

**INTERNATIONAL SYMPOSIUM ON ENVIRONMENTAL ACCOUNTING,
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**The UK's promotion of Environmental Accounting and the role of Government
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INTRODUCTION

Environmental accounting is of growing importance in the UK both for public bodies and private companies. Managers are using it as a tool to reduce the consumption and costs of raw materials, and to minimise the production of waste and costs of its disposal. This increases resource and staff productivity, financial profitability, and corporate reputation.

For the purposes of this paper UK “environmental accounting” is defined as:

- *the collection and combination of environmental and financial performance data from various company information systems (e.g. environmental management and/or financial accounting systems) and the taking of management action to reduce environmental impacts and cost (this is EMA) ; and*
- *the reporting of the environmental and financial benefits in either the company annual report and audited accounts, or verified corporate environmental report.*

This paper outlines current initiatives to promote its use by UK Government departments, the Environment Agency, and some large companies and SME's. It should be read in conjunction with an accompanying slide presentation showing some of the promotional material being used in the UK. Additional information can be obtained from Internet web-site addresses provided in this paper.

GOVERNMENT INITIATIVES

The UK Government's sustainable development strategy places considerable importance on the prudent use of natural resources. The Prime Minister has recently promoted the need for greater resource productivity and more environmental reporting by the public sector and large private companies. See www.cabinet.office.gov.uk

The UK Government has adopted at least three roles, including:

- **Adopting** environmental accounting techniques, as part of its “greening government” initiative, such as measuring the energy efficiency performance of its own estate.
- **Promoting** environmental accounting to business generally, as part of improving resource productivity and waste minimisation campaigns, and specifically to FTSE 350 companies, as part of corporate environmental reporting campaigns.
- **Using** selected company information to develop sectoral, regional, and national environmental accounts for formulating Government eco-economic policy

Adopting environmental accounting

Over 25 Government departments now benchmark their energy expenditure, efficiency, and emissions. Energy efficiency has been improved and CO₂ emissions reduced, by between 10-20%, relative to 1990 figures. See www.environment.detr.gov.uk/greening

Promoting environmental accounting

The Department of the Environment, Transport and Regions (DETR) and Department of Trade and Industry (DTI) are encouraging companies to conserve natural resources, reduce waste, and save money by environmental accounting and reporting.

The Advisory Committee on Business and the Environment (ACBE) has produced guidelines on sustainability for company directors, which recommends the adoption of environmental accounting as being good practice in corporate governance. See www.environment.detr.gov.uk/acbe

The DETR has produced specific guidance to companies on how to account and report on waste, water and CO₂ emissions, and have issued draft guidelines on company environmental reporting. Every company in the FTSE 350 has been called to report on their environmental performance by the end of 2001. It also undertakes an annual benchmarking survey of 7000 companies' expenditure on environmental protection to comply with the EC Directive on Business Statistics, which is underpinned by technical guidance for specific sectors. See www.environment.detr.gov.uk

The DTI's promotional work is facilitated through "Envirowise". It has produced best practice guidelines on how to minimise waste and save money by environmental accounting for a range of different industries. By doing so most companies can make financial savings of between 1-5% of turnover. See www.envirowise.gov.uk

The DTI and DETR have supported the production of "FORGE" (Financial Organisations Guidance on Environmental Management) see www.bba.org.uk and www.abi.org.uk and are supporting the development of "SIGMA" (Sustainability Integrated Guidance for Management) including sustainability accounting for companies. www.dti.gov.uk/sigma

The DTI is consulting on possible changes to Company Law to increase the disclosure of environmental performance in the company annual reports and audited accounts. See www.dti.gov.uk

The Ministry of Agriculture, Fisheries and Food (MAFF) is also encouraging farmers to reduce waste and save money by environmental accounting as part of the production of farm management plans. See www.maff.gov.uk

Using environmental accounting

Within the Prime Minister's Cabinet Office the Office of National Statistics (ONS) has aggregated information and published a set of national environmental accounts for the UK. See www.statistics.gov.uk

They are now used by the other Government departments for eco-environmental policy formulation, e.g. Her Majesty's Treasury (HMT) and by the Foreign Office and DETR to inform policy development in the EU. HMT is also promoting resource accounting, advising on regulatory accounting procedures, and developing environmental tax accounting.

ENVIRONMENTAL AGENCY INITIATIVES

Role and activities

The Environment Agency (EA) was established by Government in 1995 as an independent environmental watchdog. Its primary aim is to contribute to sustainable development through a range of regulatory (environmental protection) and operational (water management) functions. It is sponsored by three departments (DETR, MAFF, NAW) and funded by licence fees on industry (40%), levies on local authorities (35%) and government grants (25%).

The Agency's regulatory activity covers the water, waste, chemical, oil, electricity, nuclear, mining, construction, farming and other industries, and it comes in contact with 50% of FTSE listed companies and numerous SME's. It also manages water resources, flood defences, fisheries and some navigation. It has a £650m budget, 230 offices, 10,500 employees, 6,500 vehicles, and manages assets of over £2bn.

Environmental policy and management systems

Because it has a significant environmental footprint, it has a duty to adopt best practice environmental management systems (EMS) to minimise the negative impacts and costs of its own internal operations, and to publish its environmental accounting policy and financial statements in its Annual Report and audited Accounts. It is also required to encourage the external organisations it regulates to conserve natural resources, minimise waste, reduce energy use, and save money by promoting recognised environmental management systems (ISO14001 and EMAS).

Environmental accounting initiative

In order to do this the Agency has adopted ISO14001 and developed an "Environmental Accounting Initiative" (EAI) to "practice what we preach". It has two main objectives, to "green" the Agency's internal financial accounting systems in support of our EMS and deliver cost savings, and to externally demonstrate best practice in environmental accounting to other public and private sector bodies.

The first objective is being addressed through an "Environmental Accounting System" (EAS). It uses the Agency's existing financial planning, budgeting, accounting, and reporting systems to track £60m of internally significant environmental spend and has linkages to some associated non-financial quantity databases. The resulting information is then internally and externally audited and the results benchmarked against large private companies. Verified environmental accounting statements are published in the annual Corporate Plan, Annual Report and Accounts, and Corporate Environmental Report. The EAS has helped reduce the Agency's negative environmental impacts (energy, water, waste), increased staff productivity, and saved £3m. See www.environment-agency.gov.uk/aboutus

The Agency's future plans include extending the EAS to cover third party spend and to consider whole life costs, improving the quality of non-financial data and unit costing, using a recent survey of environmental assets and liabilities to develop an environmental "balance" sheet, and specifying a new integrated accounting system. The Agency is also planning to investigate the feasibility of "sustainability accounting" and developing "carbon accounts".

The second objective is being addressed through an external "Environmental Accounting Campaign" (EAC). This involve collaborating with other organisations promote environmental accounting to private companies (e.g. on business parks), and other public

bodies (e.g. national health service hospitals) as part of our wider pollution prevention and waste minimisation campaigns, aimed at helping these bodies reduce their environmental impact and save money.

The Agency's future plans include continuing to work with accounting bodies (ACCA, ICAEW, and CIMA) and Government on environmental accounting guidelines for public bodies and private companies, developing an "Envirowise" training course and good practice guide, and the creation of case study and best practice databases.

It is also considering how environmental accounting benchmarking, ranking, and rating indices might be used as an influencing tool, to improve the environmental performance of companies, and to promote more sustainable financial investment, for example by pension fund managers. It is also advising Government on the benefits of environmental accounting disclosures in company annual reports in new company law, and is a member of the UN SD expert working group on EMA that will inform Rio+10 in 2002.

Finally further details about the EAI are to be placed on the Agency website later in 2001 to aid wider dissemination. See www.environment-agency.gov.uk/business

LARGE COMPANY AND SME INITIATIVES

As a result of Government, Environment Agency, Envirowise, and others' work there is now an increasing uptake of environmental accounting by a number of UK companies in various sectors. Further details are available in the annual reports and accounts and Internet websites of the following:

Utilities	Anglian Water and Wessex Water
Waste	Biffa
Petrochemicals	British Petroleum
Construction	Carillion
Food and Drink	HP Bulmer
Manufacturing	Interface Europe
Environment	Forum for the Future

CONCLUSIONS

The UK Government is using, promoting, and developing environmental accounting as a management tool to reduce waste and save money as part of its campaigns to promote greater resource productivity, waste minimisation, and more environmental reporting. The Environment Agency's environmental accounting initiative is leading best practice in the public sector. Large private sector companies and SME's are adopting environmental accounting because the environmental, financial, and reputational benefits can give them a competitive advantage.

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