

ENVIRONMENTAL ACCOUNTING REGULATION FOR PROTECTION AND REMEDIATION -AN UAE PERSPECTIVE

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Abstract

The purpose of any accounting system is to provide managers across the organization with information that facilitates not only Control of activities and refinement of operational plans but also the accountability. With changing accounting policies both the corporate and financial worlds' effective and consistent deployment of accounting logic by keeping environmental protection is highly essential for rapidly polluting current environment. In years past, environmental issues were often ignored by both corporations and individuals. Environmental accounting is used to determine measures to promote sustainable environmental management. Implementing measures that strike a balance between cost reduction and environmental impact reduction is crucial to promoting sustainable environmental management. The release of new International Accounting Standards (IAS), the World Bank, United Nations, and International Federation of Accountants (IFAC) environmental guidance documents has added pressure to the IASC to come out with an environmental standard. UNCTAD has been at the forefront of work on environmental accounting. The Group recommended that it concentrate its future efforts on examining available guidance on the main issues in environmental financial accounting and on identifying key environmental performance indicators and their relation to financial performance. Ultimately, this has given a focus to form a framework for environmental accounting which may be used by national standard-setters. Such a framework will comprise a set of recommended "best-practices" which will be drawn from the work of national professional accounting bodies, industry groups and accounting standard setters. The present study is aimed to focus the environmental accounting issues and the legal frame work for environmental protection and remediation in the UAE. The required information for the study has been collected from secondary sources those include the official publications of the government and non government agencies. The study is limited to the law and regulation related to the environmental accounting issues in the UAE and; the summary of the study would reveal the effective environmental protection and remediation frame work for current environmental accounting practices in UAE.

Keywords: Environmental Accounting, UAE, Legal Frame work, Protection and Remediation.

1. Introduction

Conventional instruments of economic analysis do not in fact enable political decision-makers to measure reliably the effectiveness of the environmental policies implemented or the impact of economic policies on the environment. It is therefore, necessary to adopt suitable environmental monitoring and information systems, which can serve as a basis for political decisions. Compliance with environmental regulations can significantly affect product costs in industries such as chemicals, paper, steel, and utilities that face stringent environmental regulations. The taking of corrective management action to reduce environmental impacts and cost plus, where appropriate, the external reporting of the environmental and financial benefits in verified corporate environmental reports or published annual reports and audited accounts. The scope of an environmental accounting system is influenced by its intended use, whether for reporting, performance evaluation or ongoing management. Environmental accounting has become increasingly relevant to enterprises because environmental pollution have become more prominent economic, social and political problems through out the world. Green accounting or environmental accounting which was disclosed in the year 1999 for the first time describes an effort to incorporate environmental benefits and costs into economic decision making. Environmental accounting is used to determine measures to promote sustainable environmental management. Many companies are new interested in being green as many investors place a high value on environmental responsibility. Regulations have been developed to govern waste management and to ensure that corporations are environmentally conscious. The design and construction of environmental accounts is the most advanced area of non market accounts.

Environmental issues have become one of the recent topics that are on the top lists of the agenda of growth in the Middle East. UAE has also been on the push to make itself be a good participant in the issues that will slowly target and try to work at these issues. United Arab Emirates is the third biggest economy in the Arab world after Saudi Arabia and Egypt. The UAE consisting of seven emirates with an area comprising of 83600 square kilometers with a total population of 3.75 millions according to 2002 estimates. The UAE's GDP based on 1995 constant prices is 225.7 billion AED and according to current prices it is 260.6 billions. UAE has achieved impressive improvements in many social and economic development indicators during the past three decades. Along with the economic and social growth of the country it is necessary to protect the environment and finding remedies for inevitable areas of environment pollution in order to keep sound health of the people living in that country. The study focuses on the topic of the role of the governmental agencies in the UAE in Environmental Regulation. Since the study is related to the law for environmental protection, regulation and remediation in UAE, the information has been procured from secondary sources especially from government publications. The present study is purely confined to the legal frame work for environmental protection and remediation in the UAE only. The study may be useful for the persons interested in this

area for enriching their knowledge and related agencies for further developments in this field of environmental studies.

2. International Accounting Standards and Environmental Accounting

Several rules governing environmental disclosures have been developed in recent years. At the highest level of Generally Accepted Accounting Principles (GAAP) are the statements of financial accounting standards which are issued by financial accounting standards board.(FASB). The FASB emerging issues task force was formed in July 1984 to assist the FASB identify emerging issues affecting financial reporting and resolve problems in implementing authoritative pronouncements. ETIF issue no 90-8 required that all environmental contamination cost be expensed as incurred unless costs extend the life or increase capacity of property, cost mitigate or prevent future environmental contamination (that would otherwise occur), or cost are incurred to prepare property for sale. ETIF issue no 93-5 concluded that an environmental liability must be evaluated independently from any potential claim for recovery. This recovery Claim can reduce the liability only if it is probable. Securities and Exchange Commission standards state that it is appropriate to net the asset and liability if the asset's recovery is recognized as probable. The SEC approves discounting of liabilities to their present value. The management discussion and analysis section of the annual report requires forward looking disclosures.

The SEC in interpretation No 14 states that registrants must take reasonable steps to identify the minimum end of loss range with a higher priority on studying sites where a known problem exists. Registrants should assess the probability of an environmental obligation and any insurance recovery independently. Post remediation monitoring approaches have been developed. AICPA statement of position 96-1 environmental remediation liabilities covers auditing and accounting topics dealing with environmental issues. It details the responsibilities of corporations involved in environmental cleanup, and responsibilities of corporations to avoid environmental destruction. SOP 96-1 is a comprehensive environmental issues guide.

3. The UAE and the Environment Law:

In the UAE, there is a series of laws regulating different aspects of the socio-economic life of the country. The most notable, of course, is the set of laws which were enacted to protect and conserve the environment. The secret of the UAE's success lies in its ability to enforce laws that had been enacted in various fields. However, it must be acknowledged that no state, no matter how powerful it might be, could succeed single-handedly in enforcing laws without the public's cooperation.

Environmental Impact Assessment is a subject, which has enormous relevance for a country developing so quickly amid an extremely fragile natural environment. It touches the very essence of a company's environmental and

sustainable responsibility. This goes beyond philanthropy or volunteering and exposes the company's direct relationship with the local environment and its attitude towards it.

The United Arab Emirates, as a hub of dynamic growth and technological progress in the Middle East, offers tremendous potential for sustainable development achievable through strategic policies and practices that bring benefits to its economy, society and environment. Construction and development across the country touches every industry from tourism to oil and gas, and the impacts on the environment are felt beyond national boundaries.

The UAE Federal Environment Agency was formed in 1993 to manage the environment of the Emirates and to implement national environmental laws. Subsequent to that, the Environmental Research and Wildlife Development Agency (ERWDA) was created in 1996 (Law No.4). ERWDA was established to protect the natural wealth of the Emirate of Abu Dhabi, and to promote sustainable development. EAD was designated as the Competent Authority for environmental and wildlife issues within Abu Dhabi Emirate as outlined in Federal Laws No. 23 and No. 24. Some of the prominent UAE laws relating to environmental protection and remediation are summarized in the following text.

A. Federal Law number (39) of the year 1992 Concerning production, importing and circulation of Fertilizers and Agricultural Conditioners

The laws issued in amendment thereof, of the year 1974 concerning the regulation of importing seedlings and seeds, and the laws issued in amendment thereof, And the federal law number (4) of the year 1979 concerning the control of deception and fraud in trade transactions, And the federal law number (5) of the year 1979 concerning the Agricultural Quarantine and the laws issued in amendment thereof,

B. Federal Law number (41) of the year 1992 :Concerning Pesticides

In accordance with the provisional institution And the federal law number (1) of the year 1972 concerning the function of ministries and the powers of the ministers and the laws issued in amendment thereof,And the federal law number (2) of the year 1974 concerning the regulation of importing seedlings and seeds, and the laws issued in amendment thereof, And the federal law number (4) of the year 1979 concerning the control of deception and fraud in trade transactions,And the federal law number (5) of the year 1979 concerning the Agricultural Quarantine and the laws issued in amendment thereof.

C. LAW No. 4 of 1996: Establishment of the Environmental Research and Wildlife Development Agency (ERWDA)

This law defines the parameters of ERWDA, its objectives and activities, the authorities and responsibilities of the governing board and the secretary general and the budget. The main objective of the Agency is to protect the natural environment, wildlife and biological diversity through monitoring and submitting of proposals and recommendations and by carrying out studies and research required for the protection of the environment and wildlife. All Abu Dhabi Government Departments and Agencies are required to coordinate with the Agency in relation to research, studies and programs concerning environmental matters and wildlife. The Agency's approval is required for the issuing of any regulations, policies and decrees related to environmental and wildlife affairs.

D. Federal Law No. 23 of 1999 Protection and Development of Marine Resources

The main objectives of this law is to

- i. Govern the exploitation, protection and development of marine biological resources.
- ii. Cover all aspects of fishing, protection of marine resources and the marketing of commercial fish.
- iii. Set procedures for registration of vessels, and the licensing of fishermen and their activities.

E. Federal Law No. 24 of 1999 Protection and Development of the Environment

The main objectives of the law are as follows:

- i. To protect the environment; preserve its diversity and natural equilibrium.
- ii. To fight all forms of pollution and avoid harmful immediate or long-term adverse effects resulting from planning for economical, agricultural or industrial or constructional development or any development programs aiming to upgrade the standard of living; Agency co-ordination with other concerned authorities and departments in order to preserve the environment, its diversity and the natural equilibrium, and consolidate concepts of environmental awareness and principles of pollution prevention.
- iii. To develop natural resources and preserve the various living species in the UAE and utilize them in an optimal way for the benefit of present and future generations.
- iv. To protect society, the health of human beings and other living creatures from any activities or acts which compromise a risk to the environment or which may impede the lawful use of the environment milieu.
- v. To protect the UAE environment from the adverse impact created by external activities.

vi. To undertake the implementation of international and regional conventions ratified or signed by the state in respect of environment protection, pollution prevention and preservation of natural resources.

The Federal Environment Agency (FEA) is the legislative body authorized for the implementation of the above law on a country wide scale. On an emirate level, "competent authorities" will be responsible execute it through monitoring, research, and environmental assessment. In Abu Dhabi, EAD is the competent authority, all governmental departments and agencies must work in collaboration with EAD and seek approval for the "issuing of any regulations, policies and decrees related to environmental and wildlife affairs."

F. Federal Law No. (1) 2002 Regulation and Control of the Use of Radiation Sources and Protection against their hazards

The department at the Ministry which is concerned with the regulation and control of the use of the radiation sources, and the protection against their hazards. It is the exposure of people, either the workers, patients or public at large, to the ionizing radiations, or radioactive substances. The exposure can be external exposure, as a result of irradiation by radiation sources outside the human body, or internal exposure as a result of irradiation by radioactive material absorbed taken in the human body. Radiation exposure can be classified as either normal exposure, exposure expected to be received under normal operating conditions of a radiation source, or potential exposure, that may result from radiological accidents radiation exposure is also classified either as occupational, medical, or public exposure.

G. Federal Law No. 11 of 2002 Regulating and Controlling the International Trade in Endangered Species of Wild Fauna & Flora

H. Law No. (16) of 2005: The Reorganization of the Abu Dhabi Environment Agency.

This agency is aimed at protecting the environment and wildlife along with its biological diversity in its natural environment, offering suggestions, making recommendations and conducting necessary studies and researches to conserve the environment and develop wildlife. All government departments and agencies are required to coordinate with the Agency in relation to research, studies and programmes relating to environmental and wildlife affairs.

4. Projects and Programmes

EAD is a main actor in conserving the wildlife and ecosystems of the Emirate, as well as creating and implementing research projects, permitting, tracking and monitoring programmes. Because of the visionary leadership and guidance of its late president, Sheikh Zayed bin Sultan Al Nahyan, the United Arab Emirates (UAE) is considered one of the most responsible conservationist countries worldwide. Ever since the discovery of oil in the

1970s, the UAE has placed conservation and protection of the environment as part of its development policy. It has established several conservation organizations, which include the Federal Environmental Agency, (established 1992), and the Environment Agency – Abu Dhabi (EAD) (est.1996.) EAD is the major conservation agency in the UAE responsible for environment and wildlife issues in the Emirate of Abu Dhabi, the UAE's capital. Both organizations, based in Abu Dhabi, the UAE's capital, have been at the forefront of the UAE's conservation efforts. Overseeing a number of breeding centers and refuges for endangered marine life and wildlife, the UAE has one of the most efficient environmental conservation policies in the world. Within the past year, the UAE government has spent over \$100 million on conservation and breeding projects to protect endangered species in the region, especially for falcons and houbara. The government has long placed the preservation of the country's heritage as part of its development policy. This commitment to excellence is what makes the UAE not only a strong role model for economic development, but also for environmental protection of endangered species.

5. Summary

Environmental accounting has become increasingly relevant to enterprises because environmental pollution have become more prominent economic, social and political problems through out the world. Green accounting or environmental accounting which was disclosed in the year 1999 for the first time describes an effort to incorporate environmental benefits and costs into economic decision making. Environmental issues have become one of the recent topics that are on the top lists of the agenda of growth in the Middle East. UAE has also been on the push to make itself be a good participant in the issues that will slowly target and try to work at these issues. UAE has achieved impressive improvements in many social and economic development indicators during the past three decades. Several rules governing environmental disclosures have been developed in recent years in many countries. UAE has one of the most efficient environmental conservation policies in the world. The government has long placed the preservation of the country's heritage as part of its development policy it has established several conservation organizations. In the UAE, there are a series of laws regulating different aspects of the socio-economic life of the country. The secret of the UAE's success lies in its ability to enforce laws that had been enacted in various fields. Environmental Impact Assessment is a subject, which has enormous relevance for a country developing so quickly amid an extremely fragile natural environment. The United Arab Emirates offers tremendous potential for sustainable development achievable through strategic policies and practices that bring benefits to its economy, society and environment. There are several laws for the protection and remediation of environment in the UAE. The Federal Environment Agency (FEA) is the legislative body authorized for the implementation of the above law on a country wide scale. On an emirate level, "competent authorities" will be responsible execute it through monitoring, research, and environmental assessment. The

commitment to excellence is a strong role model for economic development and also for environmental protection of the UAE.

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APPENDIX
Federal Laws

Law No	Year	Subject
41	1992	Concerning Pesticides
39	1992	Production, importing and circulation of Fertilizers and Agricultural Conditioners
23	1999	Protection and Development of Marine Resources
24	1999	Protection and Development of the Environment
1	2002	Regulation and Control of the Use of Radiation Sources and Protection Against Their Hazards
11	2002	Regulating and Controlling the International Trade in Endangered Species of Wild Fauna & Flora
22	2003	Executive By-law of the Federal Law No. 11

Local Laws

Law No	Year	Subject
21	2005	Waste Management in the Emirate of Abu Dhabi

International Conventions/Protocols

SL. No	Convention/Protocol	Date of Ratification/ Accession
1	Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (LDC), 1972	1974
2	International Convention for the Safety of Life at Sea (SOLAS), 1974.	1983
3	International Convention for the Prevention of Pollution of the Sea by Oil, 1954 and its amendments.	1983
4	International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties (INTERVENTION), 1969.	1983
5	International Convention on Civil Liability for Oil Pollution Damage (CLC), 1969.	1983
6	Vienna Convention for the Protection of the Ozone Layer of 1985 and Montreal Protocol on Substances that Deplete the Ozone Layer of 1987.	1989
7	Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) 1973.	1990
8	Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their disposal, 1989.	1990
9	United Nations Framework Convention on Climate Change for the year 1992.	1995
10	1992 Protocol Concerning Amendments on International Convention on Civil Liability for Oil Pollution Damage (CLC), 1969 and International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1971.	1997
11	Convention on Limitation of Liability for Maritime Claims (LLMC), 1976.	1997
12	United Nations Convention to Combat Desertification for the year 1994.	1998
13	Convention on Biological Diversity for the year 1992.	1999
14	Convention on Persistent Organic Pollutants (POPS), 2001.	2002
15	Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (PIC Convention), 1998.	2002
16	Montreal Amendments (London 1990, Copenhagen 1992, Montreal 1997, Beijing 1999).	2005
17	Kyoto Protocol, 1997	2005

Regional Conventions

SL. No	Convention/Protocol	Date of Ratification/ Accession
1	Kuwait Regional Convention for cooperation on the protection of the marine environment from pollution, 1978	1979
2	Protocol concerning Marine Pollution resulting from Exploration and Exploitation of the Continental Shelf, 1989	1990
3	Convention on Conservation of Wildlife and its Natural Habitats in the GCC countries	2003
4	Protocol on the Control of Marine Transboundary Movements and Disposal of Hazardous Wastes and Other Wastes, 1998.	2005