ifrs.org/groups/accounting-standards-advisory-forum/history-of-the-asaf/>, visited 10/07/2022.
10. <https://www.ifrs.org/groups/global-preparers-forum/#about>, visited 10/07/2022.

11. <https://www.ifrs.org/groups/global-preparers-forum/#about>, visited 10/07/2022.
12. <https://www.ifrs.org/groups/accounting-standards-advisory-forum/history-of-the-asaf/https://www.ifrs.org/groups/accounting-standards-advisory-forum/history-of-the-asaf/>, visited 10/07/2022.

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Supplementary material

Supplementary material is available in the repository of Burgos University at <https://riubu.ubu.es/handle/10259/9161>

Date	#Number, author/Type of document	Title of the document/of the section
2003, Feb	#1, IFRIC Update	Emission rights
2003, April	#2, IFRIC Update	Agenda items - Emission rights
2003, May	#3, IFRIC	IFRIC Draft Interpretation D1 Emission Rights
2003, 15 May	#4, IASB Press release	Proposed new accounting Interpretation – Greenhouse gas emissions
2003, October	#5, IFRIC Update	Emission rights
2004, Feb	#6, IFRIC Update	Emission rights
2004, March	#7, IFRIC Update	Emission rights
2004, sept	#8, IFRIC Update	D1 Emission rights
2004, oct	#9, IFRIC Update	D1 Emission rights
2004, Dec	#10, IASB Press release	IFRIC issues guidance on accounting for greenhouse gas emissions
2005, April	#11, IFRIC Update	Emission rights – consideration of an amendment to IAS 38
2005, May	#12, IFRIC Update	Emission rights – Consideration of possible approaches for revision of IAS 38
2005, 6 May	#13, EFRAG	Endorsement Letter from EFRAG to the European Commission
2005, June	#14, IFRIC Update	Emission rights – consideration of an amendment to IAS 38
2005, July	#15, IASB Press release	IASB withdraws IFRIC Interpretation on Emission Rights
2007	#16, PWC, IETA	Trouble-Entry Accounting – Revisited*; Uncertainty in accounting for the EU Emissions Trading Scheme and Certified Emission Reductions -
2007, 23 Feb	#17, FASB	Minutes of the February 21, 2007, Board Meeting: Emission Allowances
2007, May	#18, FASB	Minutes of the March 14, 2007 Board Meeting (Valuation of Commodity Inventory and Emission Allowances that are Acquired for Resale)
2007, 12 Dec	#19, IASB Meeting Summaries	IASB Meeting December 2007
2008, May	#20, IASB	ETS Cover note (Agenda paper 03), 20 May 2008
2008, May	#21, IASB Meeting Summaries	IASB Meeting 21 May 2008
2008, June	#22, IASB	IASB Work Plan - Projected timetable as at 30 June 2008
2008, 24 Oct	#23, FASB	Minutes of the October 21, 2008 Joint Board Meeting: Emissions Trading Schemes
2009, March	#24, IASB Meeting Summaries	IASB Meeting 19 March 2009
2009, 13 April	#25, FASB IASB	Minutes of the April 8, 2009, Board Meeting: Emissions trading schemes
2009, Nov	#26, IASB Meeting Summaries	IASB Meeting 17 Nov 2009
2009, Nov	#27, FASB IASB	Minutes of Emissions Trading Schemes Board Meeting of November 18
2010, March	#28, FASB IASB	FASB and FASB Commitment to Memorandum of Understanding Quarterly Progress Report 31 March 2010

(continued)

Table A1.
List of considered
public documents in
the study

Date	#Number, author/Type of document	Title of the document/of the section
2010, May	#29, Nikolaus Starbatty	Research Paper Emissions Trading Schemes, IASB Meeting - Agenda Paper 10 A
2010, May	#30, IASB Meeting Summaries	IASB Meeting 20 May 2010
2010, June	#31, IASB	Emission Trading Schemes - Background and history
2010, Sept	#32, IASB Meeting Summaries	IASB/FASB Meeting of 15 September 2010
2010, Sept	#33, FASB IASB	IASB AP 10 A/FASB AP 6 A: Emissions Trading Schemes, Recognition of assets in a cap and trade scheme
2010, Sept	#34, FASB IASB	IASB AP 10 B/FASB AP 6 B: Existence and recognition of liabilities for the allocation in a cap and trade scheme
2010, Sept	#35, FASB IASB	IASB AP 10 C/FASB AP 6C: Issues to be discussed at future board meetings
2010, Sept	#36, FASB IASB	Emissions Trading Schemes Cover Memo
2010, Sept	#37, FASB IASB	Minutes of Board Meeting: Emission Trading Schemes
2010, Oct	#38, FASB IASB	Minutes of Board Meeting: Emission Trading Schemes
2010, 19 Nov	#39, FASB IASB	Minutes of Board Meeting of 18 November 2010: Emission Trading Schemes
2011, July	#40, IFRS	Agenda Consultation 2011, Request for Views
2012	#41, IASB	Feedback Statement: Agenda Consultation 2011
2012	#42, IFRS Foundation	Invitation to Comment: IASB and IFRS Interpretations Committee - Due Process Handbook
2013	#43, EFRAG	Emissions Trading Schemes - Draft Comment Paper
2013	#44, EFRAG	Emissions Trading Schemes - Feedback Statement Paper
2014, Jan	#45, IFRS IC Meeting	A17, Staff Paper, 29–30 January 2014
2014, May	#46, IFRS IC Meeting	AP07, Staff Paper, Project IAS 37, Measurement of liabilities arising from emission trading schemes
2014, May	#47, IFRS IC Meeting	AP07 A, Project IAS 37, Measurement of liabilities arising from emission trading schemes - additional comment letter received
2014, Nov	#48, IASB ASAF	AP6, project Emission Trading Schemes, Cover Memo, Staff paper, Education session
2014, Nov	#49, IASB ASAF Meeting	IASB AP6B, ASAF AP4C, project Emission Trading Schemes, Summary of accounting issues, staff paper, Education session
2014, Nov	#50, IASB ASAF Meeting	IASB AP6A, ASAF AP4B, project Emission Trading Schemes, Background scheme information, Education session
2014, Nov	#51, Global Reporting Forum	Minutes of the Meeting IASB GPF, 6 Nov 2014
2014, Nov	#52, Global Reporting Forum	GPF meeting, 6 November 2014 Agenda paper 4 A
2014, Nov	#53, IASB	Staff paper, Agenda paper 4 B, Background information on the types of emission trading schemes, 6 November 2014
2014, Dec	#54, IASB ASAF Meeting	AP4A, ETS survey
2014, Dec	#55, IASB ASAF Meeting	Emission-related schemes and related accounting guidance in Japan
2014, Dec	#56, IASB ASAF Meeting	Summary note of the Accounting Standards Advisory Forum
2015, June	#57, IASB	Pollutant Pricing Mechanisms: Joint CMAC and GPF meeting, June 2015 Agenda Paper 4 A
2015, July	#58, IASB ASAF Meeting	Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes): Cover note, 16–17 July 2015
2015, July	#59, IASB ASAF Meeting	ASAF AP7A, IASB AP6A, Pollutant Pricing Mechanisms: Paper topic Why do we need a fresh approach? 16–17 July 2015
2015, July	#60, IASB ASAF Meeting	ASAF AP7B, IASB AP6A, Paper topic Comparison of possible approaches—a simplified example

Table A1.

(continued)

Table A1.

Date	#Number, author/Type of document	Title of the document/of the section
2015, July	#61, ASAF Member Paper	ASAF AP7C, PPM project, China's New Proposal on Accounting for Emission Trading Schemes
2015, August	#62, IASB	Request for Views 2015 Agenda Consultation
2015, Oct	#63, IASB ASAF	ASAF AP7, IASB Project Update and Agenda Planning
2015, Oct	#64, IASB ASAF	ASAF AP5, PPM project, Cap-and-trade emissions trading scheme liabilities, 1–2 October 2015
2015, Oct	#65, IASB ASAF	Summary note of the Accounting Standards Advisory Forum, 1 and 2 October 2015
2016, April	#66, IASB Meeting	Staff Paper, PPM Project, Project update and responses to the Agenda Consultation
2016, Nov	#67, IASB	IASB® Work Plan 2017–2021: Feedback Statement on the 2015 Agenda Consultation
2021, June	#68, IFRS® Foundation, Rafal Markowski	Third Agenda Consultation, Agenda paper 1, ITCG meeting, June 2021

Panel A: Questions included in the draft interpretation

- (a) Does an emission rights scheme give rise to (i) a net asset or liability or (ii) an asset (for allowances held) and a liability, deferred income and/or income?
- (b) If a separate asset is recognised, what is the nature of that asset?
- (c) If a separate liability, deferred income and/or income is recognised, what is the nature of that item and how is it measured?
- (d) When should a potential penalty, which will be incurred if a participant fails to deliver sufficient allowances to cover its actual emissions, be recognised, and how should it be measured?

	Nb	%
<i>Panel B: Types of respondents</i>		
Number of respondents	40	100
Accounting Professional Body	9	23
National Standard Setter	11	28
Preparers	11	28
Accounting Firm	4	10
Regulatory Agency	2	5
Academics	1	3
Non identified	2	5
<i>Panel C: Types of response</i>		
Agreement	11	28
Opposition or mixed	14	35
No opposition or silence	15	38
Total	40	100

Table A2.
IFRIC D1
Consultation (2003)

AAAJ
37,9

246

Table A3.
2011 IASB agenda
consultation

	Number of comment letters (CLs)	%	%
Number of CL received to IASB 2011 agenda consultation	243		100
Number of CL that address the topic of ETS	27	100	11
Panel A. Types of respondents			
Accounting Firm	6	22	2
Accounting Professional Body	3	11	1
Standard Setters	7	26	3
Preparers	7	26	3
Users	1	4	0
Panel B. analysis of responses			
ETS is a "priority project"	10	37	4
ETS is a "project to reactivate"	15	56	6

Table A4.
2013 EFRAG
consultation

Number of CL	Name of respondents	Profile	Method	Guidance
CL#1	Austrian Financial Reporting and Auditing Committee	Accounting Standard Setter	gross method	New standard
CL#2	Ministerio de Economía y Competitividad Instituto de Contabilidad y Auditoria de Cuentas	Accounting Standard Setter	gross method	IFRS IC
CL#3	Dutch Accounting Standards Board (DASB)	Accounting Standard Setter	gross method	New standard
CL#4	International Energy Accounting Forum	Preparer	gross method	No further guidance
CL#5	Chartered Professional Accountants of Canada	Accounting Professional Body		Need for broad guidance
CL#6	Climate Disclosure Standards Board and International Emissions Trading Association	Accounting body	gross method	New standard
CL#7	Gaz De France Suez	Preparer		No further guidance
CL#8	ACTEO MEDEF	Preparer	net method	Need for broad guidance
CL#9	BP	Preparer		New standard
CL#10	Accounting Standards Committee of Germany	Accounting Standard Setter		No further guidance
CL#11	Organismo Italiano di Contabilità – OIC	Accounting Standard Setter	net method	Need for national standard setters to collaborate

	Number of CL	%	%
Total of CL received	119		100
CL addressing the topic of Pollutant Pricing Mechanism	51	100	
<i>Panel A. Type of respondents</i>			
Accounting Firm	9	18	8
Accounting Professional body	12	24	10
Accounting Standard-setters	18	35	35
Preparers	2	4	2
Users and market regulators	7	14	78
Others (ONG, Academics)	3	6	25
<i>Panel B. Analyses of responses</i>			
High importance (level 3)	13	25	11
Low and Medium importance (levels 1 and 2)	31	61	26
No explicit ranking	7	14	6
Total	51	100	43

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