GREEN ACCCOUNTING - A CRITICAL LEGAL PERSPECTIVE

Sneha Master

Assistant Professor, S. M. Patel Institute Of Commerce, GLS.

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Abstract

Green Accounting is basically adoption of valuation of natural capital integration in planning for development. Incorporating green accounting into national economic accounts could provide a measure of sustainability; however, considerable advanced methods of measurement and valuation are needed. There are, of course, no substitutes for the life-sustaining services of nature and the question of when and how to account for this fact is the source of many ongoing debates in green accounting.

Key words : *Green accounting, accounting, legal, Critical.*

Over the past few decades accelerated industrialization and rapid economic growth has resulted into over exploration of natural resources. Release of solid, liquid hazardous waste and emission of greenhouse gases by industrial sectors are posing threat to the very existence of mankind and the planet through environmental destruction.

This would make clear how natural assets will be depleted and /or depreciated by the planned development .Sustainability of human beings depends on very large extent on the availability of natural resources for future generation. Conservation and accountable usage of natural assets is the responsibility of present generation . Government intervention in the form of law is considered as an important tool for making effective implementation of this responsibility in today's era . The key is not only to measure the total value of natural assets but also to measure the distribution of benefits, how much goes to each stakeholder group and the dependence of each group on natural capital especially the poor.

Green Accounting is basically adoption of valuation of natural capital integration in planning for development. Incorporating green accounting into national economic accounts could provide a measure of sustainability; however, considerable advanced methods of measurement and valuation are needed. From a purely accounting perspective, particular forms of capital could be diminished or, in an extreme case, wholly eliminated without decreasing overall welfare if other forms can be substituted for it. There are, of course, no substitutes for the life-sustaining services of nature and the question of when and how to account for this fact is the source of many ongoing debates in green accounting.

Natural capital is a critical asset, especially for low-income countries where it makes up a significant share (36%) of total wealth. For these countries, livelihoods of many subsistence communities depend directly on healthy ecosystems. Incorporating natural capital into national accounts can support better decisions for inclusive development.

GDP only measures gross output. It tells us nothing about income for the long term. It does not answer questions like - Are income and growth sustainable? Will the same level of income be available for our children? That's because GDP looks at only one part of economic performance—output—but says nothing about wealth and assets that underlie this output and the generation of income. For example, when a country exploits its minerals, it is actually depleting wealth.

The other major limitation is the poor representation of natural capital. Important contributions to the economy of forests, wetlands, and agricultural land are not fully captured in national accounts or may be hidden. Forestry is an example—timber resources are counted in national accounts, but forest carbon sequestration is not included. Other services like water regulation that benefits crop irrigation are hidden and the value is (wrongly) attributed to agriculture in a country's GDP. It is in the interest of developed and developing countries to move beyond traditional GDP and start incorporating their natural capital into their national accounts to make better economic decisions.

Green Accounting : Green accounting is an accounting system that measures the currently unaccounted for economic losses that are experienced by renewable and nonrenewable resources in the environment. By incorporating these losses into all levels of economic accounting, all parts of the economic sectors can make informed decisions that support long term sustainable development and help strengthen human rights affected.

Natural capital includes, first of all, the resources that we easily recognize and measure such as minerals and energy, forest timber, agricultural land, fisheries and water. It also includes ecosystems producing services that are often 'invisible' to most people such as air and water filtration, flood protection, carbon storage, pollination for crops, and habitat for fisheries and wildlife. These values are not readily captured in markets, so we don't really know how much they contribute to the economy and livelihoods. We often take these services for granted and don't know what it would cost if we lose them.

The concept of accounting for natural capital has been around for more than 30 years. However, progress in moving toward implementation has been slow. Human rights and the environment are inextricably linked and in respect to sustainable development, natural allies. Ecosystem services – including food, clean water, medicinal substances ,recreation, and protection from natural hazards such as floods and droughts are indispensable to the well-being of all people in all places. Loss of such services will increasingly threaten humanity's 'right to development'.

Almost from the emergence of contemporary concern with environmental protection in the late 1960s, the impact of environmental sustainability on the enjoyment of human rights was strongly perceived. The linkage figured prominently in the United Nations Conference on the Human Environment, held in Stockholm in 1972.

A major step towards achieving this vision came recently with the adoption by the UN Statistical Commission of the System for Environmental-Economic Accounts (SEEA). The SEEA provides an internationally agreed method, on par with the current SNA, to account for material natural resources like minerals, timber, and fisheries. The challenge now is to build capacity in countries to implement the SEEA and to demonstrate its benefits to policy makers.

Natural capital accounting can provide detailed statistics for better management of the economy. For example land and water accounts can help countries interested in increasing hydro-power capacity to assess the value of competing land uses and the optimal way to meet this goal. Ecosystem accounts can help biodiversity-rich countries design a management strategy that balances tradeoffs among ecotourism, agriculture, subsistence livelihoods, and ecosystem services like flood protection and groundwater recharge. Ecosystems accounting not only provides a tool to maximize economic growth but is also a means to measure who benefits and bears the cost of ecosystem changes, helping governments gauge whether their growth is inclusive.

Following the recent adoption of the System for Environmental-Economic Accounts, there is now wide acceptance of the need to put natural capital accounting into action. As a result, there is renewed momentum with finance ministries and ministries of environment who want to show the contribution of natural capital to national income. Countries that have started implementing the SEEA have a road map to guide them through this process. They begin by establishing institutional structures with clear lines of responsibility and commitments across government departments. Rather than taking on the challenge of compiling all natural capital accounts at once, countries are prioritizing which sub-accounts to begin with, based on important development challenges facing them.

Sustainability and Comprehensive Wealth : An application of consistent and comprehensive theoretical framework is required for assessing whether economic growth is compatible with sustaining well-being over time. This approach differs from earlier approaches by concentrating on wealth rather than income. The sustainability requirement is that a properly-defined comprehensive measure of wealth must be maintained through time. Our wealth measure is unusually comprehensive, capturing not only reproducible and human capital but also natural capital in its various aspects, health improvements (beyond those in human capital), and technological change. Several economic effects not mediated through the market are given emphasis. We consistently integrate population growth to arrive at changes in comprehensive wealth per capita.

We apply the framework to five countries that differ significantly in stages of development and resource bases: the United States, China, Brazil, India, and Venezuela. We show that the often-neglected contributors to wealth – technological change, natural capital, and health capital – fundamentally affect the conclusions one draws about whether given nations are achieving sustainability. Indeed, even countries that manage to maintain per-capita wealth (that is, achieve sustainability) differ considerably in the kinds of capital that contribute to this accomplishment.

The inclusion of health capital makes a huge difference to our estimates of changes in per-capita wealth. The value of this capital is more than twice that of all other forms of capital combined. As a result, health capital's growth rate largely determines the growth rate of comprehensive wealth.

Waves —Wealth Accounting And Valuation of Ecosystem Services : The World Bank has launched a 5-year global partnership on Wealth Accounting and Valuation of Ecosystem Services (WAVES), a program to implement green accounting in a critical mass of countries, both developed and developing. Launched by President Robert B. Zoellick at the Convention on Biological Diversity meeting in October 2010 in Nayoga , Japan, the project will last for five years with the implementation phase from 2012-2015.

WAVES promotes sustainable development worldwide through the implementation of comprehensive wealth accounting that focuses on the value of natural capital and integration of "green accounting" in more conventional development planning analysis. WAVES will enable more informed decision making - targeting Ministries of Finance and Planning and Central Banks - to support sustainable development and genuine green growth . WAVES provides a broad platform including the United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP), other UN agencies, developed and developing nations, international organizations, NGOs and academics.

Major Components of Waves

Objectives :

Implementation of natural capital accounting in 6-10 countries:

Colombia, Mexico, Uganda, Madagascar, Philippines, India, Norway, UK (Australia, Canada, Japan)

Incorporate natural capital accounts in policy analysis and development planning

Contribute to methodology for ecosystem accounting for the SEEA

Promote adoption of natural capital accounting beyond the pilot countries

Natural Capital Accounting Components include :

Monetary value of ecosystem services produced annually and cost of degradation

Distribution of benefits and burden of degradation among different stakeholders

Value of natural capital assets and Comprehensive Wealth accounts

Issues :

Scaling up to national level

Maintaining spatial characteristics

Valuation Techniques :

Market prices for provisioning & recreational services

Other techniques for regulating services, drawing on models such as ARIES and InVest

Legal Perspective at National Level : India currently does not have a system of "green accounting" and that economists estimate gross domestic product (GDP) as a broad measure of national income, while net domestic product (NDP) accounts for the use of physical capital. "As yet we have no generally accepted system to convert gross domestic product into green domestic product that would reflect the use of precious depliable natural resources in the process of generating national income, At national level, lawmakers in many countries have drafted constitutional and legislative provisions setting forth the right to an environment of a specified quality, such as healthy, safe, secure, clean, or ecologically sound. Some 130 constitutions in the world, including the overwhelming proportion of those amended or written since 1970,include a state obligation to protect the environment or a right to a safe, healthy, ecologically (adjective) environment. The protection of the environment and the promotion of human rights are increasingly seen as intertwined, complementary goals, and part of the fundamental pillars of sustainable development. The two fields share a core of common interests and objectives indispensible for sustainable development. Each human being depends on ecosystems and the services they provide, such as food, water, disease management, climate regulation, spiritual fulfillment, and aesthetic enjoyment. At the same time, all human activities have an impact on the environment. A global green economy will necessitate an emphasis on coordination and implementation, better incorporating public, private, and civil society, including at the national and sub-national levels. This will require multilevel governance. Many existing institutions at both the global and the national level have the mandate to address environmental protection, while others are devoted to human rights. Both sets of institutions face a variety of challenges related in part to the need for greater cooperation across sector the need for coordinated responses at multiple levels. In particular, there is no comprehensive international agreement addressing these matters in a holistic manner, nor is there a single agency addressing the problems. The lack of coordination among different agencies and treaty bodies has had some negative effect on the success of integrative laws and policies and should be a priority issue for the future. India expects to put in place, in five years, a system of green national accounting that will take into account the environmental costs of development and reflect the use of precious natural resources in the process of generating national income. Union Minister of State for Environment and Forests Jairam Ramesh says he has set the ball rolling for a system of green national accounting in India, by 2015 at least.

Conclusion : Green accounting is the popular term for environmental and natural resource accounting, which incorporates environmental assets and their source and sink functions into national and corporate accounts.

The path of environmental protection and vindication of human rights violations has a long fought legacy that has taken on many forms- conventions, institutions, court cases, and even military action. For all this work, the international community still wrestles, more than ever, with the ability to create lasting peace, as well as ensuring human dignity is preserved.

Although no greater hope can be realized when environmental and social well-being is completely harmonized across the globe, the current injustices require a flexible and resource approach to achieving redress. One such approach is pursuing compliance with internationally standards of accounting natural capital as a part of preparation of Green National Accounts.

Abbreviations :

NCA	-National Capital Accounting
SEEA	-System foe Environmental-Economic Accounting
WAVES	-Wealth Accounting and Ecosystem Services
GDP	-Gross Domestic Product
GNP	-Gross National Product
NDP	-Net Domestic Prtoduct

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