

April 3, 2025

Technical Director  
FASB  
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Email: [Director@fasb.org](mailto:Director@fasb.org)

RE: File Reference No. 2024-ED910

We appreciate the opportunity to provide feedback on the proposed Accounting Standards Update (ASU), *Environmental Credits and Environmental Credit Obligations (Topic 818)*, dated December 17, 2024. The purpose of the proposed ASU is to improve the financial accounting for and disclosure of financial activities related to environmental credits and environmental credit obligations.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs.

The PSC is supportive of the FASB issuing authoritative guidance for environmental credits and environmental credit obligations. We have the following observations regarding the Board's proposal:

- We observe that ASC 818-30-25-1 requires entities to assume the reporting date is the end of the regulatory compliance period when recognizing a liability. However, it is not clear to us why an entity would not be able to estimate its liability based on its expectations of the amount of the liability that will be due at the end of the regulatory compliance period.
- We believe it would be helpful if the FASB provided additional guidance for determining fair value of the environmental compliance credits in the absence of an active market, including implications for using Level 3 input when determining fair value.
- We agree with the proposed requirement to present environmental credits separately from environmental credit obligations on the balance sheet, as we believe this information may be useful to investors.
- We believe the implementation of the proposed standard may be relatively complex, as the concepts are new and there may not currently be consistent industry practice. As a result, we recommend giving public companies two years before the standard becomes effective and private companies an additional year. However, we are supportive of allowing companies the option to adopt the proposed standard early.

We appreciate the opportunity to submit comments on the proposed ASU, *Environmental Credits and Environmental Credit Obligations (Topic 818)*.

Sincerely,



Jeffrey Johanns, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants

