CHAPTER 14

ENVIRONMENTAL MANAGEMENT ACCOUNTING
IN THE FRAMEWORK OF EMAS II IN THE CZECH REPUBLIC

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Abstract. Environmental management systems are broadly implemented in enterprises in the Czech Republic. The Eco-Management and Audit Scheme (EMAS) consists in voluntary activity of the enterprise, intended to control the environmental impact of enterprise activities and to provide the relevant information to the general public and other interested parties.

The Czech Republic has included requirements on implementation of environmental management accounting in the framework of EMAS. If an enterprise is attempting to implement EMAS, then an essential part of the system consists in the obligation to establish and maintain procedures for tracing of environmental costs in order to implement environmental management accounting (EMA).

The paper deals with requirements on EMA implementation in the framework of EMAS as well as reporting of environmental costs and revenues. The paper includes some of the results acquired from a qualitative study of the state of preparedness of enterprises, registered in the EMAS, to implement EMA.
1 INTRODUCTION

Industrial enterprises in the Czech Republic are well aware that their approach towards environmental protection is one of the important factors in attaining business success and that they must comply with conditions following from the laws in the area of environmental protection. Often, the costs of achieving compliance with these regulations are very high. The environmental performance of a company and environmental costs could significantly affect the economic results of a company and its financial position (Hyrslová and Böhmová, 2003). The financial consequences of the attitude of the company towards the environment are of interest not only for the company management, but also other stakeholders (investors, creditors, owners, employees, customers, suppliers, competing companies, state bodies, the public, the media and environmental movements and initiatives). These facts lead to the need to employ environmental management accounting and environmental management systems.

Environmental accounting is a significant component of environmental policy in the Czech Republic. It is employed both at the governmental level and at the company management level and is an irreplaceable instrument in enforcing integration of economic aspects into environmental policy (Hájek, 2002). Increased knowledge of its potential and especially use in decision-making processes is important for implementation of individual measures leading to achieving of the targets of environmental policy.

The first attempts to employ environmental management accounting (EMA) were made in the Czech Republic at the beginning of the 90's in connection with approving a number of environmental laws, which significantly affected the economics of the business sector and it was necessary to analyse the impacts of these laws. As no uniform national methodology was available, simplified environmental accounting was mostly employed in the individual enterprises, consisting in tracing the main elements of costs related to environmental protection and reflected in the accounting of the enterprise (Czech Environmental Management Centre, 1993). Basically, two approaches, which can be employed separately or jointly, were employed. Depending on the employed methodology, impacts caused by environmental investments were traced or the impact of increased operating costs was assessed (e.g. also including environmental charges). Tracing of operating costs was based methodically on environmental accounting, which concentrated on tracing of all costs (and payments such as the above-mentioned environmental charges) and revenues or savings related to environmental protection.

Attempts to control the environmental impacts of activities appeared in Czech enterprises simultaneously with the first attempts to introduce EMA. The enterprises decrease the detrimental impact on the environment by introducing environmentally-friendly technologies. Preventative approaches are preferred (preventing waste generation) rather than end-of-the-pipe measures (removal of wastes). The viewpoint of