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Valuation of emission certificates for pollutants

The finance ministry has decreed that if a company has purchased additional emission rights for carbon dioxide and similar gases it shall be deemed to use its own allocation of certificates first, unless the exact use can be identified by serial numbers or similar.

Companies with industrial processes potentially harmful to the environment are required to limit their emissions of carbon dioxide and similar pollutant gases to the quantities for which they hold emission certificates. Each qualifying company receives an initial allocation of certificates free of charge, but additional certificates needed must be purchased. Each certificate is cancelled as used. Unused certificates held on balance sheet date are to be valued at cost. This balance is to be determined on the basis of a specific identification of each certificate from its serial number or other ID. The finance ministry has now decreed that if specific identification is not possible, the certificates received free-of-charge shall be deemed to have been used first. Acquired certificates cannot therefore be taken to expense until the basic issue has been used.

Keywords

carbon dioxide, emission certificates, emissions, pollutant